



QUARTERLY PRODUCTION REPORT

HIGHLIGHTS

- Official re-opening of mine with Queensland State Premier and other key stakeholders
- First coking coal produced and shipped from Dalrymple Bay Coal Terminal – a total of five shipments completed during ramp up in the June Quarter
- Term contracts signed for 900,000 tonnes of coking coal with major Japanese and Korean steel producers
- Highwall mining operations commenced targeting previously uneconomical open cut coal from the disused S2 pit
- Open-cut mine life expanded from 3 years to over 10 years¹ for Isaac Plains Complex:
 - Total JORC Reserve² tripled from 5.0Mt to 15.3Mt
 - Total JORC Resource² more than doubled from 30.1Mt to 76.9Mt (Measured 15.2Mt, Indicated 41.7Mt, Inferred 20.0Mt)
- Clifford resource increased from 370Mt to 620Mt² (Indicated 190Mt, Inferred 430Mt)

PRODUCTION AND SALES

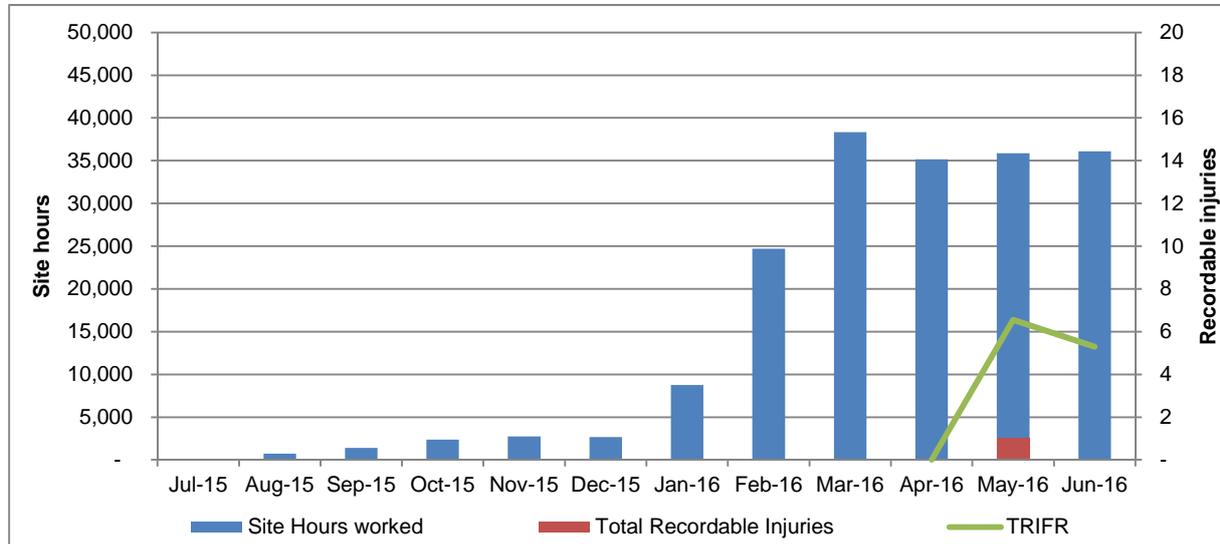
Thousands of tonnes	Quarter Ended			YTD
	Jun 2016	Mar 2016	Change %	Jun 2016
ROM coal produced	309	35	783%	345
ROM strip ratio (ROM t / bcm waste)	17.1	66.2	(74%)	22.4
Saleable coal produced	231	-	n.a.	231
Total coal sales	156	-	n.a.	156
Coal stockpiles	75	-	n.a.	75

¹ As at steady-state production of 1.5 million run of mine (ROM) tonnes. Refer Production Target, p9

² Refer Competent Person Statement, page 9

SAFETY PERFORMANCE

During the June quarter, there were no lost time injuries (LTI's) recorded and one reportable injury at the Isaac Plains Mining Complex, with no others across other projects and tenements of Stanmore Coal Limited (**Stanmore** or the **Company**). The Total Reportable Injury Frequency Rate at quarter end is 5.3 per million hours.



