

# QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2015



stanmorecoal

Completed the  
acquisition of

**Isaac  
Plains**

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Golding Contractors  
awarded as Isaac Plains

**Mining  
Contractor**

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Targeting first  
coal production

**April  
2016**

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**HIGHLIGHTS FROM**  
**THE DECEMBER**  
**QUARTER**

During the quarter ended 31 December 2015, Stanmore Coal Limited ("Stanmore" or "the Company") completed the acquisition of the Isaac Plains ("IP") Mine and awarded a three (3) year mining contract to Golding Contractors, targeting first coal by April 2016. This acquisition, together with the previous acquisition of Isaac Plains East ("IPE", formerly known as Wotonga), provides Stanmore with an established coking coal mine and an adjacent expansion project which will see the Company producing an initial 1.1 Mtpa of coking coal with growth potential thereafter. These assets provide a strategic platform in the region as we seek to build a scale coking coal business at a cyclical low point in the coal market featuring depressed asset prices.

Continuing Stanmore's strong safety record, there were no lost time injuries recorded during the quarter in which 7,776 hours of exploration were undertaken by contractors and employees of Stanmore. A total of 6,980 metres were drilled across 52 drill sites within Isaac Plains (42) and the Clifford Project (10).

On 30 November 2015, the Company announced it had completed the acquisition of the Isaac Plains Coal Mine from Vale S.A. and Sumitomo Corporation at an acquisition price of \$1, with Stanmore assuming all outstanding contracts including transport infrastructure access arrangements. In exchange for releasing the Vendors from material ongoing liabilities, Stanmore will receive a series of compensation payments totaling \$56m. The Vendors will receive a production-based royalty to be applied based on higher coal price thresholds (above a hard coking coal price of A\$160 per tonne). Taurus Mining Finance Fund has committed to provide Stanmore with a two year facility which will be used to cash-back certain financial guarantees as well as providing additional working capital if required.

The Stanmore Group cash position at 31 December 2015 was \$30.5 million.

With the appointment of Golding Contractors as mining contractor on 17 December 2015, Stanmore is targeting first coal by April 2016 at an initial production rate of 1.1Mt per annum. Isaac Plains contains a JORC resource of 30.1Mt with open cut JORC reserves of 5.0Mt.

The Department of Environment and Heritage Protection accepted the Isaac Plains Plan of Operations on 21 January 2016 allowing Golding to commence production drilling on site, with operational handover of full site responsibilities scheduled for 1 February 2016.

Operations to be undertaken by Golding Contractors have been optimised at a lower annual tonnage than the historic target to reflect a reduction in infrastructure take-or-pay commitments. Stanmore's low cost approach and optimised mine plan result in a

FOB<sup>1</sup> unit cost reduction of around 35% (compared to prior operations) largely due to maximising the use of the low cost dragline system and targeting the lower strip ratio coal in northern pits only. Stanmore's revised operating costs place the Isaac Plains Mine in the 2nd quartile of a margin-adjusted global metallurgical coal cost curve<sup>2</sup>.

During the quarter the company commenced an extensive confirmatory exploration program for the Isaac Plains East mine expansion, including core drilling, 2D seismic analysis and line of oxidation (LOX) definition, to deliver detailed coal quality and geological information which is anticipated to inform mining feasibility studies and a maiden JORC Resource. The results of the exploration program are expected within 1H 2016.

Isaac Plains East is a shallow, coking coal deposit which is located adjacent to the existing infrastructure of Isaac Plains meaning negligible additional capital expenditure is required to bring IPE into production. It is anticipated IPE will extend the open cut mine life of the combined Isaac Plains project from 3 years to around 10 years under current coking coal prices.

During the quarter, spot coking coal prices were relatively flat in US dollar terms however the negotiated 1Q 2016 benchmark prices dropped to close the gap to the spot market. 1Q 2016 benchmark contract prices for low-volatile premium hard coking coal settled at US\$81/t and semi-soft coking coal prices settled at US\$66/t<sup>2</sup>. Notable for the Australian coal industry during the quarter was the US Federal Reserve's decision to raise interest rates. Further US interest rate rises are likely to put more pressure on the AUD/USD exchange rate providing improved margins for Australian producers.

The Company completed the balance of the onsite exploration activities at the Clifford Project during the quarter, with laboratory processing anticipated by 1Q 2016. Stanmore acknowledges the continued support of Japanese government agency JOGMEC in funding this drilling program.

The Board would like to thank all the shareholders for their support during this key transition phase to becoming a coking coal producer.

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<sup>1</sup> Free On Board

<sup>2</sup> Wood Mackenzie Global Coal Service and Stanmore Coal analysis



# COAL IN THE NEWS

A selection of relevant coal market articles is 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.

