



ASX ANNOUNCEMENT

Low cost highwall mining to commence at Isaac Plains Coking Coal Mine

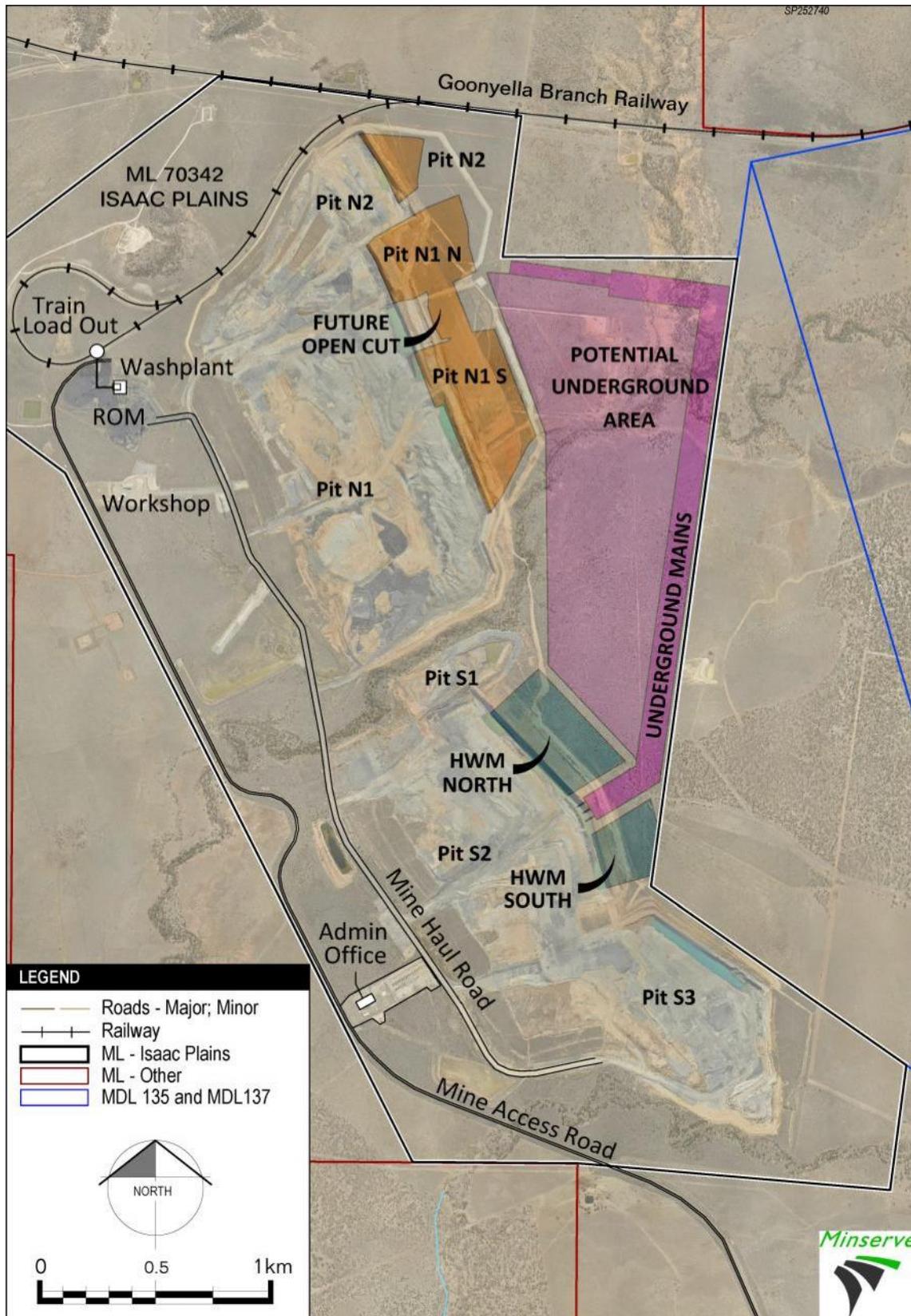
HIGHLIGHTS

- Highwall mining contract signed, targeting extraction of over 300,000 ROM tonnes of low cost coal in addition to the existing open cut operation
- This additional coal will be extracted at an estimated 20% lower FOB cost than the existing open cut and will be used to supply to existing and new steel customers in Asia
- Up to 80,000 ROM tonnes per month of previously uneconomic coal will be extracted from the disused S2 pit from June to October 2016

