ACQUISITION OF **ISAAC PLAINS** A FULLY EQUIPPED **COKING COAL MINE**

July 2015

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Marketable Reserves Note – The Range: 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).

Reserves Note – Isaac Plains: The Marketable Coal Reserves of 3.7Mt is derived from a JORC compliant run of mine (ROM) Reserve of 5.0Mt based on a predicted yield of 73%. The 3.7Mt Marketable Reserve is included in the 30.1Mt total JORC Resource (10.0Mt Measured + 9.1Mt Indicated + 11.0Mt Inferred Resource).

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.

OVERVIEW
OF STANMORE COAL

- Queensland based coal development company, transitioning to production through the acquisition of Isaac Plains
- Fully-funded acquisition with no dilution for existing shareholders

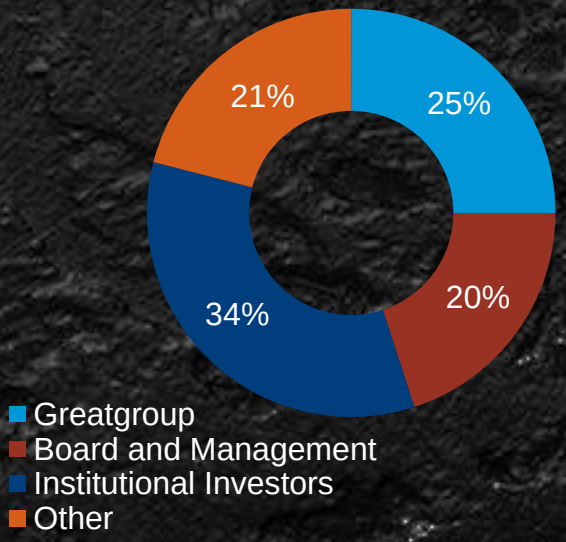
- Advanced metallurgical and thermal coal development projects in the Bowen and Surat Basin
- Rail and port infrastructure in place for key metallurgical coal projects

- Highly experienced Board and management team with proven track record of developing and operating coal mines
- Highly skilled and experienced executive team with low overhead cost base

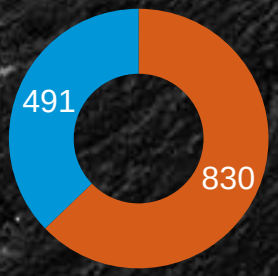
- Well funded with a strong shareholder base
- Actively pursuing further opportunities in the current market downturn conditions

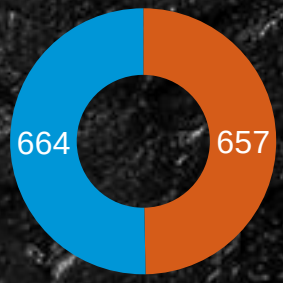
ASX Code	SMR
Share price	A$0.075[2]
Shares	222.5m
Market cap	$16.7m[2]
Cash	A$15.3m[3]

Share ownership



Total Resources 1,321 Mt[1,4]





1. Refer to Competent Persons Statement (p.2) • 2. As at 29 July 2015• 3. As at 30 June 2015• 4. 28 Mt Measured, 352 Mt Indicated, 941 Mt Inferred

STRONG BOARD
AND MANAGEMENT TEAM

Over 150 years of coal exploration, development and operational experience

KEY MANAGEMENT

Nick Jorss
Managing Director

20 years in engineering, project management, resource financing and M&A.

Mike McKee
Chief Operating Officer

Mine manager with over 30 years experience, mainly in the Bowen Basin. Most recently General Manager at Minerva, Yarrabee and Sonoma mines.

Andrew Roach
Chief Financial Officer

10 years of accounting and finance experience in the resource and financial sectors.

Nigel Clifford
Senior Geologist

10 years of experience including within Stanmore Coal and Linc Energy.

NON-EXECUTIVE DIRECTORS

Neville Sneddon
Chairman

Mining engineer with 40 years experience in coal, formerly CEO of Anglo Coal Australia, Chairman of DBCT Port and Director of PWCS Port.

Stephen Bizzell

Extensive experience in commercialising resources companies, former executive director of Arrow Energy and current Chairman of Bizzell Capital Partners.

Chris McAuliffe

Co-founder and MD of Sprint Capital Partners. More than 20 years experience in investment banking and private equity in Asia.

Viv Forbes

Over 40 years of Bowen Basin coal experience including all phases of coal mine development at Goonyella, South Blackwater, Burton, and Tahmoor coal mines. Formerly Director of DBCT Port.

Patrick O'Connor

Experience in a wide range of industries including mining, oil & gas exploration, forestry, biotechnology and government utilities. Former non-executive chairman of TFS Corporation Limited.