“Stanmore Coal is a little Aussie company that has got in there and rolled its sleeves up and shown us what Aussie ingenuity can do... It's recognised this is the time of opportunity in the coal mining sector. Never will this infrastructure be at such rock bottom prices.”

DR ANTHONY LYNHAM – MINISTER FOR  
NATURAL RESOURCES AND MINES

“The company's had a very close look at this asset and have worked out a way to make money from mining there and the company also has some other coal deposits nearby, so there are great synergies out of this operation for Stanmore Coal, so I think we will see more good news coming out of Stanmore Coal over the next year or so.”

MICHAEL ROCHE – CHIEF EXECUTIVE,  
QUEENSLAND RESOURCE COUNCIL





# PROJECT

## SNAPSHOT

### ISAAC PLAINS COKING COAL MINE

- Isaac Plains Mine restart is on track for 1H 2016 after awarding a 3 year mining contract to Golding Contractors. Current reserves support over 3 years of open cut mining at initial mining rate of 1.1 Mt per annum of product coal
- Production drilling commenced in January with operational handover to Golding scheduled for 1 February 2016
- An optimised mine plan and a low cost mining approach result in a reduction of FOB unit costs by around 35% (compared to prior operations), placing the mine in the 2<sup>nd</sup> quartile of a margin-adjusted global metallurgical coal cost curve
- The adjacent Isaac Plains East Project will benefit from operational and capital synergies from acquired assets which include a Bucyrus 1370W dragline, coal handling facility, train load out and rail spur facilities, office facilities and workshops
- Commenced exploration program to confirm JORC Resource status for Isaac Plains Underground and Isaac Plains East expansion opportunities. Mine planning and approvals processes to commence for IPE
- Marketing activities have seen strong interest from Asian customers with off-take discussions currently under negotiation

### BELVIEW UNDERGROUND COKING COAL

- 330 Mt JORC Resource<sup>1</sup> (50 Mt Indicated, 280 Mt Inferred)
- Completed exploration program utilising \$1.5 million funding support provided by Taiheiyo Kouhatsu and JOGMEC
- Coal quality analysis work confirms the project can produce a high quality coking coal plus secondary PCI product, with a high total product yield
- Pre-Feasibility Study underway with a focus on reducing capital costs and developing initial mining options
- Located adjacent to Blackwater rail line which connects to the coal loading terminals of Gladstone

### THE SURAT BASIN

- Substantial resource position at The Range – 94 Mt JORC Marketable Reserve<sup>2</sup>, 287 Mt total JORC Resource (18 Mt Measured, 187 Mt Indicated + 82 Mt Inferred)
- JORC Resource of 370 Mt at Clifford Project (80 Mt Indicated, 270 Mt Inferred)
- Third exploration period at the Clifford underway funded by partners JOGMEC. Drilling targeting Grange and Liberty zones
- No material level of expenditure required on the Range prior to development of rail infrastructure and decision to proceed

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# ISAAC PLAINS

## COKING COAL MINE

### TENEMENTS

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**ML 70342, EPC 755, MDL 135 and (part) MDL 137**

### OWNERSHIP

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**100% Stanmore Coal**

### LOCATION

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**11 km east of Moranbah**

### AREA

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**32.9 km<sup>2</sup> (combined)**

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

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**30.1 Mt (10.0 Mt Measured, 9.1 Mt Indicated and 11.0 Mt Inferred)**

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

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**5.0 Mt (included within 30.1 Mt, Measured, Indicated and Inferred Resource noted under JORC Resource)**

On 30 November 2015, the Company completed the acquisition of the Isaac Plains Coal Mine from Vale S.A. and Sumitomo Corporation at an acquisition price of \$1, with Stanmore assuming all outstanding contracts including transport infrastructure access arrangements. In exchange for releasing the Vendors from material ongoing liabilities, Stanmore will receive a series of compensation payments totaling A\$56m. These payments are repayable to the Vendors via a production-based royalty to be applied based on higher coal price thresholds (above a hard coking coal price of A\$160 per tonne).

The Company estimates forecast total cash expenditure until first coal to be \$17.1m, with \$6.3m in vendor compensation payments to be received over the same period. This results in a forecast closing cash balance at first coal of approximately \$19m.

Isaac Plains is on track to deliver its first coal shipment by April 2016 following the award to Golding Contractors of a three (3) year open cut mining contract. The mining services contract provides Stanmore with the flexibility to amend the mine plan to access Isaac Plains East within the contract term.

On 21 January 2016 the Department of Environment and Heritage Protection approved the Isaac Plains Plan of Operations and Financial Assurance assessment, allowing production drilling to commence on site the following day. The revised Financial Assurance is \$9.9m less than the original amount financed at transaction completion (November 2015), thereby allowing Stanmore to materially reduce its financing costs by significantly reducing the drawn funding from Taurus Mining Finance Fund.