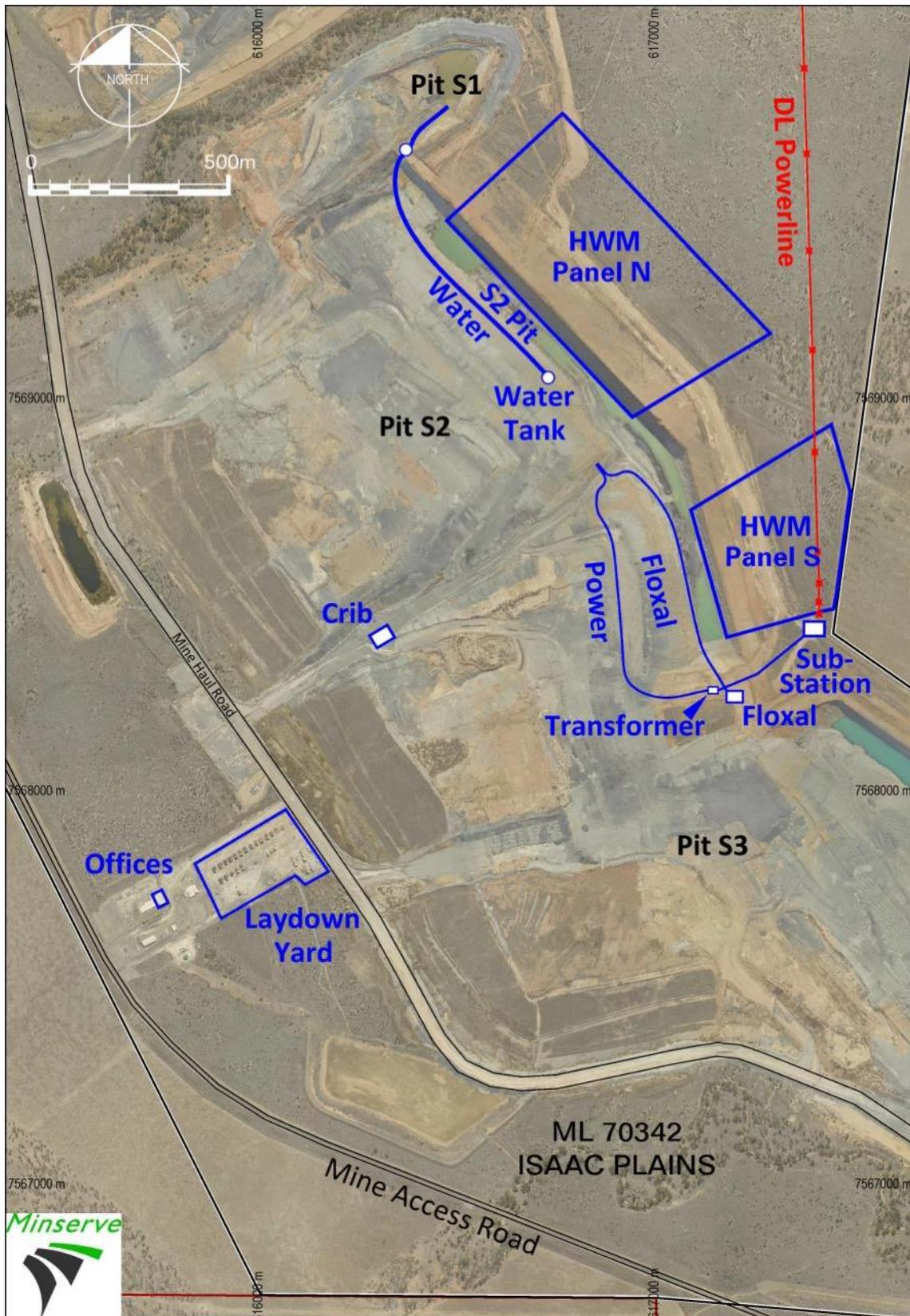
Stanmore Coal Limited (**Stanmore** or the **Company**) (**ASX:SMR**) is pleased to announce that the Company has awarded a contract to UGM Highwall Mining Pty Ltd (**UGM**) to commence highwall mining operations at Isaac Plains. Highwall mining represents a short term, low cost, low impact incremental increase to production from the existing disused S2 pit in the south of the mining lease. The introduction of incremental highwall mining production provides benefits to Stanmore in better utilising the significant infrastructure and fixed cost base already in place for the Isaac Plains open cut mining operations.

