DECEMBER 17 QUARTERLY PRODUCTION REPORT

HIGHLIGHTS

- Isaac Plains East Environmental Authority issued, compensation agreements executed with landholders and overlapping tenure agreements executed with grant of Mining Leases anticipated in the coming months
- Isaac Plains East Pre-production capital of $9.7m commenced, fully funded from operating cashflow
- Strategic decision to operate Isaac Plains and Isaac Plains East concurrently following grant of Isaac Plains East Mining Leases
- +40% increase in ROM production expected in FY19
- Coal production in the December Quarter impacted by a planned 16-day dragline shutdown and mining conditions
- Year to date sales of 594Kt supports half-year EBITDA guidance of $17-$20 million
- Product guidance of 1.2mt for FY18 reconfirmed
- Investment decision made to proceed to Bankable Feasibility Study (BFS) for Isaac Plains Underground following completion of pre-feasibility study in the quarter

PRODUCTION AND SALES

	Quarter Ended					Year-to-date		
Thousands of tonnes	**Dec 2017**	**Sept 2017**	**Change %***	**Dec 2016**	**Change %***	**Dec 2017**	**Dec 2016**	**Change %***
ROM coal produced	271	443	(39%)	424	(36%)	714	818	(13%)
ROM strip ratio (BCM/ROM t)	14.8	12.0	23%	16.1	(8%)	13.0	15.7	(17%)
Saleable coal produced	197	314	(37%)	302	(35%)	512	582	(12%)
Total coal sales	183	411	(56%)	264	(31%)	594	550	8%
Product coal stockpiles	177	164	8%	104	70%	177	104	70%
ROM coal stockpile	54	81	(33%)	39	39%	54	39	39%

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

SAFETY PERFORMANCE

The company's safety performance continued to improve over the last 12-month period, although the result for the quarter was disappointing with three minor injuries (TRIs) recorded at Isaac Plains, with no injuries across other Stanmore projects and tenements. The TRIFR at the end of the December quarter was 10.67, representing a 12% improvement on this time last year, and remains below the Queensland industry average level of 11.2[1].

ISAAC PLAINS OPERATIONS

Mining performance at Isaac Plans during the December quarter was impacted by a planned 16-day dragline shutdown and mining conditions which slowed the progression of the dragline. A plan has been put into place to ensure production guidance for the full year of 1.2mt product tonnes is met, which will entail more truck and excavator overburden removal. The FY18 FOB costs per tonne sold is expected to be $105/t. Further investment in pre-strip inventories at 31 December 2017 support a superior 2nd half FY18 production performance.

ROM tonnes mined in the December quarter were 271kt, down from 443kt in the prior quarter. Product tonnes produced were 197kt, down from 314kt in the prior quarter, with coal washing ceased in December to manage stockpiles. Product stockpiles at the end of the quarter were 177kt (8% increase from the prior quarter). The total FOB cost of production for the quarter was A$117.0/t sold ($98.51/t H1 FY18), impacted by fewer tonnes sold following lengthy port queues at Dalrymple Bay Coal Terminal (DBCT) (183kt sold).

During the quarter Stanmore's agreement to handle 3rd party coal on a toll loading basis commenced. At 31 December Stanmore had received 190kt and railed 106kt to DBCT. The toll loading agreement is to load 550kt (+/- 20%) by the end of Q3 FY18.

COAL SALES

Coal sales in the December quarter were 183kt, down from a prior record quarter of 411kt due to delays following high port queues at the DBCT, deferring significant tonnages into the March quarter.

The average price per tonne of coal sold was A$147 (US$114), with 143kt of semi-soft coking coal sold at A$151 (US$119) per tonne and 40kt of thermal coal sold at A$133 (US$98) per tonne.

Stanmore's pricing for its semi-soft coking coal is based on a quarterly negotiated benchmark price agreed in advance to the commencement of the quarter as well as a negotiated benchmark price which references the hard-coking coal index of the first two months of the current quarter and the last month of the prior quarter.

The March 2018 quarterly advance benchmark price was settled at US$143/t.

