



# QUARTERLY PRODUCTION REPORT

## HIGHLIGHTS

- Waste and coal mining commenced in February with 34,500 ROM tonnes stockpiled during March quarter
- First coal processed in April through the restarted Isaac Plains wash plant
- Annual coking coal contract signed with major East Asian steel producers
- Total JORC Reserve<sup>1</sup> tripled from 5.0Mt to 15.3Mt
- Total JORC Resource<sup>1</sup> more than doubled from 30.1Mt to 76.9Mt
- Open-cut mine life expanded from 3 years to over 10 years<sup>2</sup> with the maiden Isaac Plains East JORC Reserves (10.3Mt)
- Isaac Plains Mining Complex declared as a “Prescribed Project” by State Government

## PRODUCTION AND SALES

Thousands of tonnes	Quarter Ended			YTD
	Mar 2016	Dec 2015	Change	Mar 2016
<b>ROM coal produced</b>	<b>34.5</b>	-	n.a.	<b>34.5</b>
<b>Saleable coal produced</b>	-	-	n.a.	-
<b>Total coal sales</b>	-	-	-	-
- <i>Metallurgical</i>	-	-	n.a.	-
- <i>Thermal</i>	-	-	-	-
<b>Coal stockpiles</b>	-	-	n.a.	-

<sup>1</sup> Refer Competent Person Statement, page 5

<sup>2</sup> As at steady-state production of 1.5 million run of mine (ROM) tonnes

## **SAFETY PERFORMANCE**

In the two months since recommencement of operations at the Isaac Plains Complex there have been no reportable injuries at Isaac Plains or across the Company's other assets. The Total Reportable Injury Frequency Rate is therefore nil.

## **COAL SALES AND MARKET OUTLOOK**

Coal processing at Isaac Plains commenced in April with the first shipment expected in early May. Stanmore Coal Limited (**Stanmore** or the **Company**) has signed or agreed terms for the Japanese financial year 2016 with top tier Japanese and Korean steel mills on annual semi-soft benchmark-linked contracts totalling 900,000 tonnes (t) of coking coal. The Company is well progressed with contract discussions for the remaining 200,000t of thermal coal product.

Recent positive moves in the hard coking coal price serve as a reminder that coking coal remains a relatively scarce resource. The spot premium hard coking coal price has seen an increase of approximately 25% over the past 3 months to above USD 100 per tonne. Whilst the PCI and SSCC coals have yet to experience the same level of increase, the uplift in premium products has provided some positive price momentum to the entire coking coal market.

This is reflected in the recent June quarter settlement for Japanese benchmark coking coal prices at a US\$ 3-4 increase over the previous quarter. We note hard-coking coal benchmark prices increased from US\$81/tonne to US\$84/tonne, while semi-soft coking coal prices increased from US\$66/tonne to US\$70/tonne. In recent years, benchmark prices have typically outstripped spot, reflecting the top tier Japanese and Korean customers' requirement for certainty and consistency of supply. If the spot market for hard coking coal products remain around current levels that is likely to put upwards pressure on benchmark settlements in the next quarter for all coking products. In addition, the recent settlement of the JPU benchmark thermal coal price at US\$61.60/tonne, well above the current thermal spot price, provides further confidence in the outlook for coal producers.

Selling out the company's first year of coking coal production to top tier Asian steel mills is a very strong result and underpins a positive return to the market for the sought after Isaac Plains coking coal. It fits well with Stanmore's goal of building long term relationships with major steel making customers. The Company continually monitors its optimal product mix and has the ability to produce a semi-hard coking coal (subject to existing contractual arrangements) in the future should hard coking coal process remain relatively strong. There is considerable flexibility built into the wash plant and our mining methods which provides the ability to respond to market conditions as appropriate.

## **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, pursuant to section 76E of the State Development and Public Works Organisation Act 1971. The Isaac Plains Mining Complex comprises the existing Isaac Plains Mine (ML70342) and the adjacent project known as Isaac Plains East (the area covered by MDL135, part MDL137 and EPC667).

## EXPLORATION & DEVELOPMENT

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

Total exploration expenditure for the March quarter was \$0.7m.

### 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). Indicative coal quality demonstrates improved coal rank and yield for the coking product at Isaac Plains East relative to Isaac Plains.

The mining conditions at Isaac Plains East are similar to those experienced at Isaac Plains and therefore amenable to a dragline operation. In utilising the existing Company-owned dragline currently deployed at Isaac Plains, the overall mining cost is minimised given the significant cost advantage over pure truck & shovel waste operations.