OVERVIEW

OF STANMORE ASSETS

ISAAC PLAINS – 100%

- Total Resources 30.1 Mt
- Total Reserves 5.0 Mt
- Ramp-up to operations

WOTONGA – 100%

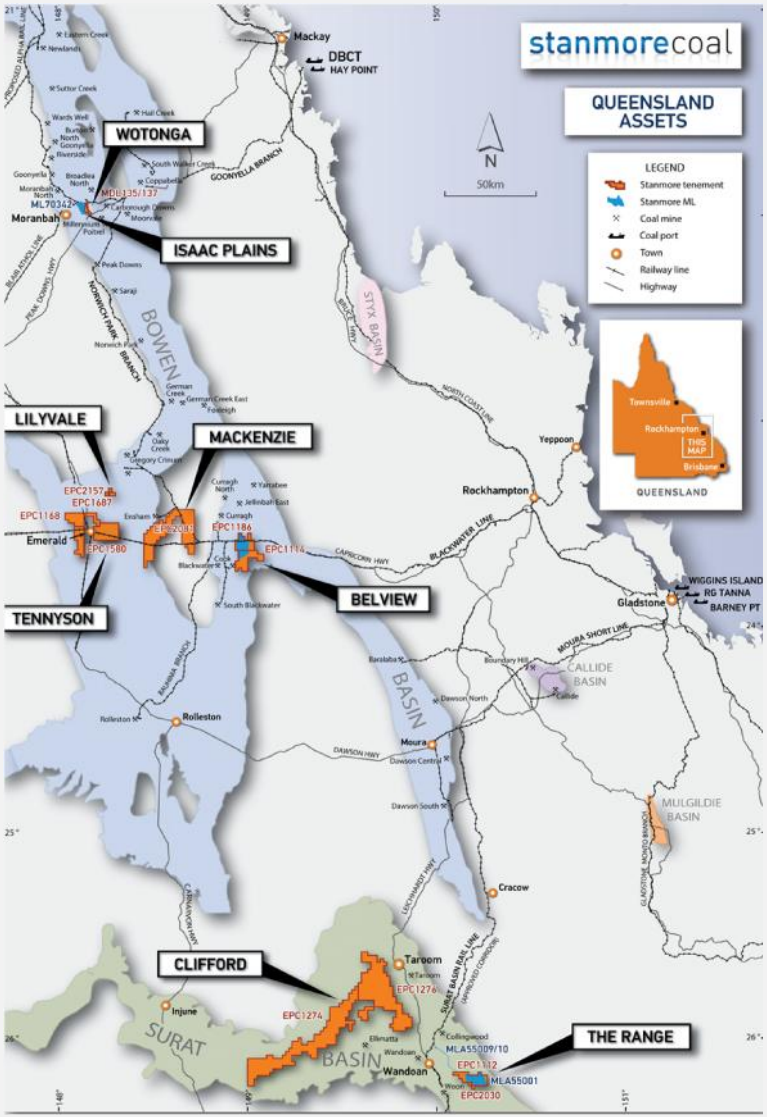
- Undertaking development activities

LILYVALE – 85%

- Exploration

CLIFFORD – 60%*

- Total Resources 370 Mt
- Exploration & studies



BELVIEW – 100%

- Total Resources 330 Mt
- Pre Feasibility underway

MACKENZIE – 85%

- Total Resources 143 Mt
- Exploration

TENNYSON – 100%

- Total Resources 161 Mt
- Exploration

THE RANGE – 100%

- Total Resources 287 Mt
- Total Reserves 112 Mt
- Development

- Thermal assets
- Metallurgical assets

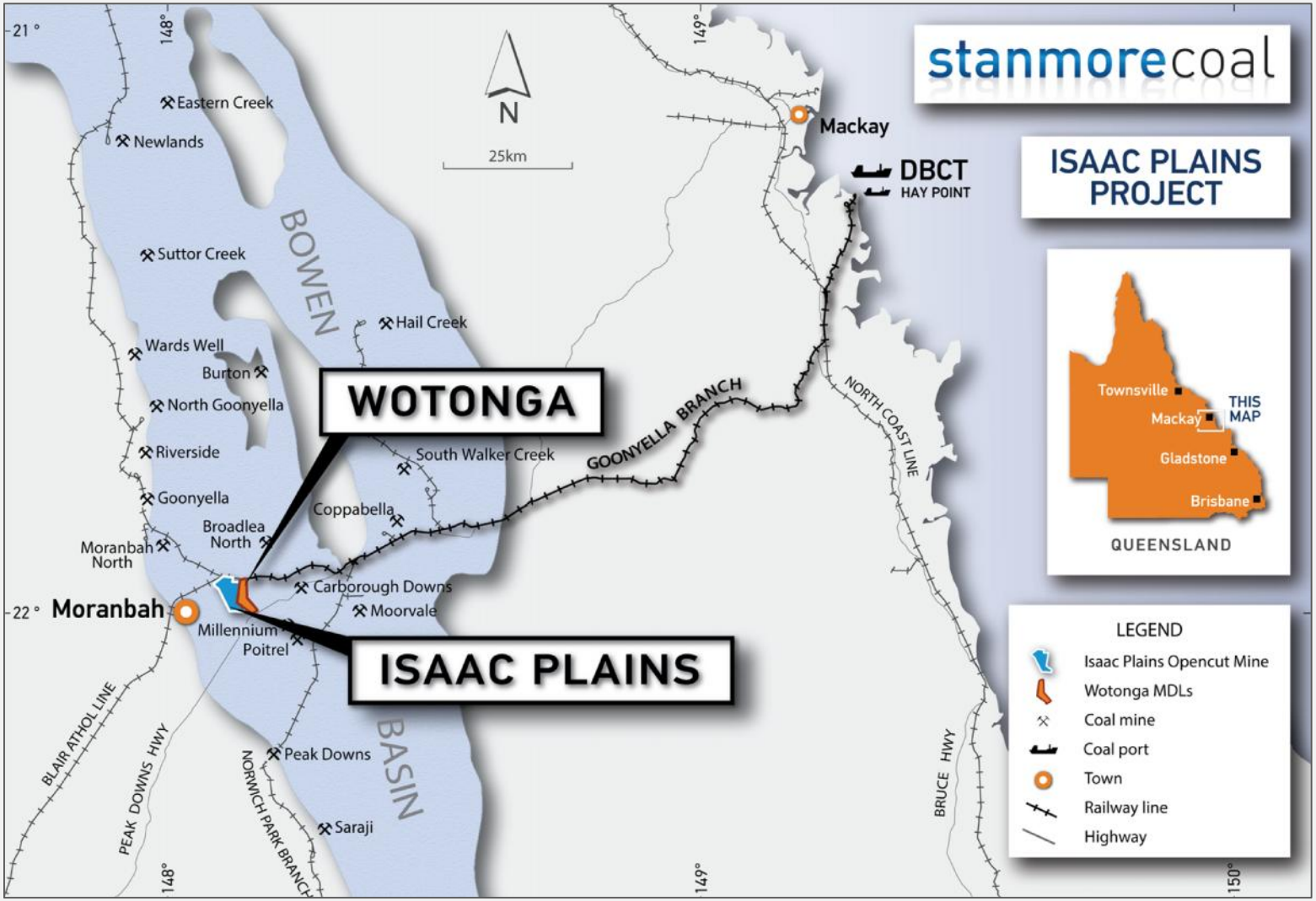
Note*: Assumes full farm-in completed by JV partner

ACQUISITION OF **ISAAC PLAINS** & WOTONGA

ISAAC PLAINS

LOCATION

- Located approximately 7 km east of the township of Moranbah in the heart of the northern Bowen Basin
- Surrounded by large scale operating coking coal mines
- Adjacent to Goonyella Branch Railway which connects the mine to Dalrymple Bay Coal Terminal (DBCT)



ISAAC PLAINS

TRANSACTION OVERVIEW

ACQUISITION PRICE

$1

MAJOR ACQUIRED ASSETS

Include:

- Bucyrus 1370W dragline
- CHPP
- Dedicated train load out and rail spur facilities which connects to the Goonyella rail system
- Workshops
- Assorted critical spares and workshop goods

CONTRACTUAL COMMITMENTS

A number of contractual commitments also form part of the transaction terms. These include:

- Rail haulage and port contracts
- Accommodation services agreement
- Water supply and transportation arrangements
- Power supply contracts

REHABILITATION

As a result of Stanmore taking ownership of the Isaac Plains mining tenements, Stanmore will become responsible for the rehabilitation obligations associated with the mine. This liability will be cash-backed and reduce over time as rehabilitation activities are undertaken

COMPENSATION FOR CONTRACTUAL COMMITMENTS

Stanmore will be compensated by the vendors for some of the contractual commitments. These payments are expected to cover fixed infrastructure charges and the working capital requirements of Stanmore through to first coal and the ramp up of operations.

These compensation payments will be repaid to the vendors via a production-based royalty to be applied based on coal price thresholds

ISAAC PLAINS

CONDITIONS PRECEDENT

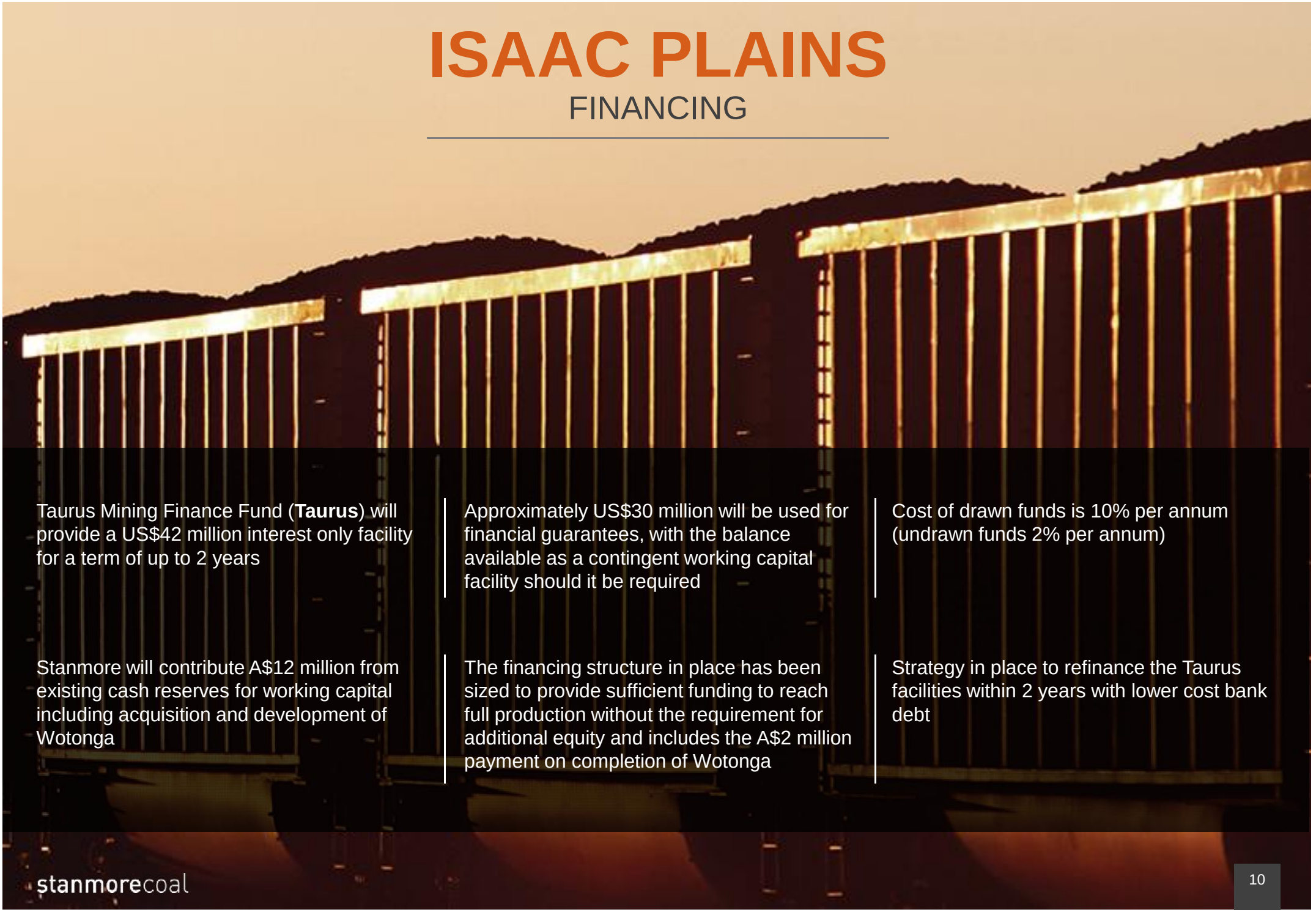
The main conditions precedent which, once satisfied, will allow completion of the transaction, include:

- Foreign Investment Review Board (FIRB) approval;
- Novation or assignment of the specified material contracts; and
- Customary Ministerial and State Government approvals.

Completion of the transaction is anticipated to occur around the end of October 2015.