ISAAC PLAINS OPERATIONS

The June quarter marked the ramp-up phase of operations towards steady-state with 5 shipments completed in the period and development of coal stockpiles through mining activities carried out by Golding Contractors Pty Ltd (**Golding**). Overburden and coal mining in the northern pits progressed at a run-of-mine (**ROM**) strip ratio of 17.1 for the quarter. Whilst the June quarter ratio is higher than the 3 year average ratio of 13:1 for the current Isaac Plains open cut area, this is typical for operational ramp-up where overburden is advanced to allow steady state coal mining to occur. The ROM strip ratio for the September quarter is anticipated to trend toward the forecast life of mine strip ratio of circa 13:1.

During the quarter the Company completed re-commissioning works at the washplant facilities and handed operatorship to Golding. A number of additional capital works have been carried out since the handover due to noted issues with performance and reliability of the plant. Further capital items are planned for the September quarter in order to optimise total washing yields and the proportion of coking product delivered. As a result of the initial start-up issues encountered and coal mining from a lower quality section of the pit, a significantly higher proportion of thermal coal was produced in the quarter (39% of the total) with surplus coal being sold on a spot basis. The lower quality area is largely mined out, with improved raw coal anticipated through the plant and a more typical coking / thermal split going forward.

Highwall Mining Commencement

Highwall mining activities commenced in June following the appointment of UGM Highwall Mining Pty Ltd (UGM). Highwall mining represents a short term, low cost, low impact incremental increase to production from the existing disused S2 pit in the south of the mining lease. Increased coking coal production is planned to be first utilised for the existing steel customers in Japan and Korea with any surplus tonnage potentially being used to establish new customers.

Image 1: Coking coal product stockpile at CHPP



Image 2: Dragline on overburden in Pit N1



Image 3: First railings on the Isaac Plains rail loop



Image 4: Dragline on overburden in Pit N2; truck shovel fleet on coal mining



COAL SALES AND MARKET OUTLOOK

The June quarter was a milestone for Stanmore with the first shipment of Stanmore IP Coal-branded coal exported from Dalrymple Bay Coal Terminal. The Company has contracted with top tier Asian steel mills on a term basis for 900,000 tonnes of coking coal. This strong result reaffirms the market support for the quality of Isaac Plains coking coal and underpins a positive outlook as Stanmore’s coal will continue to be a sought-after commodity.

For the second consecutive quarter benchmark coking coal prices have risen, in line with recent market tightness and rising spot prices. The September quarter settlement of the semi-soft benchmark has been finalised at US\$74 (up US\$4 on the June quarter and US\$8 on the March quarter), following the uplift in the hard coking benchmark to US\$92.5 (up \$8.50 on prior quarter and US\$11.5 on the March quarter). The full impact of the recent semi-soft price increase will flow through to our contract pricing during the September quarter once all customer shipments due for previous quarter tonnages are delivered. Ongoing tightness in the coking coal market is being observed, with a number of supply disruptions in Queensland providing further support in the market.

Revenue for the quarter was adversely affected by the lower proportion of coking coal sold in the start-up phase as noted above, leading to an average sale price for the quarter of US\$60 per tonne. The Company is continually monitoring its optimal product mix and in particular the potential for reintroducing a semi-hard coking coal product as was historically produced at Isaac Plains.

Image 5: First shipment of coking coal departing the port



OFFICIAL RE-OPENING CEREMONY- STATE GOVERNMENT DECLARES ISAAC PLAINS COMPLEX AS A PRESCRIBED PROJECT

On April 11 2016 the Isaac Plains Mining Complex was declared as a “Prescribed Project” by the Department of State Development, Queensland, with the Queensland Premier Annastacia Palaszczuk officially opening the mine in May.

Image 6: Site tour of Isaac Plains mine during re-opening ceremony



EXPLORATION & DEVELOPMENT

In the June quarter the Company significantly increased the JORC compliant Resources at the Isaac Plains Complex by 155% (from 30.1Mt to 76.9Mt) and open-cut Reserves by 206% (from 5.0Mt to 15.3Mt)³ following an extensive exploration program where 121 rotary holes, 20 cored holes and 32.7km of 2D seismic analysis were completed in the period from October 2015 to through March 2016.

