September 2016

QUARTERLY PRODUCTION REPORT

HIGHLIGHTS

- 8 shipments completed for 286 thousand tonnes (86% coking and 14% thermal)
- Continued safety record of no lost time injuries to date for the Isaac Plains Coal Mine
- December 2016 quarterly benchmark price set as USD 130 per tonne, a rise of USD 56 per tonne or 75% above the September 2016 quarterly benchmark price of USD 74 per tonne.
- Rehabilitation activities undertaken and nearly completed on 82Ha

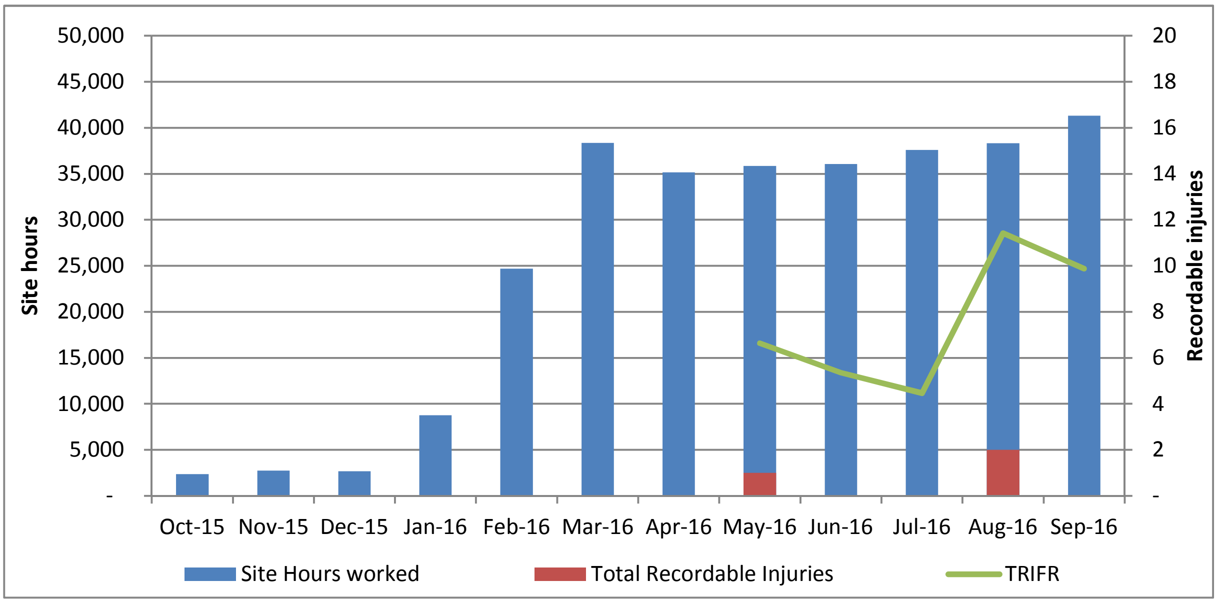
PRODUCTION AND SALES

	Quarter Ended			2016 calendar YTD
Thousands of tonnes	**Sept 2016**	Jun 2016	Change %*	**Sept 2016**
ROM coal produced	**394**	309	28%	**739**
ROM strip ratio (bcm waste / ROM t)	**23.8**	17.1	39%	**23.0**
Saleable coal produced	**280**	231	21%	**511**
Total coal sales	**286**	156	83%	**442**
Product coal stockpiles	**68**	75	(9%)	**68**

* **Note:** Change is favourable / unfavourable

SAFETY PERFORMANCE

During the September quarter, there were no lost time injuries (LTI's) recorded and two reportable injuries 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 9.9 per million hours.



ISAAC PLAINS OPERATIONS

The September quarter included carryover for the ramp-up phase of operations towards steady-state production. Mining activities were completed in the smaller N2 pit with mining in the N1 pit commencing which features a considerably longer strike length. Overburden and coal mining in the open cut pits progressed at a run-of-mine (**ROM**) strip ratio of 23.8 for the quarter (23.0 for project to date) following a continued build-up of pre-strip activities in preparedness for the upcoming wet season and a planned dragline outage in October, in addition to the completion of the higher strip ratio N2 pit. Open cut ROM coal production was lower than planned for the quarter. Operations were also impacted also by unseasonal rainfall during July and August that slowed coal release. These factors contributed to the build-up of overburden inventories during the September quarter with the operation now set up for future periods where strip ratio will trend toward the life of mine ratio.