ISAAC PLAINS

FINANCING



Taurus Mining Finance Fund (**Taurus**) will provide a US$42 million interest only facility for a term of up to 2 years

Approximately US$30 million will be used for financial guarantees, with the balance available as a contingent working capital facility should it be required

Cost of drawn funds is 10% per annum (undrawn funds 2% per annum)

Stanmore will contribute A$12 million from existing cash reserves for working capital including acquisition and development of Wotonga

The financing structure in place has been sized to provide sufficient funding to reach full production without the requirement for additional equity and includes the A$2 million payment on completion of Wotonga

Strategy in place to refinance the Taurus facilities within 2 years with lower cost bank debt

ISAAC PLAINS

TRANSACTION RATIONALE

✓ ACQUISITION OF ESTABLISHED MINING ASSET, PROVIDING NEAR-TERM CASH FLOWS

- Isaac Plains anticipated to provide first revenues by mid 2016

✓ MINING AND TRANSPORTATION INFRASTRUCTURE IN PLACE

- Acquisition includes dragline, coal handling and processing plant, and rail load-out facilities
- Rail and port access agreements in place, exporting through to DBCT

✓ RIGHT SCALE OF OPERATION AND RISK PROFILE

- Reduced mining scale of 1.1million tonnes per annum (Mtpa) product coal provides for optimal mine economics to suit dragline and revised take or pay profile
- Contract mining provides lower risk for Stanmore in a competitive contracting market
- Potential for future expansion via underground mining

✓ HIGH VALUE METALLURGICAL COAL PRODUCTS WITH MARKET ACCEPTANCE

- Strong history of coal sales to major steel mills in Japan, Korea and Taiwan

✓ NEAR-TERM BROWNFIELD EXPANSION OPPORTUNITY WITH NEIGHBOURING WOTONGA

- Potential for lower cost open cut mining operations to utilise Isaac Plains infrastructure
- Approvals process and mining study for Wotonga underway

✓ POTENTIAL TO BUILD A STRATEGIC POSITION IN THE REGION

STANMORE'S
OPERATING APPROACH

✓ REDUCED ANNUAL PRODUCTION RATE

- Reduction in take or pay contracts from 2.8 Mtpa to 1.1 Mtpa – facilitates lower target mining production
- Allows for optimised mining fleet – low cost dragline with only one truck/shovel fleet
- Enables mining of lower strip ratio northern pits only

✓ UTILISE EXPERIENCED CONTRACTOR

- Contractors rates are significantly lower than recent boom period

✓ LOW OVERHEADS

- Small owner's team to manage contractors and site operations

✓ UNDERTAKE UPGRADE AND MAINTENANCE WORKS

- Major overhaul of dragline costed and planned pre first coal – critical item of plant

✓ DEVELOP WOTONGA

- Low strip ratio coal – starts at under 5:1

ISAAC PLAINS

ASSET OVERVIEW

THE MINE

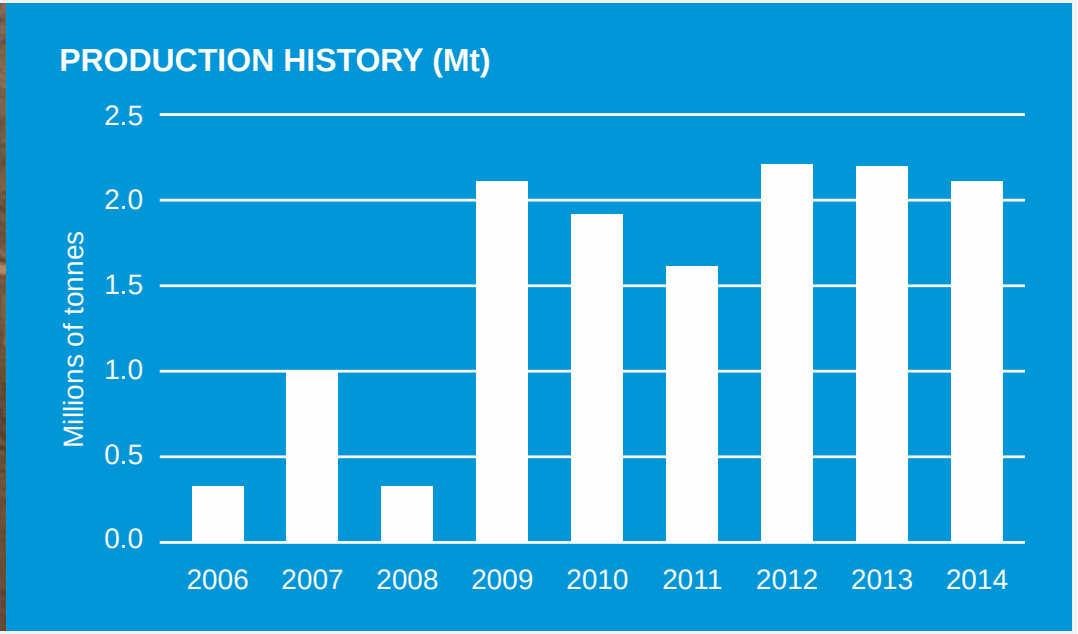
- Commenced production in 2006 as a truck shovel operation
- Dragline operations commenced in 2011/2012
- Historically targeted up to 2.8 Mtpa of product coal
- Placed on care and maintenance late 2014

COAL HANDLING AND PREPARATION PLANT (CHPP)

- Coal trucked to the CHPP and washed to form multiple products at a total yield of 70–75%

TRANSPORT AND SALES

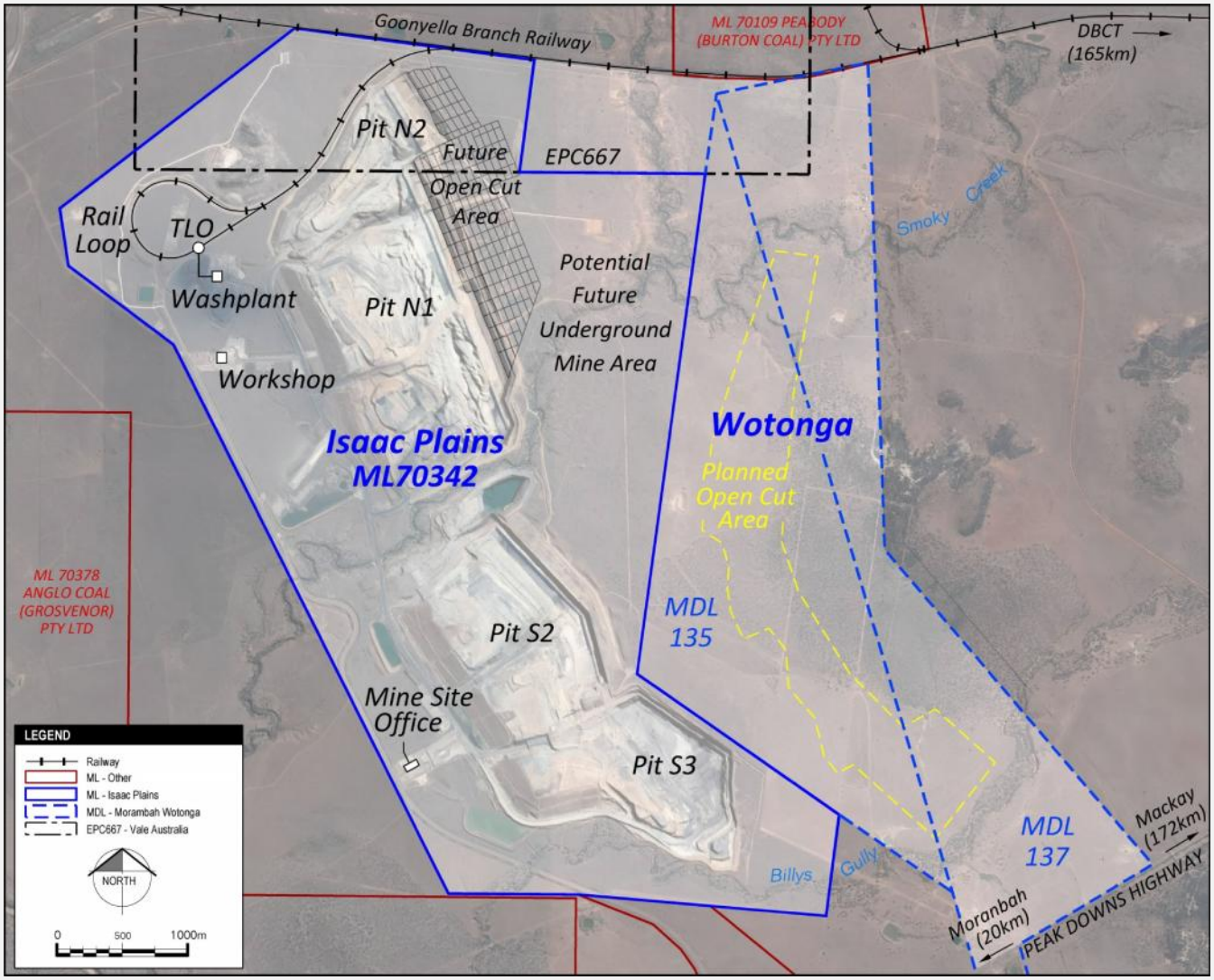
- Product coal is railed 172 km to DBCT via the Gooneyella Branch Railway
- Historically sold primarily to Japanese, Korean and Taiwanese steel makers



ISAAC PLAINS

MINE LAYOUT AND WOTONGA

- Well laid out site with mine infrastructure located along western side of lease
- Short spur connection to Goonyella Branch Railway
- Ease of access for potential Wotonga extension via haul road
- Close to camp accommodation facilities



