stanmorecoal

31 August 2016

ASX ANNOUNCEMENT

Full Year Results FY2016

Stanmore Coal Limited (**Stanmore**) during the financial year completed the acquisition of the Isaac Plains Coal Mine and transitioned from explorer to a producing coal miner, with the first commercial sale of product coal achieved in May 2016. Highlights for the year include:

- Completion of the Isaac Plains East (formerly known as Wotonga) transaction in September 2015;
- Completion of the Isaac Plains transaction in November 2015 and recommencement of mining, leading to first coal sales in May 2016;
- Establishment of term coking coal sales contracts with premium steel-mill customers;
- Significant JORC Resource and Reserve upgrade on 6 April 2016, with an estimated 10 years of open cut coal mining underpinned by JORC Reserves within the Isaac Plains Complex[1];
- Highwall mining commenced at Isaac Plains in June 2016; and
- Continuation of exploration activity at the Clifford Project, delivering an increase JORC Resource estimate from 370Mt to 620Mt (Indicated 190Mt, Inferred 430Mt)[2].

The transition from explorer to an operating coal mining business is significant for the Company at a time when coal markets are showing signs of improvement after several years of decline. Given the importance of the acquisition to driving long term shareholder value, the Company's focus during the recent financial year has been heavily weighted to bedding down operations at the Isaac Plains Complex.

In addition the Company is actively reviewing further potential acquisition opportunities that offer synergies with the existing Isaac Plains Complex and provide value adding growth for shareholders.

[1] Refer ASX announcement 6 April 2016 titled "Significant JORC Reserve Increase for Isaac Plains Complex
[2] Refer ASX announcement 30 May 2016 titled "Clifford Project – Resource increase"

Financial Performance and Financial Position

The Company reports an operating loss of $19.746 million (2015: loss of $12.148 million) with first coal sales revenue delivering $12.700 million in the financial year (2015: nil). The loss is driven in part by one-off transaction and start-up costs and working capital requirement relating to the re-commencement of mining activities at Isaac Plains. The mine start-up was also impacted by unseasonal heavy rain. Initial overburden activities and strip preparation represent a period of significant working capital investment as the mine is re-established. The majority of this initial work was completed by end of the financial year.

The loss includes a $13.883 million impairment provision against Development Assets in the Surat Basin during the year. The loss also includes corporate costs, overhead costs and financing charges, which are necessary to support the ongoing management of coal mining operations at Isaac Plains.

The cash balance at balance date was $12.080 million with an additional undrawn contingent facility of USD 12 million available for general working capital purposes.

Outlook and developments

Operations

In FY16 the Company transitioned from an explorer to production through the acquisition of Isaac Plains. The Company will initially target open-cut production of around 1.1Mtpa in FY17 and continually assess opportunities to augment production given the significant site-infrastructure capacity.

Based on current coal pricing and normal business operation, Isaac Plains open cut is anticipated to be margin-positive in FY17.

Development

The Company made strong progress on the approval process for a proposed Mining Lease within Isaac Plains East during the year. The Company will continue to work with its top tier consultants, community stakeholders and government departments to secure necessary approvals next calendar year and allow open cut mining to commence thereafter.

The Company will continue to assess underground mining opportunities within the existing Isaac Plains mining lease. A series of studies and confirmatory exploration to support a potential bord & pillar operation will be undertaken in FY17.

Pricing

Index and benchmark measures for both coking and thermal coal have experienced considerable improvement in the last few months. Continued supply restraint from overseas mining regions is anticipated to provide further support for pricing in the short to medium term.

Recent coking coal price increases have yet to be reflected in the revenues of the Company. Spot hard coking coal prices have increased some 70% since the start of calendar 2016 and semi-soft prices have increased by approximately 31% in the same period. These increases are expected to add considerable strength to upcoming quarterly benchmark pricing settlements which drive the Company's revenue.

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Nick Jorss, Managing Director of Stanmore, said "We are delighted to have successfully completed the transition from explorer to producer in FY2016 through the recommencement of operations at Isaac Plains. Notably we transitioned from care & maintenance to first overburden removal within 3 months with first coking coal sold to major steel mills within 6 months – a remarkable achievement for our Company and all personnel involved."

The coking coal market has tightened considerably since we acquired Isaac Plains with spot hard coking coal rising by over 70% since January this year when it stood at a multi-year low. This recent strength in pricing is timely as we move from restart of operations into steady state production and prepare for the lower cost expansion at Isaac Plains East where we are targeting approvals in calendar 2017."

I would like to express my thanks to the Board, employees and other contributors to our success in FY16 and look forward to a strong start to this coming year."

FOR FURTHER INFORMATION, PLEASE CONTACT:

Mr Nick Jorss	**Mr Andrew Roach**
Managing Director	Chief Financial Officer & Company Secretary
07 3238 1000	07 3238 1000

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.

Stanmore Coal Limited ACN 131 920 968

p: +61 (7) 3238 1000
f: +61 (7) 3238 1098
e: info@stanmorecoal.com.au w: www.stanmorecoal.com.au
Level 8, 100 Edward Street, Brisbane QLD 4000
GPO Box 2602, Brisbane QLD 4001