Following the acceptance of the Plan of Operations, Golding will assume full site responsibilities on 1 February 2016 including statutory positions (Coal Mine Operator (CMO) and Site Senior Executive (SSE)), operation of Stanmore's dragline, supply of truck & shovel and ancillary equipment, hire of operational personnel and plant maintenance. In relation to the wash plant activities, Golding will engage an experienced subcontractor to provide operational expertise and personnel.

In preparation for operational handover to Golding, Stanmore have undertaken to refurbish the dragline and coal processing plant. The dragline refurbishment program was completed mid-January (see pictures below), under

budget with no lost-time injuries. The coal processing plant refurbishment program has commenced January.

Operations to be undertaken by Golding have been optimised at a lower annual tonnage than the historic target to reflect a reduction in infrastructure take-or-pay commitments and an initial production rate of 1.1 Mt per annum. Stanmore's low cost approach and optimised mine plan result in a FOB unit cost reduction of around 35% (compared to prior operations) largely due to maximising the use of the low cost dragline system and targeting the lower strip ratio coal in northern pits only. Stanmore's revised operating costs place the Isaac Plains Mine in the 2nd quartile of a margin-adjusted global metallurgical coal cost curve.

Golding will be paid on an all-inclusive basis, which requires the contractor to assume certain efficiency and operational risks to execute the Mine plan. Rates will be based on the following rolled up services:

- Waste rate (\$/bcm<sup>3</sup>) – covering blasting and all overburden removal
- Coal mining rate (\$/bcm) – covering mining and transport to the CHPP utilising Golding fleet
- Processing rate (\$/ROM<sup>4</sup> t) – covering operation of the CHPP and train load-out

## Isaac Plains – Project Expansion

The Company completed the acquisition of the Isaac Plains East Project (MDL 135 and part of MDL 137) on 4 September 2015. The shallow, coking coal deposit is well located near the existing infrastructure of Isaac Plains which is anticipated to deliver operational and capital synergies for both projects. The majority of the consideration is payable only when the Company achieves certain development milestones.

The Company has commenced an extensive confirmatory exploration program for Isaac Plains East and to assess the near term, low cost expansion options via underground mining with access from the Isaac Plains highwall. The exploration program includes core drilling, 2D seismic analysis and line of oxidation (LOX) definition to deliver detailed coal quality and geological information which is anticipated to inform mining feasibility studies and a maiden JORC Resource for IPE. The exploration program to date is well progressed with results expected within the first half of 2016.

Stanmore is planning to lodge an EA amendment and ML application by mid-2016, with approvals anticipated within 12 months of lodging. Upon being granted an ML at Isaac Plains East, the Company will have the ability to transition mining from Isaac Plains to the shallower, lower strip ratio coals at Isaac Plains East.



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<sup>3</sup> Bank Cubic Metre