Highwall mining activities noted improvements in performance and plunge depths toward the end of the quarter after experiencing initial operating and water-related issues at commencement. Highwall mining contributed 146kt (37% of total production) of ROM coal during the quarter. Highwall mining is expected to cease by early November and is expected to have produced approximately 220kt of ROM coal by completion.

During the quarter the Company carried out further rectification works at the washplant facilities on previously noted issues with performance and reliability of the plant. The initial results following completion of these works is a significant improvement to total washing yields and the proportion of coking product produced. As a consequence of the improved coking proportion a total of 7 coking coal shipments (86% product sold) and 1 thermal coal shipment (14% product sold) were completed during the September quarter.

Notwithstanding the lower than planned open cut ROM coal production for the September quarter, the Company continued to expect to be able to produce 1.1 million tonnes of product coal from its open cut operations which, together with the contributions from highwall mining, the Company expect to produce 1.25 million tonnes of product coal this financial year.

COAL SALES AND MARKET OUTLOOK

The December quarterly 2Q17 benchmark price has been set as USD 130 per tonne, a rise of USD 56 per tonne or 75% above the September 2016 quarterly benchmark price of USD 74 per tonne. Under Stanmore's term contracts with major Asian steel mills each new quarterly price applies after any carry over tonnes from the previous quarter are delivered. On this basis it is currently anticipated that the higher December quarterly price will apply coal to be delivered by the mine from around November 2016 through February 2017.

The first shipment of Isaac Plains coking coal was delivered in mid-May, being half way through the first contract quarter. As a result of this a large portion of September quarter sales were still being sold on the June quarter contract price which has led to an average sale price for the quarter of US$68 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.

REHABILITATION

The 2016 rehabilitation campaign commenced during the Quarter with Golding completing all works in the N1N rehabilitation area. Final topsoil push and seeding will continue on the S2 waste dumps into early October, resulting in a total rehabilitation area of 82Ha. Stanmore is fully committed to meeting its obligations to State and the environment as it fast-tracks rehabilitation works within the first year of ownership of the Isaac Plains Coal Mine.

Image 1: Initial stage of rehabilitation

Image 2: Bulk push & grading completed

Image 3: Topsoiling & seeding underway

EXPLORATION & DEVELOPMENT

Total exploration expenditure for the September quarter was $0.5m.

Isaac Plains East

During the September quarter the Company progressed environmental studies to support the submission of an Environmental Authority (**EA**) amendment application on the existing Isaac Plains EA. The EA amendment together with Mining Lease (ML) applications over the tenement were lodged in October with relevant State government departments.

In addition to the works being undertaken on the lodgement of the EA and ML applications, Stanmore has also commenced capital and operating cost reviews together with mine planning and development strategies. An optimisation study is planned in conjunction with further confirmatory exploration activities works to improve detailed mine planning.

Isaac Plains Underground

Conceptual mining studies have commenced for a potential underground mining within the current Isaac Plains mining lease. Further works will be carried out in the near term including internal assessment of the planning and timing to progress development.

Clifford Project

Stanmore continued works within the Clifford Project during the September quarter with support of JV partner JOGMEC. A field exploration program was completed in the Grange prospect during July, which consisted of 5 core holes and 2 rotary chip holes for a total of 554 metres drilled.

Stanmore has commenced a concept study for the Clifford Project with independent consultants to assess mining and development options in conjunction with other Surat Basin projects.

CORPORATE

As at 30 September 2016 Stanmore's cash position was $14.0m (increase of $2.0m from prior quarter). The Company has an estimated remaining receivable in relation to vendor compensation payments of $7.3m at quarter end 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. Post the quarter end the Company has drawn the Taurus working capital facility USD 6m to manage variability in the shipping schedule. The undrawn portion of the facility is USD 6m (USD 12m total facility).

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. Further donations were made during the quarter to local groups.

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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