ISAAC PLAINS

ACQUIRED ASSETS

DRAGLINE

- Bucyrus BE1370
- High performance machine – in last year of operation moved >15 million bank cubic metres (bcm)
- Major pre-start service planned and costed, including replacement of swing-rack

TRAIN LOADOUT

- CHPP, product stockpile and train loadout in close proximity
- Conveyor feed to rail surge/ loading bin

COAL HANDLING AND PROCESSING PLANT

- 500tph feed rate (3.5 Mtpa) constructed in 2006
- Belt press filter – no tailings dams
- Flexible operating setup to produce multiple coal products

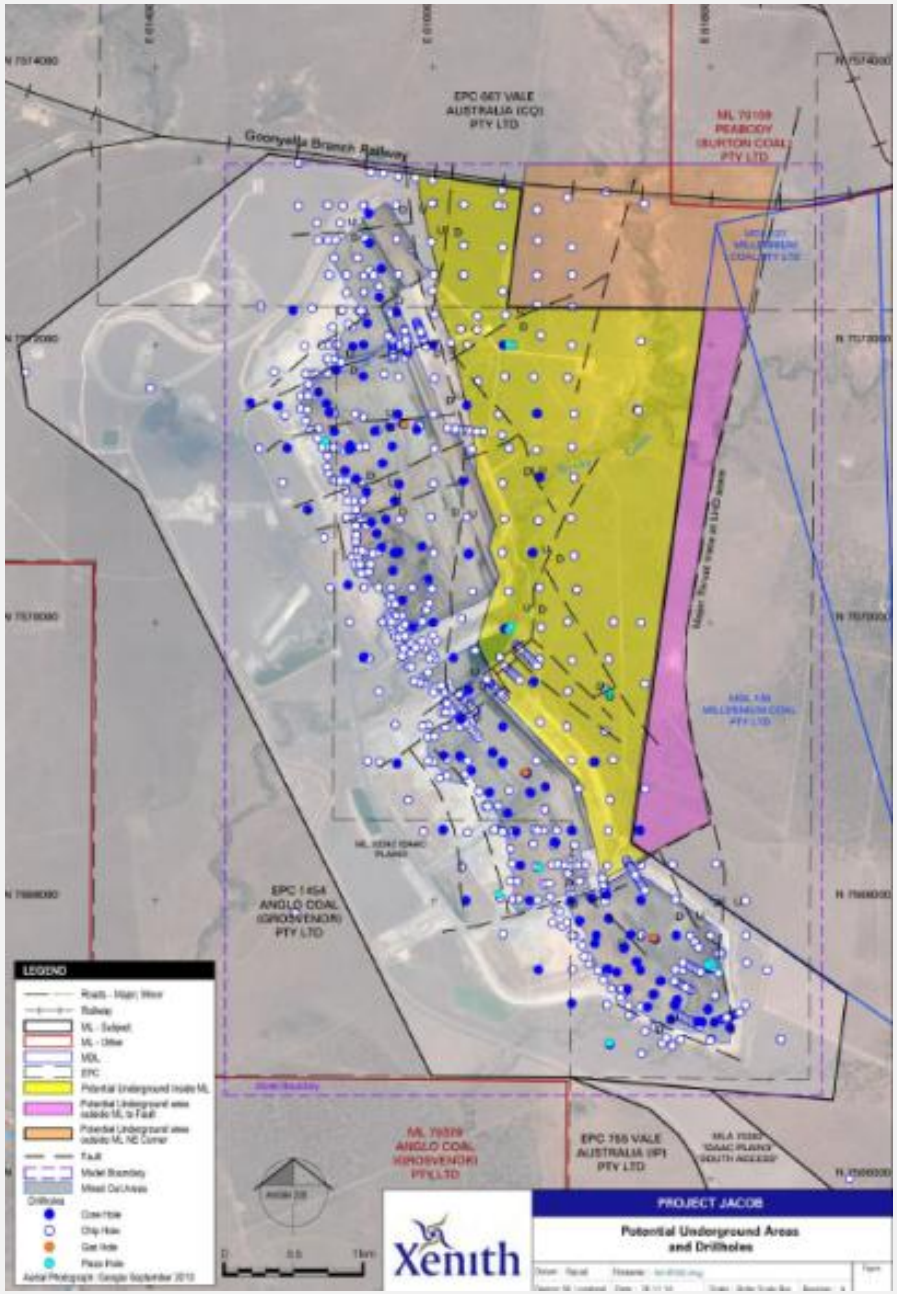
OFFICE FACILITIES AND WORKSHOPS

- Established office setup includes communications and other infrastructure
- Several maintenance workshops

ISAAC PLAINS

WELL UNDERSTOOD GEOLOGY

- The Leichhardt seam (Rangal Coal Measures) averages 3.5 m thick across the deposit. The seam splits into an upper and lower section in the far northern area
- Depth of cover commences at 60 m, dipping to the east (6-7 degrees) with maximum depth around 230 m in the north east of the tenement
- Significant geological information
  - Isaac Plains – over 100 cored holes drilled in unmined portion of Mining Lease
  - Wotonga – over 200 holes drilling within tenement area
  - Over 18 km of 2D seismic over combined tenements
  - Nine year mining history provides abundant information about the deposit



ISAAC PLAINS

COAL RESOURCES AND RESERVES

Xenith Consulting Pty Ltd updated the Resource and Reserve estimate for Stanmore in 2015 within the unmined Mining Lease area

Significant Resource coverage within Mining Lease

Current Reserves support over 3 years of open cut mining at planned mining rate of 1.5 Mtpa run-of-mine (ROM)

Plan to increase the resource confidence with further coal quality drilling in the east of the deposit

Targeted supplementary exploration is planned in conjunction with a Wotonga program in late 2015

JORC RESOURCES[1]

Seam	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total Resource (Mt)
Leichhardt	9.6	6.8	9.0	25.4
Leichhardt Upper	0.3	2.0	2.0	4.3
Leichhardt Lower	0.1	0.3	-	0.4
Total	**10.0**	**9.1**	**11.0**	**30.1**

JORC RESERVES[2]

Seam	Proven (Mt)	Probable (Mt)	Total Reserve (Mt)
Leichhardt	3.3	-	3.3
Leichhardt Upper	0.3	1.0	1.3
Leichhardt Lower	0.1	0.3	0.4
Total	**3.7**	**1.3**	**5.0**

Note 1: Refer Competent Persons Statement (p2)
Note 2: Refer Reserves Note (p2)

ISAAC PLAINS

MARKETING

- Historically sold primarily to North Asian steel makers - attractive coal qualities may broaden customer base
- Plan to continue to produce three coal products:

SEMI-HARD COKING COAL

- Moderate ash and volatile matter content
- Low impurities such as sulphur and alkalis

SEMI-SOFT COKING COAL

- Attractive volatile matter content, lower than Hunter Valley benchmark
- Low total sulphur with high calorific value

THERMAL COAL

- High energy content with low sulphur, ash and nitrogen content, excellent handling characteristics, easy to grind.

- Approximately 70% of historic production was coking coal

Stanmore is set to become an independent producer of high quality coking coal, a vital ingredient for the world's steel industry

Parameter[1]	SHCC	SSCC	Thermal
Inherent Moisture (%)	2.3	2.3	3.1
Ash (%)	9.1	9.5	15.2
Volatile matter (%)	26.7	25.7	23.9
Fixed Carbon (%)	61.9	62.5	57.8
Fuel Ratio (x)			2.4
Total Sulphur (%)	0.36	0.35	0.37
Phosphorous (%)	0.099	0.091	0.06
Max Fluidity (ddpm[2])	130	25	
CSN[3]	6	3	
HGI[4]		66	65
Calorific Value (kcal/kg)		7,430	6,800
Ash fusion temperatures (C[5])			1,430

Notes:
1. Air dried basis unless stated otherwise
2. Dial divisions per minute
3. Crucible swell number
4. Hardgrove grindability index
5. Degrees centigrade