<sup>4</sup> Run of Mine



## Dragline refurbishment program completed



Shutdown village in place



Pulling tub out



Rack segments removed



Drag/hoist input pinions



Removing hoist gearing



Tent over tub for swing rack installation



Tub cleaned and swing rack re-lubed



Dragline ready for operation

### **Golding mobilisation to site underway**



EX5500 Excavator on site

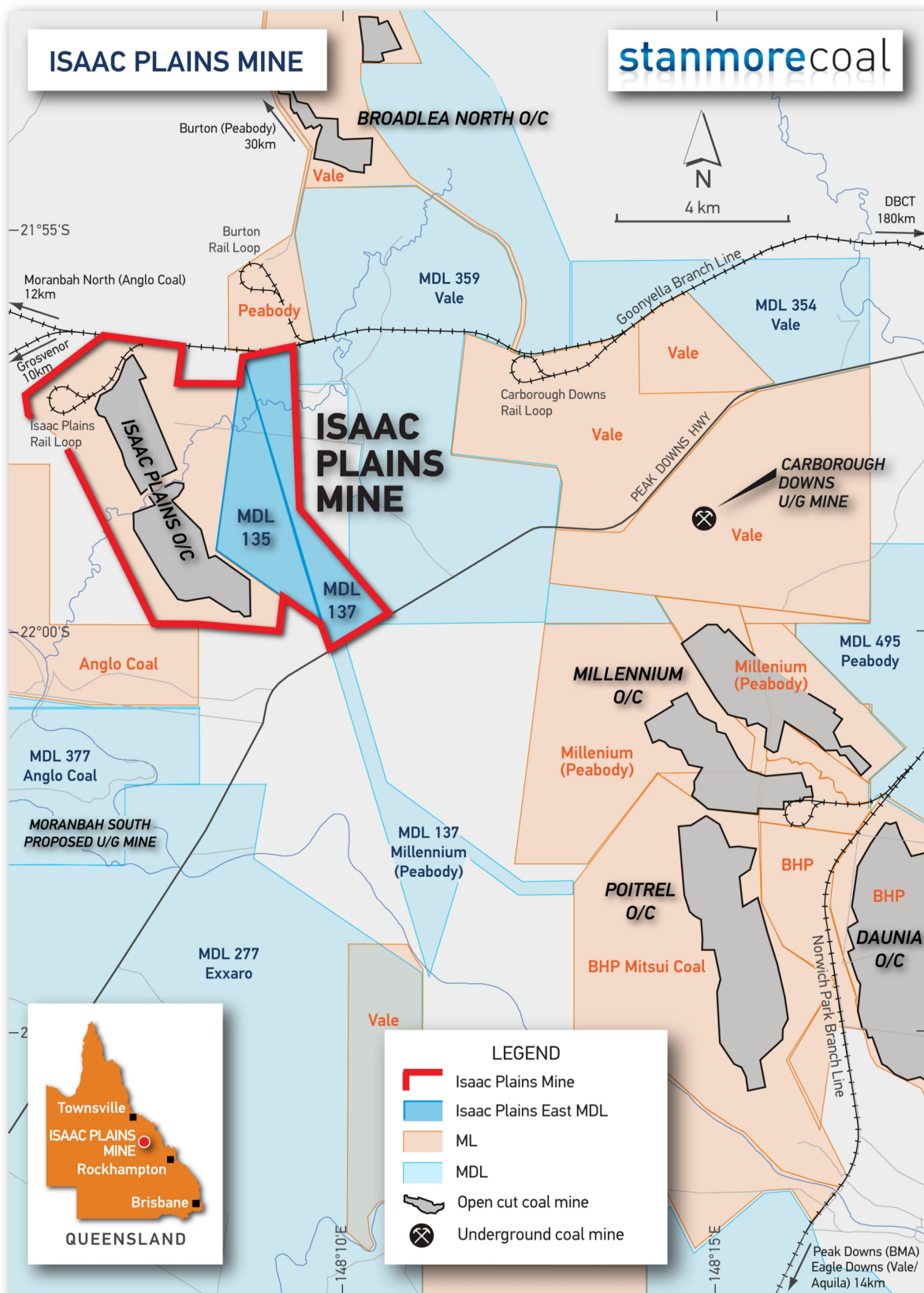


Trucks on site



Production drilling underway







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# BELVIEW

## COKING COAL PROJECT

### TENEMENTS

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EPC 1114, 1186, MLA 80199

### OWNERSHIP

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100% Stanmore Coal

### LOCATION

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10 km south-east of Blackwater

### AREA

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170 km<sup>2</sup>

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

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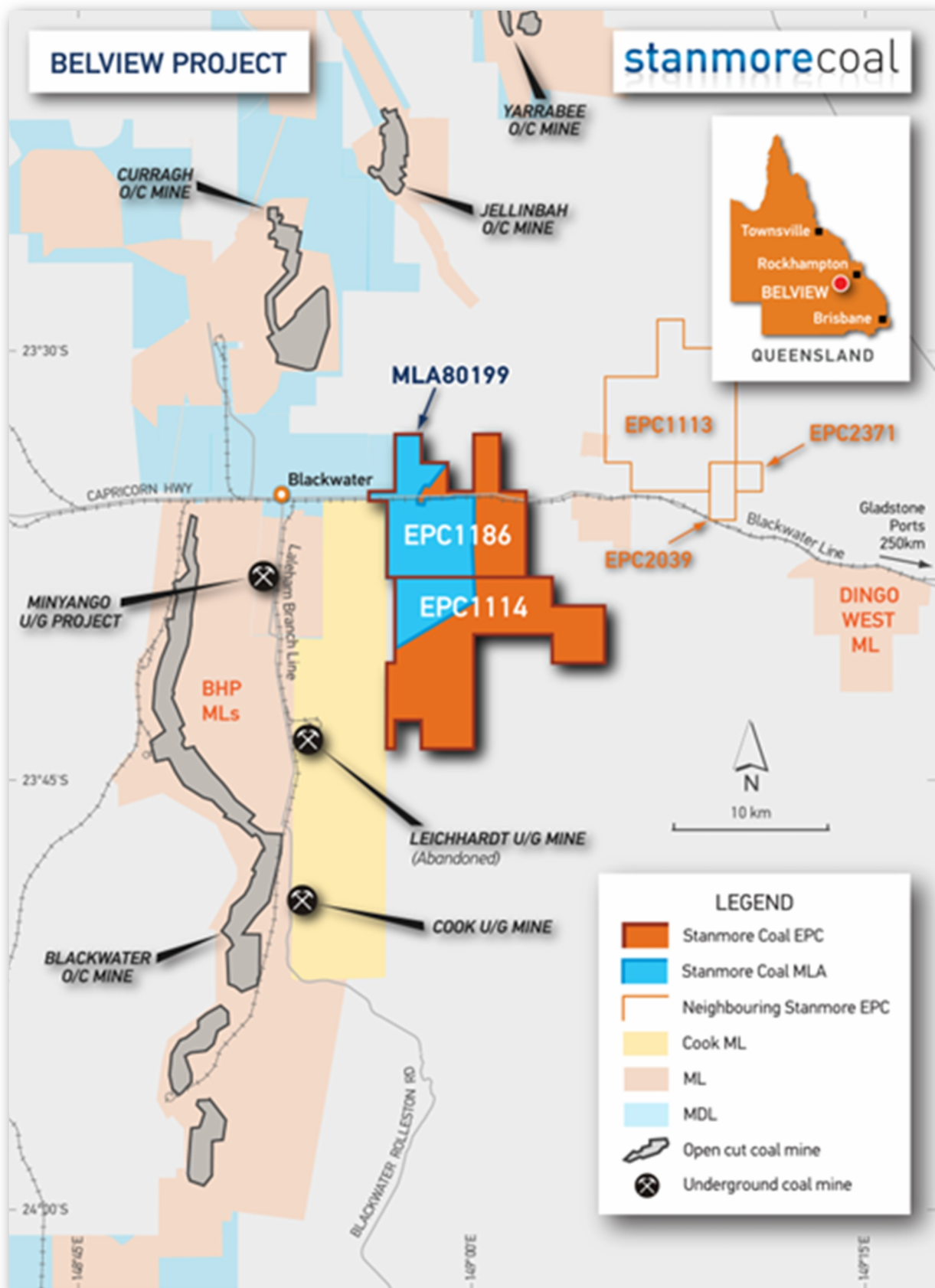
330 Mt (50 Mt Indicated, 280 Mt Inferred)