Highwall mining activities are geographically separate from the existing open cut operations in the northern pits and have no impact on open pit production. Increased coking coal production is planned to be first utilised for the existing steel customers in Asia with any surplus tonnage potentially being used to establish new customers.

Map 1: Isaac Plains Mining Lease showing Highwall Mining target zone



Map 2: Disused southern pits showing target Highwall Mining zone



HIGHWALL MINING OVERVIEW

Highwall mining is a low cost, low impact mining method to extract otherwise uneconomic coal at the end of an open cut pit life. It has been extensively used in the USA and Australia including at Glencore's Newlands and Ulan mines and Anglo American's Dawson mine. The highwall mining equipment is operated remotely meaning there are no personnel underground.

Image 1: Top view of highwall mining

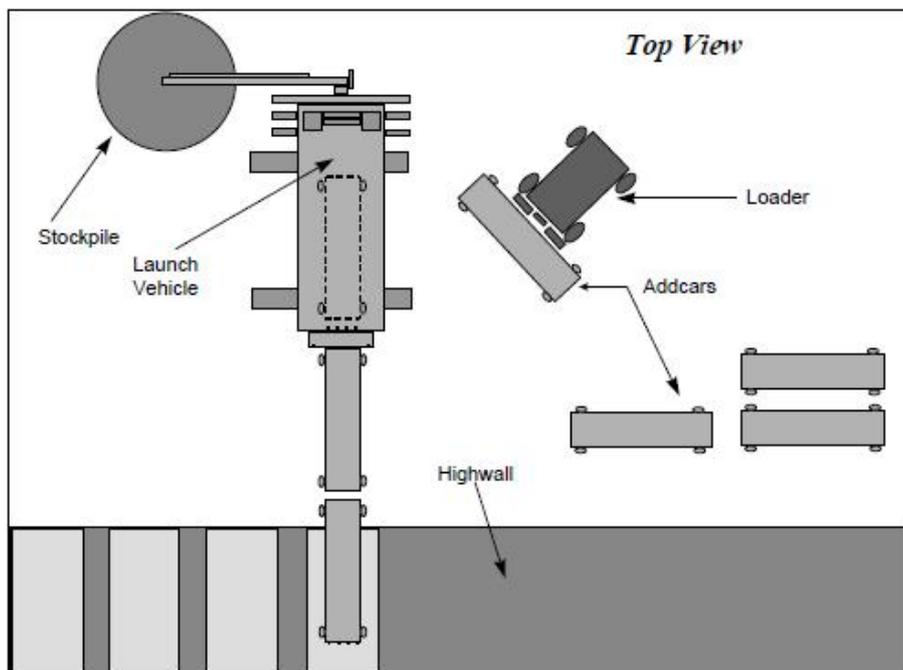


Image 2: Side view of highwall mining

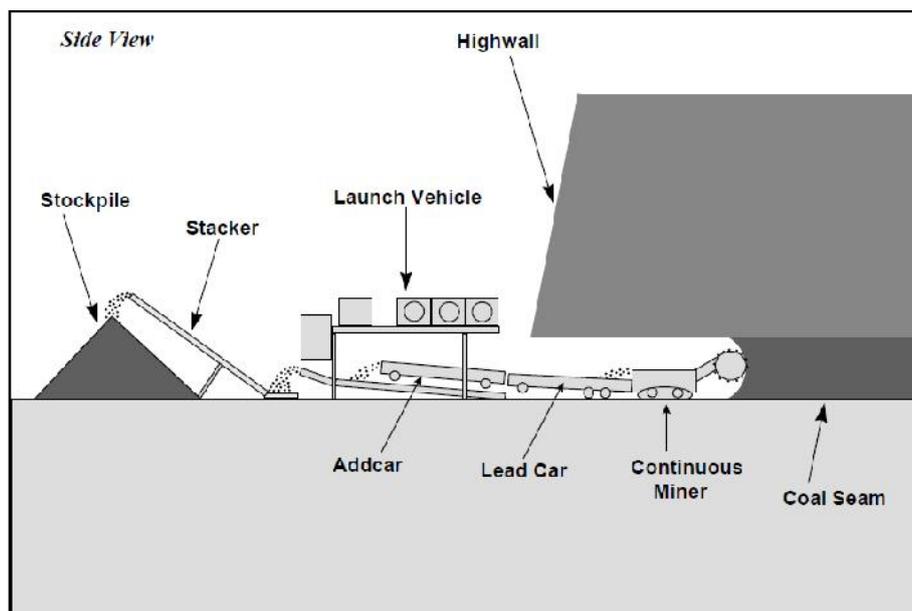


Image 3: Highwall mining equipment in pit-floor



HIGHWALL MINING DESIGN

Stanmore and UGM have engaged a leading geotechnical consultancy to carry out the geotechnical investigation and design of the highwall mining area including cut width and barrier sizing. Stanmore and UGM have worked closely with the relevant State government departments in relation to the planned highwall mining extraction method. A revised Plan of Operations has also been submitted and accepted by the Department of Natural Resources and Mines which reaffirms the approach and process undertaken by the Company.

Within the target highwall mining zone of the S2 pit, 100% of the area is covered by JORC compliant Measured Resources per the report released by the Company in April of this year¹. The Isaac Plains Mining Lease Resource was estimated at 48.2 Mt, comprised 15.2Mt Measured, 23.03Mt Indicated and 10.0Mt Inferred categories. This provides the Company with a high degree of comfort over the coal seam, structure and likely mining conditions within the target highwall mining zone. In addition, the highwall mining zones have been designed so as not to interfere with future access to the underground resource which is being investigated as a potential bord & pillar operation.

CONTRACTING APPROACH

The contract for highwall mining rewards UGM for delivery of run-of-mine coal to the pad on the S2 pit floor. The UGM contract is designed around a ROM production target of 70,000 tonnes per month at a dollar rate per ROM tonne. Overall the contract term is around 5 months with over 300,000 ROM tonnes targeted within the existing highwall of the S2 pit.