Additionally, the Company also announced the significant increase in JORC compliant Resources at the Clifford Project by 67%, (from 370Mt to 620Mt)³ as a result of exploration completed during the 3rd farmin period of the JOGMEC funding agreement.

Total exploration expenditure for the June quarter was \$0.3m.

Isaac Plains East

The updated JORC compliant open-cut Reserve for the Isaac Plains Complex increases the total open cut mining life from 3 years to 10 years based on a steady state production rate of 1.5Mtpa run of mine (ROM) coal (at least 1.1Mtpa of product coal). The output of Reserves modelling indicated a 7 year average prime strip ratio (bcm/ROM tonnes) of 11:1, with the first 4 years at sub 10:1

³ Refer Competent Person Statement, page 9

(compared to the three year average strip ratio of approximately 13:1 within Isaac Plains). Based on current contracted overburden removal and mining costs, the improved strip ratio at Isaac Plains East is estimated to result in an average free on board (FOB) cost reduction of around A\$20 per product tonne in the first 4 years when compared to the existing planned 3 years of Isaac Plains open cut.

Indicative coal quality demonstrates improved coal rank and yield for the coking product at Isaac Plains East relative to Isaac Plains. The improved coal quality characteristics may give rise to a higher value coking coal product which the Company will assess for marketability and optimal sales mix strategies in near term studies.

The Company has made strong progress with field activities and ongoing baseline studies which will underpin the submission for the proposed Isaac Plains East Mining Lease. A top tier environmental consultant and dedicated internal environmental resources continue to manage the submission which is anticipated to be lodged in the December quarter of 2016. The Company is targeting grant of the Mining Lease within the second half of 2017 with mining to commence shortly thereafter.

Isaac Plains Underground

The Company continued to progress its assessment of the potential underground extension within the eastern portion of Isaac Plains Mining Lease, an area which contains over 20Mt of JORC compliant Measured & Indicated Resources. Approximately 7.5Mt ROM may be extracted using a Bord and Pillar technique with any potential underground activity able to run in parallel with open cut operations at either Isaac Plains or Isaac Plains East. This underground opportunity would require minimal capital expenditure as it would utilise access from the existing highwall and surplus capacity within our wash plant and rail loadout infrastructure.

Clifford Project

During the quarter the Company announced an increase of JORC compliant Resources at Clifford of 67% following exploration activities in conjunction with funding partner Japan Oil, Gas and Metals National Corporation (JOGMEC). In June the Company commenced the next phase of site exploration with several chip and core holes within the Liberty deposit in the north. The outcome of this exploration will feed into a desktop concept study which will evaluate mining and development strategies including regional infrastructure and longer term marketing of the high quality thermal coal.

At the completion of the 4th farm-in period JOGMEC will have earned an option over 40% of the project through JOGMEC's investment of A\$4.5 million into exploration, coal quality analysis and feasibility assessment over a three year period⁴.

⁴ Refer ASX announcement titled 'Exploration Joint Venture with JOGMEC' dated 20 December 2013

INFRASTRUCTURE

All infrastructure requirements including rail, port, water, electricity and accommodation services have been secured and optimised to support our targeted initial production rate of 1.1Mtpa.

CORPORATE

As at 30 June 2016 the Stanmore's cash position was \$11.8m. The movement from the prior quarter represents a decline of \$8.4m, largely attributable to the operational ramp-up nature of the June quarter, expected high initial strip ratio and development of coal stockpiles. The Company has an estimated remaining receivable in relation to vendor compensation payments of \$13.2m with available undrawn Taurus Mining Finance Fund (**Taurus**) working capital facility of US\$12m (A\$15.8m).

Bank guarantees held with Taurus are unchanged from the prior quarter, amounting to A\$36.8m.