Coal quality results to date confirm attractive coking properties across multiple seams, targeting a Hard Coking Coal (“HCC”) primary product and a secondary low volatile Pulverised Coal Injection (“PCI”) product.

The project is located on the existing Blackwater Rail Line connected to the Gladstone Port and is nearby existing operating coking coal mines.

#### Indicative product specification for Pollux seam within Resource area

Parameter		Primary HCC Product	Secondary PCI Product
Product Split	% Mass	61	39
Inherent Moisture	%	1.5	1.7
Ash	% (ad)	6.5	9.5
Volatile Matter	% (ad)	18.8	17.6
Fixed Carbon	% (ad)	73.2	71.2
Total Sulphur	% (ad)	0.41	0.37
Phosphorus	% (ad)	0.06	0.06
Calorific Value	kcal/kg (gad)	7,900	7,620
Crucible Swell Number (CSN)		6-7	1
Vitrinite Reflectance (Ro Max)	%	1.50	1.48



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# LILYVALE

## COKING COAL PROJECT

### 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

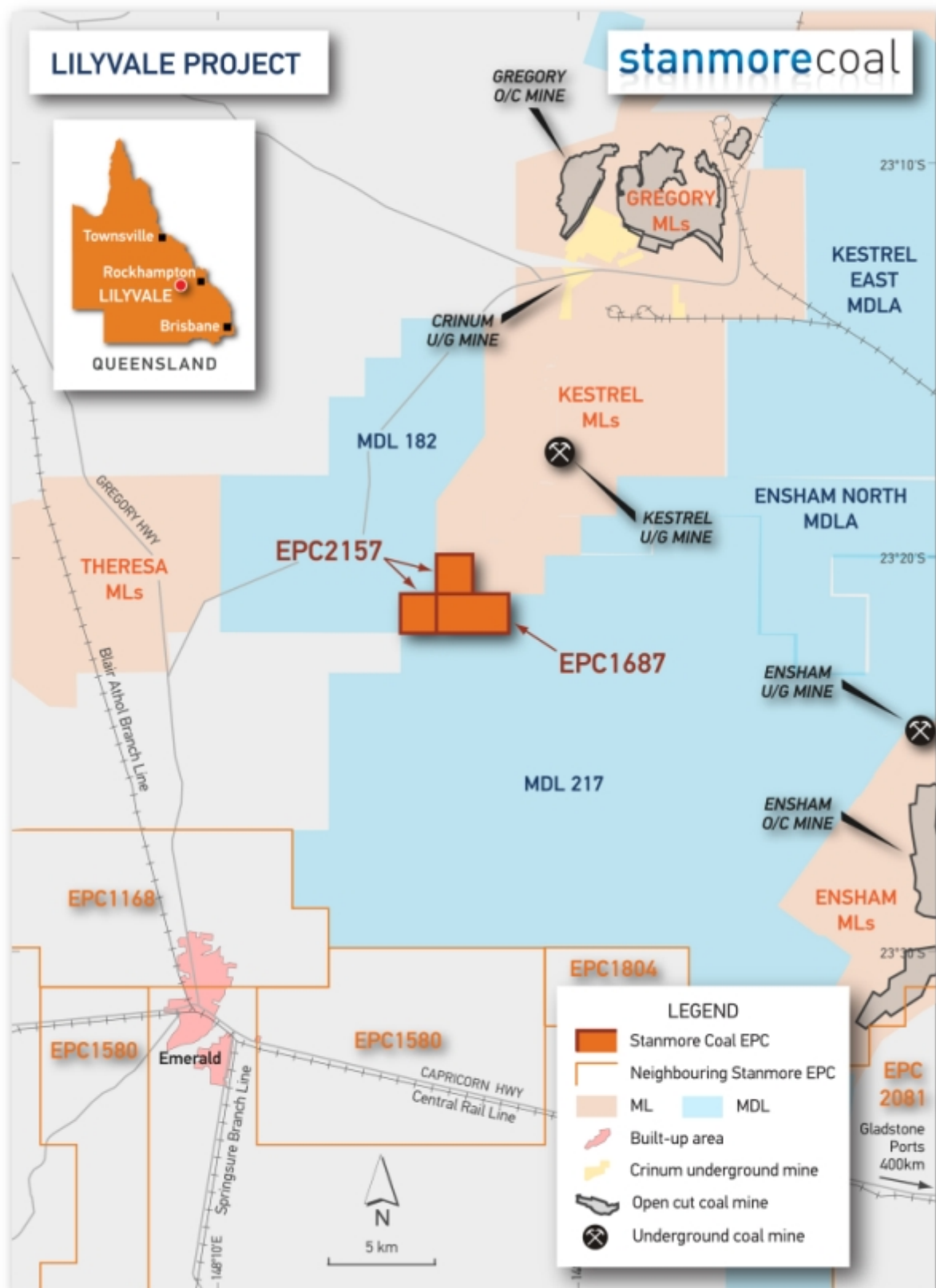
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**13 km<sup>2</sup>**