Stanmore is responsible for the provision of certain services including water and power connectivity. Golding Contractors Pty Ltd (**Golding**) has been awarded ROM coal haulage services for delivery of mined coal to the processing plant where Golding will also then process the coal to deliver high quality coking and thermal products. In addition, Golding's current roles and responsibilities for statutory positions and safety systems at site will apply over the highwall mining operations with all safety procedures, inductions and other activities reporting through the single Golding interface. This is key to ensure a smooth continuation of the strong safety culture and focus to date which has resulted in nil lost time and nil reportable injuries.

Given the geographical separation between the open cut operations in the northern pits and highwall mining in the southern pits of the Isaac Plains mining lease, there is limited interface between the two mining zones.

¹ Refer ASX announcement titled "Significant JORC Resource Increase for Isaac Plains Complex" dated 6 April 2016

Nick Jorss, Managing Director of Stanmore, said, “We are very pleased to have signed this contract with UGM after more than 12 months of preparation, detailed design and discussions with relevant State representatives. Highwall mining is an attractive option for Stanmore at Isaac Plains given the potential to produce low cost, low impact incremental tonnes of coking coal to be sold to existing and new customers.

The additional coal is expected to be produced at an FOB cost which is around 20% lower than the current open cut cost, given the largely fixed nature of the infrastructure costs which are already covered by open cut mining operations.”

Yours faithfully



Andrew Roach
Company Secretary

FOR FURTHER INFORMATION, PLEASE CONTACT:

Mr Nick Jorss
Managing Director
07 3238 1000

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

ABOUT UGM

The UGM Group history is steeped in underground coal mining and providing support to international mining houses in the Hunter Valley and Illawarra, NSW and the Bowen Basin coalfields of QLD. From providing whole of mine operational support including the supply and maintenance of continuous miners through to LHD's and man transporters, UGM have continued to grow through the provision of quality, safe and cost effective solutions for customers.

In 2014, UGM acquired leading highwall mining specialist, ADDCAR Highwall Mining Systems based in Kentucky, USA.

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.

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.

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