COMMUNITY

Stanmore continues to support local communities through providing grants and donations to local events and fundraisers and has established a fund to support the local communities in which we operate. Our first four sponsorships were announced at the official –reopening ceremony including the Queensland Royal Flying Doctors, local ambulance service and schools.

Yours faithfully

Andrew Roach
Company Secretary

FOR FURTHER INFORMATION, PLEASE CONTACT:

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COMPETENT PERSON STATEMENT

The information in this report relating to coal reserves for Isaac Plains and Isaac Plains East was announced on 6 April 2016, titled "Significant JORC Reserve Increase for Isaac Plains Complex", and 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)".

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 6 April 2016 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 6 April 2016 continue to apply and have not materially changed.

The information in this report relating to coal resources for Isaac Plains and Isaac Plains East was announced on 6 April 2016, titled "Significant JORC Resource Increase for Isaac Plains Coking Coal Complex", and is based on information compiled by Mr Troy Turner who is a full-time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and a member of the Australian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience in relation to the style of mineralisation and type of deposit 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)".

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 6 April 2016 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 6 April 2016 continue to apply and have not materially changed.

PRODUCTION TARGET

The production target of 1.1 Mtpa for 10 years (equivalent to 1.5Mtpa run of mine production) is underpinned solely by total Marketable Reserves of 11.9Mt (10.8 years equivalent) within Isaac Plains and Isaac Plains East, as announced on 6 April 2016, titled "Significant JORC Reserves Increase for Isaac Plains Complex".

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 6 April 2016 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 6 April 2016 continue to apply and have not materially changed.

JORC RESERVES NOTE – ISAAC PLAINS

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 73%. The 3.7 Mt Marketable Reserve is included in the 48.2 Mt JORC Resource (15.2 Mt Measured + 23.0 Mt Indicated + 10.0 Mt Inferred Resource).

JORC RESERVES NOTE – ISAAC PLAINS EAST

The Isaac Plains East Marketable Coal Reserve of 8.3 Mt is derived from a run of mine (ROM) Coal Reserve of 10.3 Mt that is JORC compliant based with a predicted yield of 81%. The 8.3 Mt Marketable Reserve is included in the 28.7 Mt JORC Resource for Isaac Plains East (18.7 Mt Indicated + 10.0 Mt Inferred Resource).

ABOUT STANMORE COAL LIMITED (ASX CODE: SMR)

Stanmore Coal is an operating coal mining company with a number of additional prospective coal projects and mining assets within Queensland’s Bowen and Surat Basins. Stanmore Coal owns 100% of the Isaac Plains Coal Mine and the adjoining Isaac Plains East Project and is focused on the creation of shareholder value via the efficient operation of Isaac Plains and identification of further local development opportunities. Stanmore continues to progress its prospective high quality thermal coal assets in the Northern Surat Basin which will prove to be valuable as the demand for high quality, low impurity thermal coal grows at a global level. Stanmore’s focus is on the prime coal bearing regions of the east coast of Australia.

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APPENDIX 1 – JORC COMPLIANT RESOURCES & RESERVES SUMMARY

Asset		JORC Marketable Coal Reserve ^{1,2}	JORC Recoverable Coal Reserve ^{1,2}	JORC Measured Resource ¹	JORC Indicated Resource ¹	JORC Inferred Resource ¹	Total JORC Resource ¹
Isaac Plains	Coking	3.7	5.0	15.2	23.0	10.0	48.2
Isaac Plains East	Coking	8.3	10.3	-	18.7	10.0	28.7
The Range	Thermal	94.2	117.5	18.0	187.0	82.0	287.0
Clifford	Thermal	-	-	-	190.0	430.0	620.0
Mackenzie	Coking	-	-	-	25.7	117.5	143.2
Belview	Coking	-	-	-	50.0	280.0	330.0
Tennyson	Thermal	-	-	-	-	161.0	161.0
Total		106.2	132.8	33.2	494.4	1,090.5	1,618.1

1. Refer to Competent Persons Statement (p. 9)
2. Refer to Marketable Reserves Note (p. 9)