No work was carried out at Lilyvale during the quarter. 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.





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# THE RANGE

## THERMAL COAL PROJECT

### TENEMENTS

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

### OWNERSHIP

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**100% Stanmore Coal**

### LOCATION

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

### AREA

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

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

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

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

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

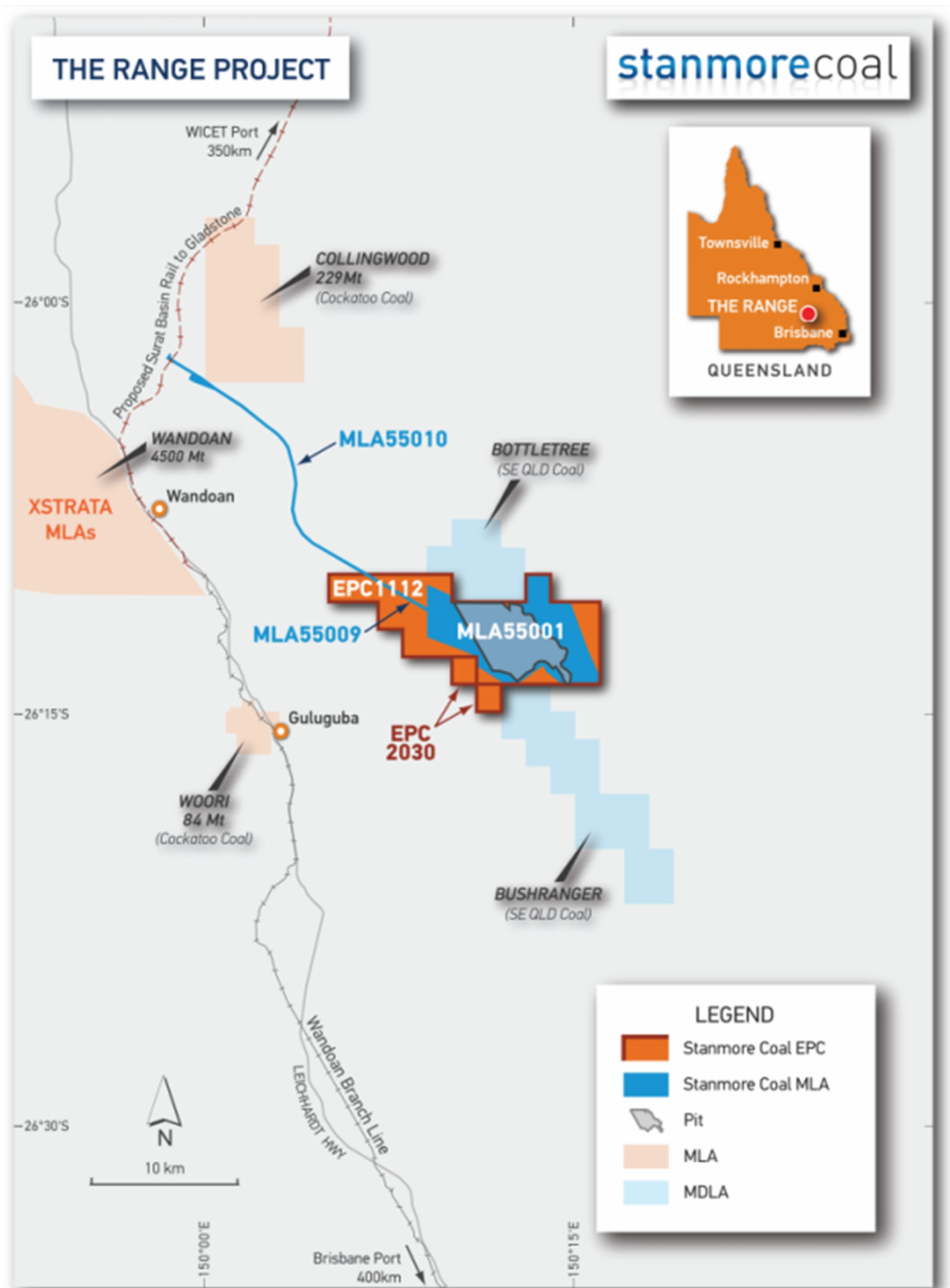
As announced previously, a bankable feasibility study was completed in 2013 which confirmed that the Range Project is an attractive 5 Mtpa high quality, export grade, thermal coal project ready for execution upon the delivery of the Surat Basin Rail linking the basin to the existing Aurizon Moura network via a 190km rail link.