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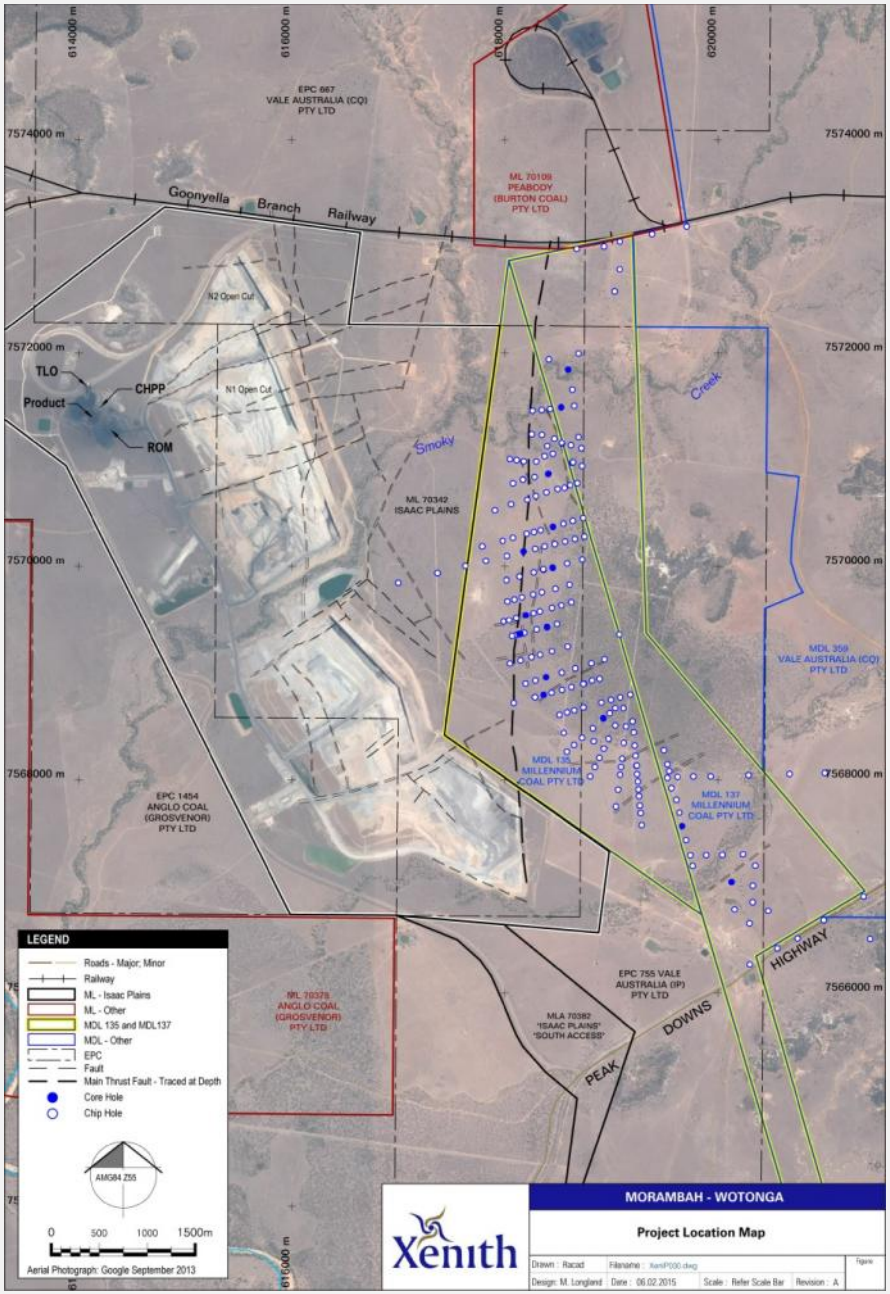
WOTONGA PROJECT

LOW STRIP RATIO COKING COAL

- Completion of acquisition from Peabody expected in September 2015
- Progress Mining Lease in parallel with exploration and mining study
- Ability to utilise 100% owned dragline once Isaac Plains open cut mining is completed
- Low cost coal – strip ratio starts at under 5:1
- Significant potential synergies with Isaac Plains - minimal capital required to open up brownfield expansion (2km haul road and other minor infrastructure only)
- Similar coal quality product expected based on historical results analysis



ISAAC PLAINS

STRATEGIC PORT AND RAIL POSITION

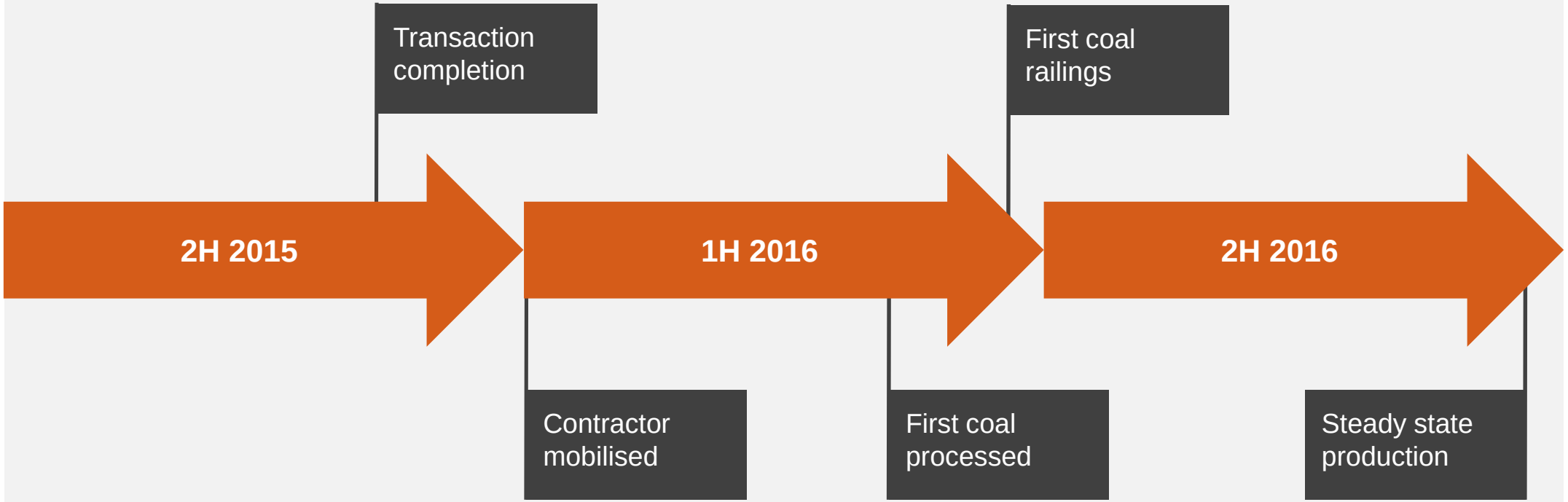
- As part of the transaction Stanmore will secure around 1.1Mtpa of rail and port capacity
- Further expansion capacity is likely to be available in current market environment
- Total transport infrastructure costs under A$15/tonne at steady-state production
- Significant capacity within Isaac Plains CHPP and train load out up to 2.8Mtpa of production

DARLYMPLE BAY COAL TERMINAL

Source: Dalrymple Bay Coal Terminal website

ISAAC PLAINS

INDICATIVE TIMETABLE TO PRODUCTION



STANMORE'S PROJECT PIPELINE

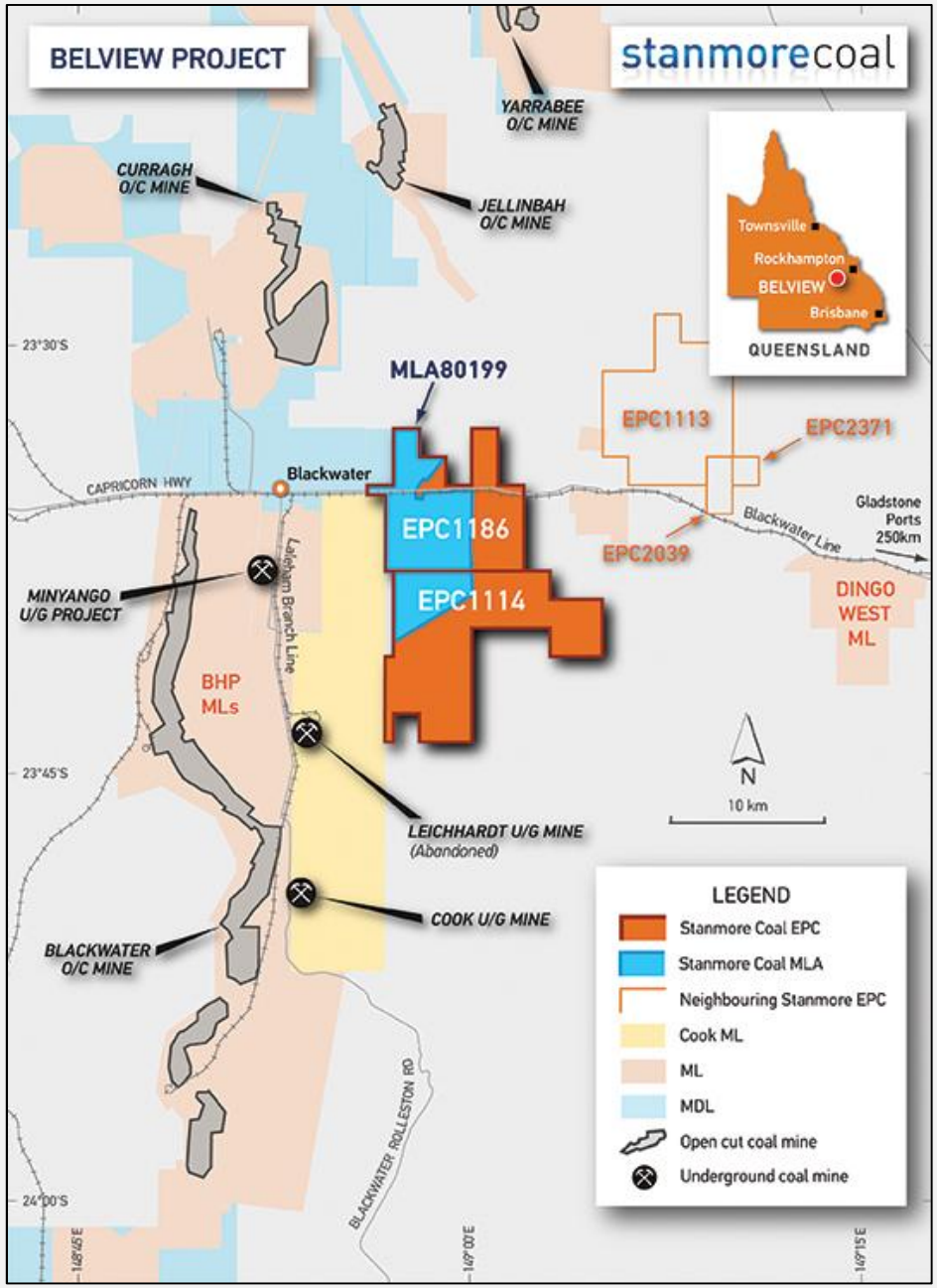
DRIVING LONG TERM SHAREHOLDER VALUE

Potential to utilise near-term cash flows for self funded development or prudent acquisition opportunities