Reserves modelling at Isaac Plains East indicated a 7 year average prime strip ratio (bcm/ROM tonnes) of 11:1, with the first 2 years at 8:1 and first 4 years at sub 10:1. This compares favourably to the three year average strip ratio of approximately 13:1 for the current mining operation 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\$15-20 per product tonne in the first 4 years when compared to the existing planned 3 years of Isaac Plains open cut.

Due to the proximity of the two deposits, minimal additional infrastructure will be required to develop Isaac Plains East. A three kilometre haul road will be built to connect to the existing Isaac Plains road system.

The process for obtaining the Isaac Plains East required Mining Lease is underway with a top tier environmental consultant engaged by the Company to manage the various field activities and coordinate the ongoing baseline studies. The approval pathway requires the Company to submit a major amendment to the environmental authority for Isaac Plains once all requisite data is collated. The Company anticipates lodging the amendment documentation and application for Mining Lease in the December quarter of 2016, with the target for grant of the Mining Lease within the second half of 2017.

### Isaac Plains Underground

Over 20Mt of JORC compliant Measured & Indicated Resources have been identified in the recent drilling campaign within a potential underground extension at Isaac Plains. The Company is currently investigating underground extraction methods for 7.5Mt ROM using a Bord and Pillar technique with a potential additional production rate of 0.8-1.3 Mtpa. This 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.

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<sup>3</sup> Refer Competent Person Statement, page 5

The Company is also exploring the potential for highwall mining at Isaac Plains with access from the disused southern pits.

### **Clifford Project**

The most recent exploration program at Clifford was finalised during the quarter. A total of 27 rotary boreholes & 16 partial core boreholes were drilled within the Grange (EPC 1276) and Liberty (EPC 1274) sub-areas of the Clifford Project during the program with 4 partial core holes drilled in the March quarter. A total of 6,229 metres were drilled in the program with 526 metres completed in the March quarter.

Final coal quality testing results have been received for all boreholes. All coal samples were subjected to raw analysis with selected samples composited for washability and clean coal composite analysis.

All final corrected exploration and quality data provided to Xenith Consulting (Xenith) to be used to update the resource models for the Grange & Liberty areas. An updated JORC compliant Resource report is anticipated to be released shortly.

Further activities currently being considered for the upcoming year between Stanmore and funding partner JOGMEC are expected to include a mining study, utilising the upcoming of revision of Resources at the Grange and Liberty sub-areas, which are presently being finalised. This work may also be augmented with a small field programme targeted at providing additional geological information.

### **INFRASTRUCTURE**

As part of the transaction of Isaac Plains the Company has secured all infrastructure requirements to bring the Isaac Plains Complex to a state of operational readiness. Stanmore has secured rail, port, water, electricity and accommodation services which have been optimised to support our targeted initial production rate of 1.1Mtpa.

### **CORPORATE**

As at 31 March 2016 Stanmore's cash position was \$20.2m. The Company has an estimated receivable in relation to vendor compensation payments of \$20.4m, due within the following 18 month period.

Bank guarantees held with Taurus amount to A\$36.8m with an available working capital facility of US\$12.0m undrawn.

### **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.

Yours faithfully

**Andrew Roach**  
Company Secretary

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

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

**COMPETENT PERSON STATEMENT**

The information in this report relating to coal reserves for Isaac Plains and Isaac Plains East 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.

**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 operates the Isaac Plains coking coal mine in Queensland's prime Bowen Basin region. Stanmore Coal owns 100% of the Isaac Plains mine and the adjoining Isaac Plains East expansion project. The company is focused on the creation of shareholder value via the efficient operation of Isaac Plains, timely development of Isaac Plains East and identification of further development opportunities within the region. In addition Stanmore Coal holds a number of high quality development assets in both coking and thermal coal located in the Queensland's Bowen and Surat Basins.

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## APPENDIX 1 – JORC COMPLIANT RESOURCES & RESERVES SUMMARY

Asset		JORC Marketable Coal Reserve <sup>1,2</sup>	JORC Recoverable Coal Reserve <sup>1,2</sup>	JORC Measured Resource <sup>1</sup>	JORC Indicated Resource <sup>1</sup>	JORC Inferred Resource <sup>1</sup>	Total JORC Resource <sup>1</sup>
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	-	-	-	80.0	290.0	370.0
Mackenzie	Coking	-	-	-	25.7	117.5	143.2
Belview	Coking	-	-	-	50.0	280.0	330.0
Tennyson	Thermal	-	-	-	-	161.0	161.0
<b>Total</b>		<b>106.2</b>	<b>132.8</b>	<b>33.2</b>	<b>384.4</b>	<b>950.5</b>	<b>1,368.1</b>

1. Refer to Competent Persons Statement (p. 5)

2. Refer to Marketable Reserves Note (p. 5)