The Environmental Impact Statement ("EIS") was approved by the DEHP in February 2013.

The New Hope Group transaction to acquire certain Surat Basin interest from Cockatoo in late 2014 is an indication of the commercial potential of the basin.

Whilst the current poor thermal coal markets place a limit on greenfield developments, such developments have long lead times and the Company is actively assessing its options with respect to positioning the project for ultimate commercialisation.

The Company has reduced all ongoing costs at The Range 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.





# CLIFFORD

## THERMAL COAL PROJECT

### TENEMENTS

EPC 1274, 1276

### OWNERSHIP

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

### LOCATION

24 km south-east of Wandoan (Surat Basin)

### AREA

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

During the quarter, the Company commenced a drilling program involving the drilling of over 25 rotary holes and over 10 part-cored holes to provide further geological information on the Grange and Liberty deposits. Onsite exploration is anticipated to complete by January 2016 with coal quality results processed through the laboratory by 1Q 2016.

The Clifford Project (EPC 1274 and EPC 1276) is located within Queensland's highly prospective Surat Basin, nearby the Company's The Range Project. 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. JOGMEC will provide up to \$4.5 million of

funding for all of the planned exploration expenditure over three years within the Clifford Project area.

The Clifford Project has a total JORC Resource of 370Mt, with 100Mt of Inferred for the Liberty deposit and 270Mt (80Mt Indicated, 190Mt Inferred) at the Grange deposit. Coal intersections continue to be promising with initial in-situ strip ratios of less than 7:1.