BELVIEW
PROJECT

SIGNIFICANT COKING COAL PROJECT IN THE BOWEN BASIN
100% OWNED

- Substantial coking coal deposit in heart of the Bowen Basin – 330 Mt JORC Resource (50 Mt Indicated, 280 Mt Inferred)
- Coal quality results to date confirm attractive coking properties across multiple seams
- 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



BELVIEW
PROJECT

COAL QUALITY TEST RESULTS ARE VERY 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 result of 79% for two high value metallurgical coal products (61% HCC, 39% PCI)

Indicative Product Specification of Pollux Seam Parameter[1]		Primary HCC Product	Secondary PCI Product
Product Split	%	61	39
Inherent Moisture	%	1.5	1.5
Ash	%	6.5	9.5
Volatile Matter	%	18.8	17.6
Fixed Carbon	%	73.2	71.2
Total Sulphur	%	0.401	0.37
Phosphorus	%	0.06	0.06
Calorific Value	kcal/kg	7,900	7,620
CSN		6 – 7	1
Vitrinite Reflectance (Ro Max)	%	1.50	1.48

1. Adb unless otherwise noted

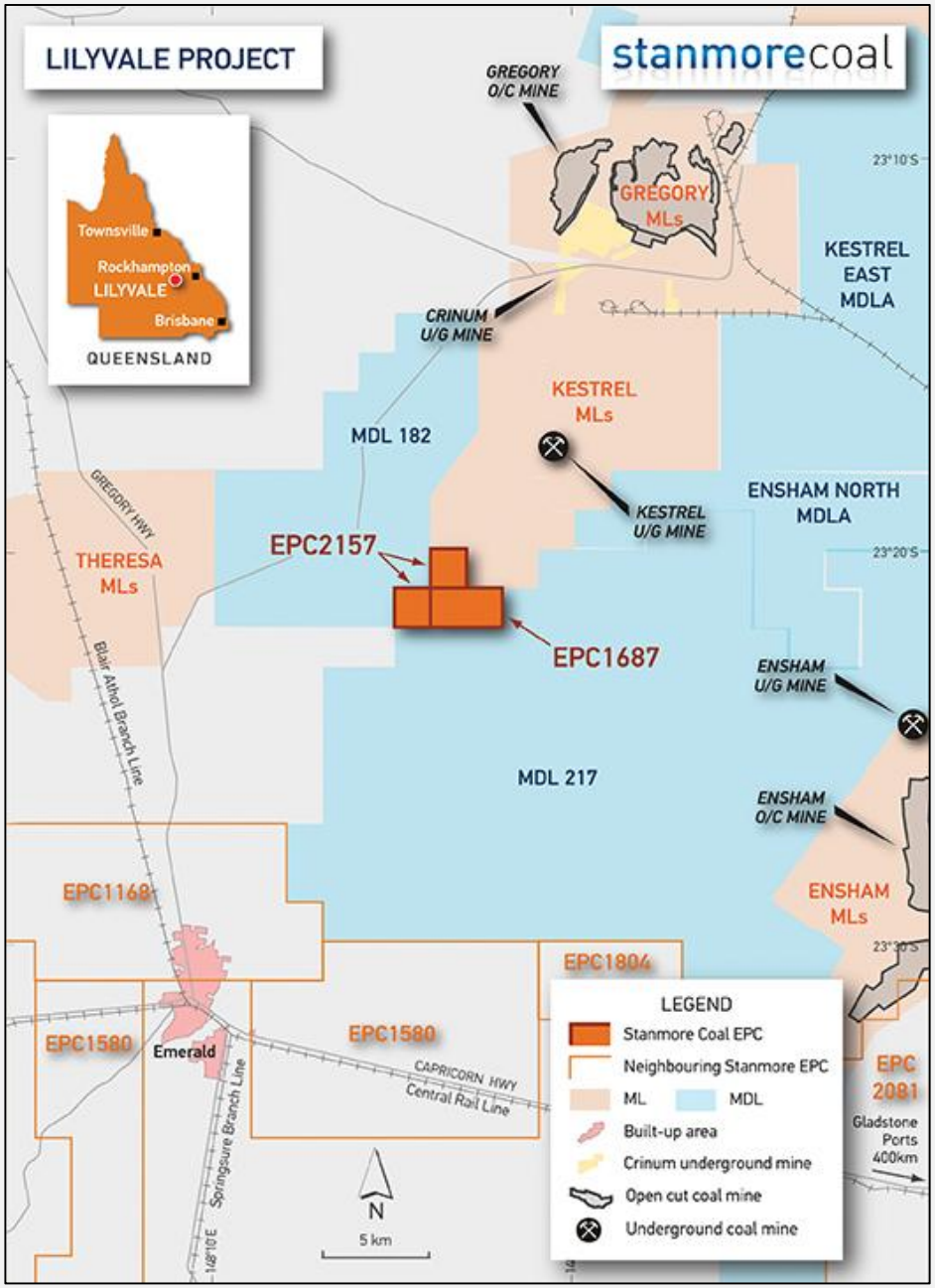
LILYVALE
PROJECT

COKING COAL PROJECT

- The Lilyvale Project is targeting the German Creek seam which is mined as a prime coking coal at nearby operating mines (Kestrel UG longwall Rio Tinto and Crinum UG longwall BMA)
- Historical drilling results and knowledge of surrounding assets suggest Lilyvale can produce an export grade coking coal from a 2.4 m thick seam at an entry depth of 340 m

	Min	Max	Expected[1]
Yield %	83.3	90.2	85.0
Ash %	7.8	9.5	8.5
Sulphur %	0.5	0.6	0.5
Phosphorus %	0.006	0.027	0.02
Moisture %	2.3	3.4	3.0
Volatile %	30.3	35.5	33.0
CSN	5	7.5	6–7[2]
Fluidity (ddpm)	108	130	120

1. Min and max values are derived from regional borehole information as well as two boreholes within the tenement, although on the western edge. Expected values are estimates based on typical variances observed when depth of cover increases, as well as a trend towards borehole NS 7, a single data point located on the eastern boundary.
2. Option exists to enhance washing to reduce yield and increase CSN, but not included in the estimate.