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[1] Source: https://www.business.qld.gov.au/industries/mining-energy-water/resources/safety-health/mining/accidents-incidents/safety-performance

ISAAC PLAINS EAST PROJECT

Stanmore has made significant progress in the approvals process for the Isaac Plains East Project. The Environmental Authority has been issued, draft Commonwealth EPBC Act approval conditions[2] have been negotiated, compensation agreements have been executed with all landholders and the required overlapping tenement agreement has been executed with the relevant overlapping petroleum lease holder and lodged with the Department of Natural Resources and Mines. It is anticipated the IPE Mining Leases will be granted in the coming months.

The Bankable Feasibility Study (BFS) was completed in the quarter and supported the investment decision to go ahead with the development of Isaac Plains East, which has JORC ROM reserves of 11.09Mt[3] which will be processed at the existing CHPP[4] and utilising the TLO[5] infrastructure at Isaac Plains. This aligns with Stanmore's strategy to capitalise on our low-cost assets and capital light approach. To achieve first coal in early Q1 FY19 the Company made the investment decision to commence $9.7m of pre-production capital works early which will be fully funded from operating cash flow.

The current outlook for coal prices in the short to medium term will allow Stanmore to operate Isaac Plains and Isaac Plains East concurrently. This will involve mining Isaac Plains East initially with a truck and shovel fleet until Isaac Plains mining ceases in Q3 FY19, when the dragline will walk to Isaac Plains East. This decision results in a higher cost profile for the business in the short term however the decision to mine concurrently in a high pricing environment is expected to increase production, increase EBITDA, increase cash generation resulting in an increase in shareholder value. In the event coal prices fall, Stanmore will be able to react to reduce costs efficiently by deploying the dragline to Isaac Plains East earlier.

ISAAC PLAINS UNDERGROUND PROJECT

A detailed 3D seismic survey of the Isaac Plains underground project was analysed in the quarter allowing for the completion of a pre-feasibility study (PFS). The PFS found there was a potential economic underground resource at Isaac Plains and the Company is now progressing with a BFS. A formal tendering process has commenced based on an early contractor engagement model aiming to complete the BFS in six months. A financial investment decision on the project is planned for FY19.

CORPORATE

The December 2017 half-year underlying EBITDA guidance of $17.0m to $20.0m is reconfirmed. The Company expects to release its interim Financial Results on 23 February 2017.

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[2] Commonwealth EPBC Act approvals are not a pre-requisite for the grant of the Mining Leases
[3] ASX Announcement dated 24 August 2017 – JORC Reserve increase for Isaac Plains Complex
[4] Coal Handling and Preparation Plant
[5] Train Load Out

Stanmore's net cash position declined from $21.3m to $14.6m[6] during the quarter. Cash was invested in pre-strip ($4.9m), an increase in coal inventory because of port queues at DBCT ($3.3m), investment in the scheduled Dragline shut down ($2.2m)[7] to ensure the reliability of this core production asset. Additional cash investment during the quarter included the completion of the Isaac Plains East BFS ($0.8m) and the Issacs Plains Underground 3D seismic work and prefeasibility study ($0.8). These are important strategic activities which align with Stanmore's strategy to maximise ROM tonnes to capitalise on our low-cost assets and capital light approach.

During the quarter the company repaid a further A$3.8m in interest-bearing debt.

With port queues shortening and deferred shipments from the December quarter sailing in the March quarter, Stanmore expects strong sales growth and cash generation[8] from Isaac Plains in the March quarter, which it is anticipated will enable the Isaac Plains East pre-production capital to be fully funded from operating cash flows.

EXPLORATION

Stanmore is planning an exploration program for its EPC 755 tenement (15km south of the Isaac Plains), to assess the opportunity to provide further long-term ROM feed for its Isaac Plains infrastructure.

Yours faithfully

Ian Poole
Company Secretary

FOR FURTHER INFORMATION, PLEASE CONTACT:

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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 Project. The company is focused on the creation of shareholder value via the efficient operation of Isaac Plains, timely development of Isaac Plains East Project 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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[6] Net cash of $14.6m represented by cash of $17.2m less interest-bearing debt of $2.6m
[7] Dragline shut down costs were $5.0m ($2.8m were incurred in prior periods)
[8] Net cash 25 January 2018 $18.6m