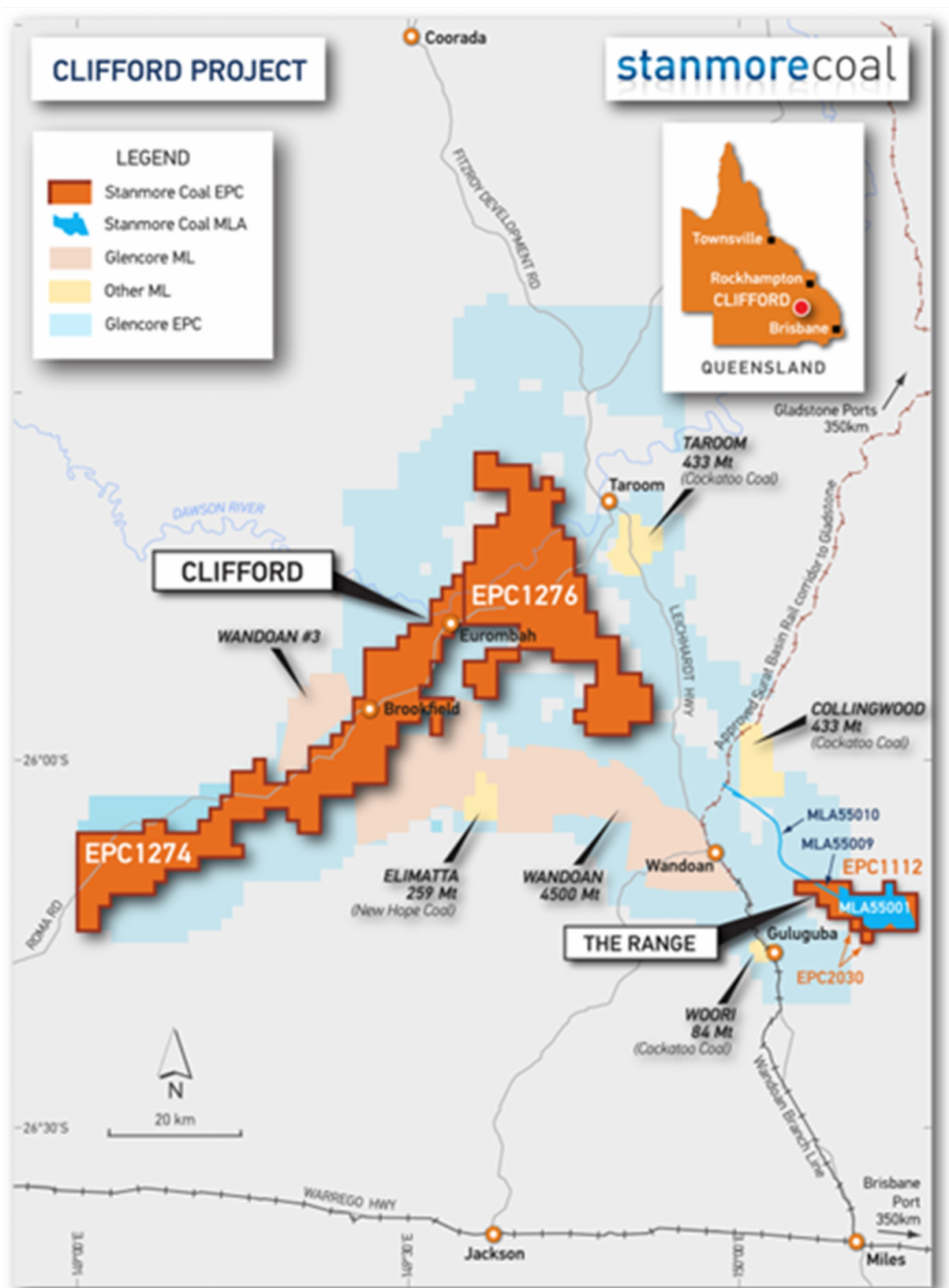
Consistent with typical Surat Basin coals, Clifford coal features high energy content and a low anticipated emissions profile. The Clifford showed particularly high energy relative to other seaborne traded coals and typical Surat Basin coals with calorific values approaching the Newcastle benchmark.

### Product coal specifications – Grange and Liberty

Parameter	Unit <sup>2</sup>	Basis <sup>3</sup>	Liberty	Grange
<b>Proximate analysis</b>				
Ash	%	ad	9.9	9.3
Volatile Matter	%	ad	42.6	42.7
Fixed Carbon	%	ad	41.4	40.9
Fuel Ratio			0.97	0.96
Sulphur	%	ad	0.47	0.42
Gross Calorific Value	kcal/kg	nar	5,933	5,920
Hardgrove grindability index (HGI)		Ad	34	33
Abrasion index		ad	<10	<10
<b>Ash fusion temperature</b>				
Deformation	C		1,540	1,520
<b>Petrographics</b>				
R max	%		0.51	0.48
Total vitrinite	vol %		66.9	70.8

<sup>2</sup> "C" represents "centigrade"; "kcal/kg" represents "kilocalories per kilogram"

<sup>3</sup> "ad" represents "air dried"; "ar" represents "as received"; "nar" represents "net as received"; "daf" represents "dry ash free"



# SCHEDULE OF TENEMENTS

AS AT 31 DECEMBER 2015

Project	Tenement Number	Status	Beneficial Interest Held
Isaac Plains Bowen Basin, QLD	ML 70342	Granted	100%
Isaac Plains East Bowen Basin, QLD	MDL 135 (part) MDL 137	Awaiting final transfer (MDL 135 only)	100% 100%
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 EPC 1798	Applied 4/9/13 Granted Granted Granted*	n/a 100% 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

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 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 2012 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

The Isaac Plains Marketable Coal Reserve of 3.7 Mt is derived from a run of mine (ROM) Coal Reserve of 5.0 Mt that is JORC compliant based with a predicted yield of 74%. The 3.7 Mt Marketable Reserve is included in the 30.1 Mt JORC Resource (10.0 Mt Measured + 9.1 Mt Indicated + 11.0 Mt Inferred Resource).

The Range Marketable Coal Reserve of 94 Mt is derived from a run of mine (ROM) Coal Reserve of 117.5 Mt that is JORC compliant 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)

Stanmore Coal is a growth focused coal exploration and development company undertaking the transition toward operation through the acquisition of the Isaac Plains Coal Mine. Stanmore Coal is focused on the creation of shareholder value via the safe and successful ramp up of operations and Isaac Plains as well as the identification of further opportunities in the current market environment. Stanmore Coal's primary focus is on the prime coal bearing regions of the east coast of Australia.

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