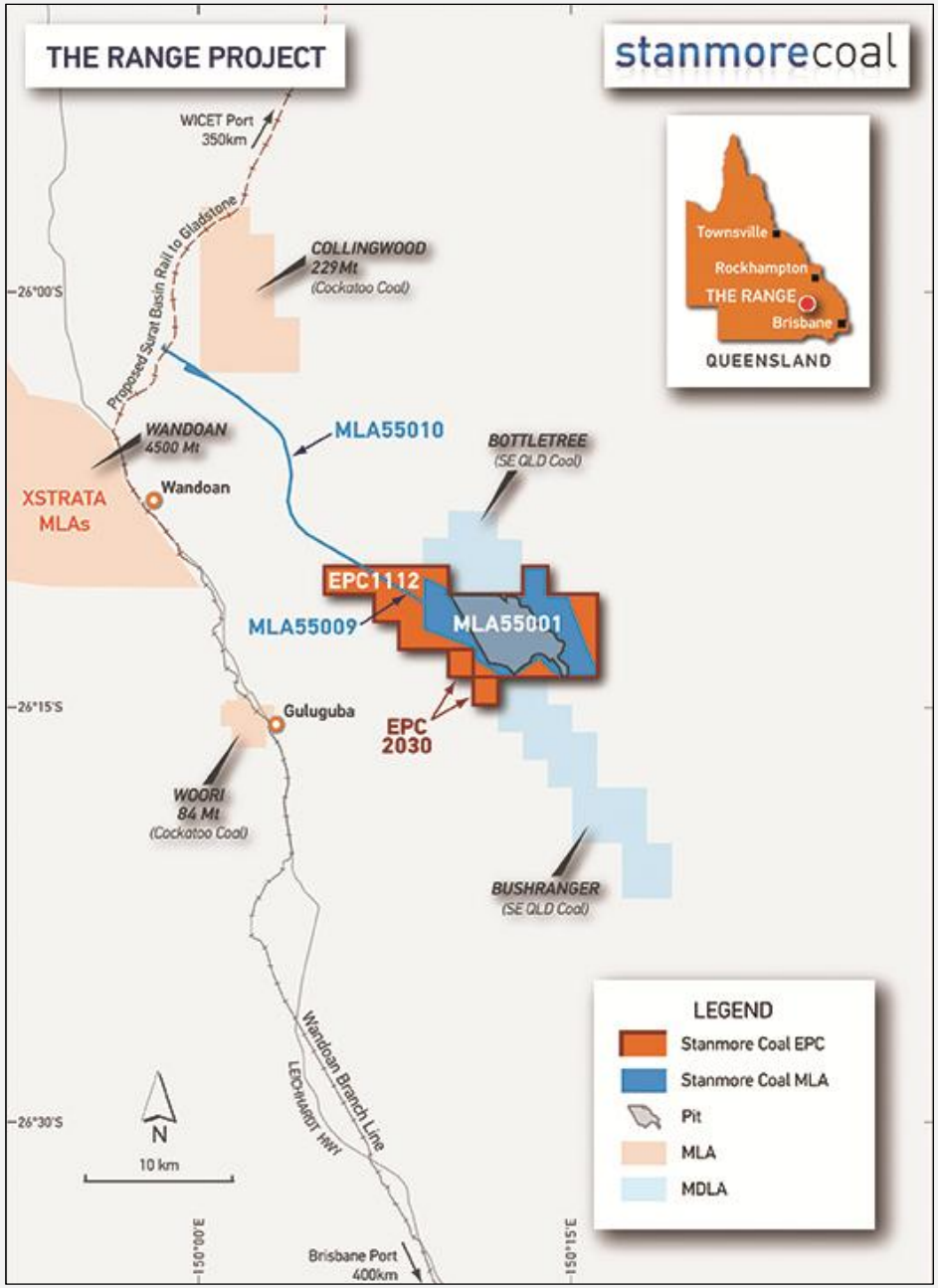
THE RANGE
PROJECT

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
- High energy, low emission thermal coal sought after in Asia
- EIS completed and approved by the State
- Infrastructure solution defined and awaiting delivery of rail and port solution
- No further expenditure required until rail and port infrastructure is committed
- Opportunities exist to reduce capital and operating costs

Category	Reserve (Mt)	Resource (Mt)
JORC Marketable Reserve[1]	94	
JORC Measured Resource		18
JORC Indicated Resource		187
JORC Inferred Resource		82
Total	**94**	**287**

1. Refer to Marketable Reserves Note (p.2), JORC Probable Reserve (ROM) of 117.5 Mt



THE RANGE
PROJECT

HIGH ENERGY EXPORT THERMAL COAL

- Surat Basin coals are typically clean burning with good burnout characteristics and low nitrogen, ash and sulphur
- Suitable for all key markets including Japan, China, Korea and India
- Marketing trips to Japan and South Korea confirmed strong interest in product coal
- Coal is capable of being washed to a range of ash levels from 10.0% to 16.0% including the following potential products:

Category		Gold Product (10% Ash)	Silver Product (16.0% Ash)
Volatile Matter	% ad	41.8	39.6
Fixed Carbon	% ad	40.2	35.9
Total Sulfur	% ad	0.46	0.42
Nitrogen (ult)	% daf	1.10	1.12
Moisture	%	7.9	7.5
GCV	Kcal/kg ad	6,466	5,904
GCV	Kcal/kg daf	7,880	7,822

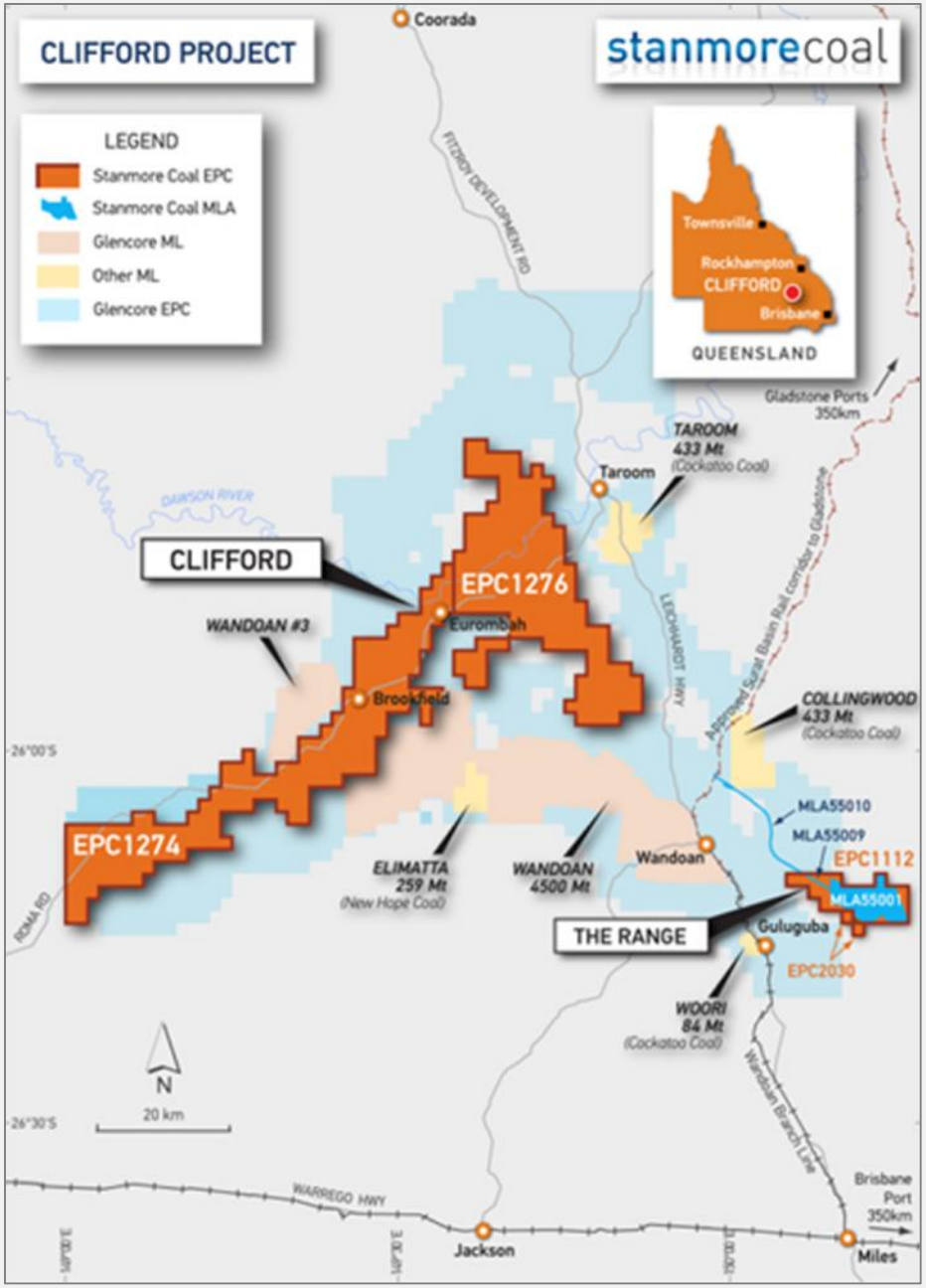
Quality	Surat Walloon Coals	Comment
Sulphur (%)	0.4	✓ Low levels of trace elements and low emissions of atmospheric pollutants (oxides of sulfur, nitrogen and particulates) mean excellent environmental performance
Nitrogen (% ult daf)	1.1	
Ash (%)	10	✓ Lower than Newcastle benchmark
CO_2 (kg/ MWh S/O)	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

CLIFFORD
PROJECT

LARGE EXPLORATION AREA WITH OPEN CUT POTENTIAL

- Substantial exploration opportunities within the Clifford Project
- Potential to host a substantial thermal coal deposit suitable for open cut mining
- Substantial synergies with the Range
- JOGMEC funding allows for up to $4.5M of exploration activity at Clifford over 3 years
- Strategic Japanese government interest in the Surat Basin supports long term value in Stanmore projects

Category	Grange (Mt)	Liberty (Mt)
JORC Indicated Resource[1]	80	
JORC Inferred Resource[1]	190	100
Total	**270**	**100**



1. Refer to Competent Person Statement (p.2)

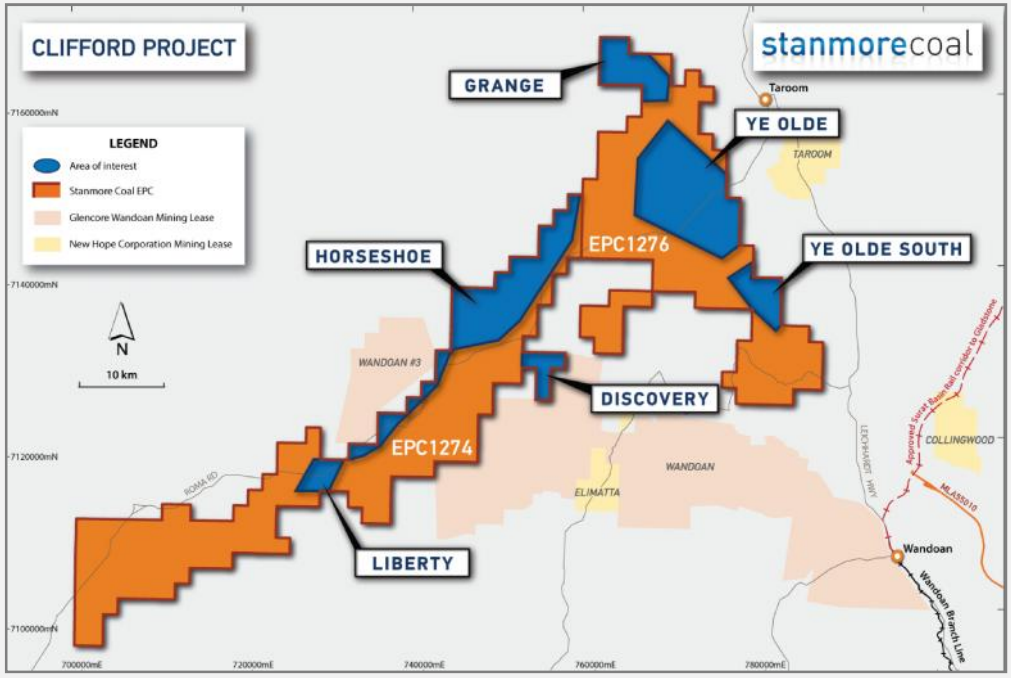
CLIFFORD

LOCATION AND GEOLOGY

EPC 1274 & 1276

- Extensive tenure area in excess of 1,100km^2
- Historically held by MIM/ Xstrata and others
- Several hundred historical coal boreholes in area
- Drilling program to date has identified two prospective, shallow and high quality thermal deposits
  - Grange – in situ strip ratio commences at 6:1
  - Liberty – in situ strip ratio commences at 7:1
- Strong coal quality results with a high laboratory yield of 82% and energy of over 5,900 kcal/kg nar
- Further JOGMEC funded exploration program of up to 27 rotary and 13 cored holes underway in 2H 2015

Parameter	Unit	Basis	Liberty	Grange
Proximate analysis				
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
GCV	kcal/kg	nar	5,933	5,920
HGI		Ad	34	33
Abrasion index		ad	<10	<10
Ash fusion temperature				
Deformation	C		1,540	1,520
Petrographics				
R max	%		0.51	0.48
Total vitrinite	vol %		66.9	70.8



Note: 1. “C” represents “centigrade”; “kcal/kg” represents “kilocalories per kilogram”
2. “ad” represents “air dried”; “ar” represents “as received”; “nar” represents “net as received”; “daf” represents “dry ash free”
3. GCV represents gross calorific value

RESERVES
AND RESOURCES

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/Thermal	3.7	5.0	10.0	9.1	11.0	30.1
The Range	Thermal	94.2	117.5	18.0	187.0	82.0	287.0
Clifford	Thermal	-	-	-	80.0	290.0	370.0
Mackenzie	Coking	-	-	-	25.7	117.5	143.2
Belview	Coking	-	-	-	50.0	280.0	330.0
Tennyson	Thermal/Coking	-	-	-	-	161.0	161.0
Total		**97.9**	**122.5**	**28.0**	**351.8**	**941.5**	**1,321.3**

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

COAL MARKET
OUTLOOK

WHERE ARE WE
IN THE RESOURCES CYCLE?

Bottom of the cycle opportunity – long term outlook is strong

CYCLICAL LOWS

- Coking and thermal coal prices are at their lowest levels since the GFC driven largely by oversupply brought on by high prices several years ago which drove development
- Slower industrial growth and increased domestic coal supply in China continues to have an impact on seaborne markets
- An increasing percentage of seaborne coal producers are unprofitable at current pricing levels – an unsustainable position especially with recent observed price declines
- Typical bottom of the cycle behaviour observed in both miners and investors creates opportunities

STRONG LONG TERM DEMAND FROM ASIA

- Major steel production and other manufacturing facilities will be relocated to the west and south of China which makes imported coal more competitive
- Japan has a renewed focus on coal fired generation capacity in light of the ongoing restrictions on nuclear
- South East Asian countries are increasing their reliance on coal fired power generation to meet the electricity demands from their growing economies as regional gas supplies deplete

RENEWED FOCUS ON COST AND PRODUCTIVITY

- The majors continue to aggressively pursue cost reduction initiatives and productivity improvement
- The need to ship coal to offset significant take or pay liabilities has impacted producer behaviour and further exacerbated oversupply

HISTORICAL PATTERN OF STRONG RECOVERY

- History tells us that resource down-cycles are followed by inevitably stronger up-cycles
- The majors have turned off the tap to new projects – thus It is likely that the longer the downturn, the bigger the upswing

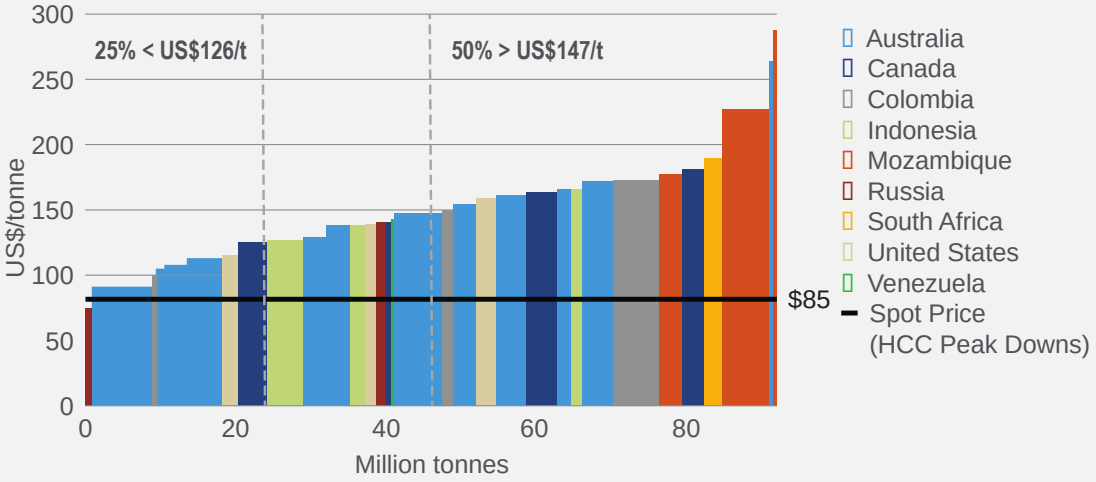
RESERVES

MACRO FACTORS SUPPORT A POSITIVE OUTLOOK FOR METALLURGICAL COAL

THE NEXT WAVE OF HIGH QUALITY MET COAL PROJECTS REQUIRES A SIGNIFICANT INCREASE IN PRICING

- Incentive price curve shows almost no new projects would be developed in current price environment
- Current prices indicate significant tonnages (>100Mt) are losing money
- Production rationalisation may assist in the short term but it is the lack of current project development that will drive the upward price trajectory as supply demand is rebalanced

INCENTIVE PRICE FOR METALLURGICAL COAL PROJECTS (US$/TONNE, 15% IRR)



Source: Wood Mackenzie. Dataset: May 2015

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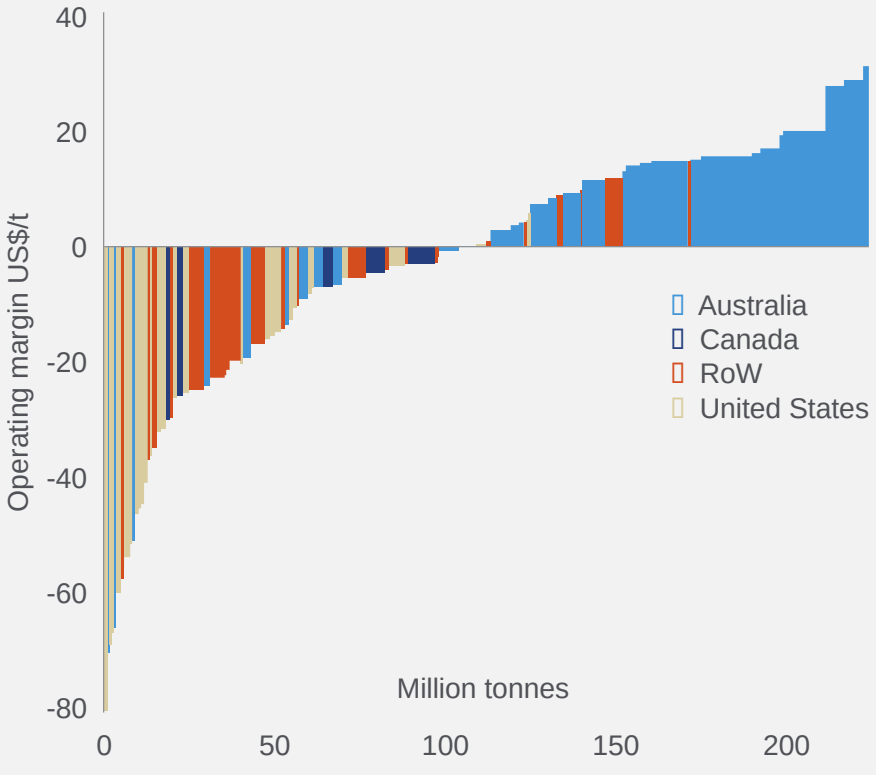

Source: Wood Mackenzie Coal Supply & Coal Market Services