

**stanmore**coal

# Surat Basin Coal and Energy Conference

The Range Project

24 May 2012



# Important information

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**Exploration Target Note:** All statements as to exploration targets of Stanmore Coal and statements as to potential quality and grade are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource and identification of a resource will be totally dependent on the outcome of further exploration. Any statement contained in this document as to exploration results or exploration targets has been made consistent with the requirements of the Australasian code for reporting of exploration results, mineral resources and ore reserves (“JORC Code”).

**Marketable Reserves Note:** The Marketable Coal Reserves of 94Mt is derived from a JORC compliant run of mine (ROM) Coal Reserve of 117.5Mt based on a 14.8% ash product and predicted yield of 80%. The 94Mt market reserve is included in the 260Mt total JORC resource (184Mt indicated + 76Mt inferred resource)

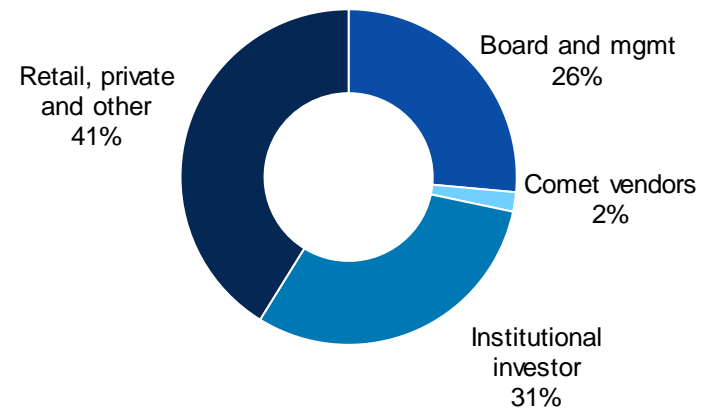
**Competent Persons Statement:** The information in this report relating to exploration results and coal resources is based on information compiled by Mr Wes Nichols who is a Fellow of the Australian Institute of Mining and Metallurgy (AusIMM) and is a full time employee of Stanmore Coal. Mr Nichols is a qualified geologist and has sufficient experience that 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 2004 Edition of the JORC Code. Mr Nichols consents to the inclusion in this document 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 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.

# Stanmore Coal Overview

- Coal development and exploration company
- Portfolio of coking, PCI and export thermal coal targets in prime coal areas
- First coal production scheduled for 2015
- 94Mt Marketable Reserves<sup>(3)</sup>
- 498Mt total Resources (209.7Mt Indicated Resource + 288.5Mt Inferred Resource)
- 485 – 705Mt additional Exploration Target<sup>(4)</sup>
- Maximum flexibility in funding options – all projects 100% owned, no off-take commitments
- Significant debt facility being documented, will meet early infrastructure commitments
- Secured 7Mtpa priority (FFFA) capacity rights for WICET Expansion plus 12Mtpa conditional agreement at Dudgeon Point Coal Terminal
- Secured 5Mtpa conditional capacity on SBR
- Invited to participate in QR Moura line upgrade feasibility process
- Experienced Board and management team with a proven track record of developing coal projects

Key Metrics	
ASX Code	SMR
Shares on issue	160.2m
Current share price <sup>(1)</sup>	A\$0.66
Market Capitalisation	A\$106m
Cash Position <sup>(2)</sup>	A\$23.1m (no debt)

Substantial Shareholders	
St Lucia Resources	19.8%
Kinetic Funds Mgmt	5.6%
Stephen Bizzell	4.6%



Notes:

(1) As at 7 May 2012

(2) As at 30 April 2012

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

(4) Refer to Exploration Target Note (p.1)

# The Range Rail & Port Solution



Well located to all key markets including Japan, China, Korea and India



All projects are located close to existing or planned rail and port facilities

## Rail

- The Range: existing QR Moura line and tie-in to Surat Basin Rail (2015)

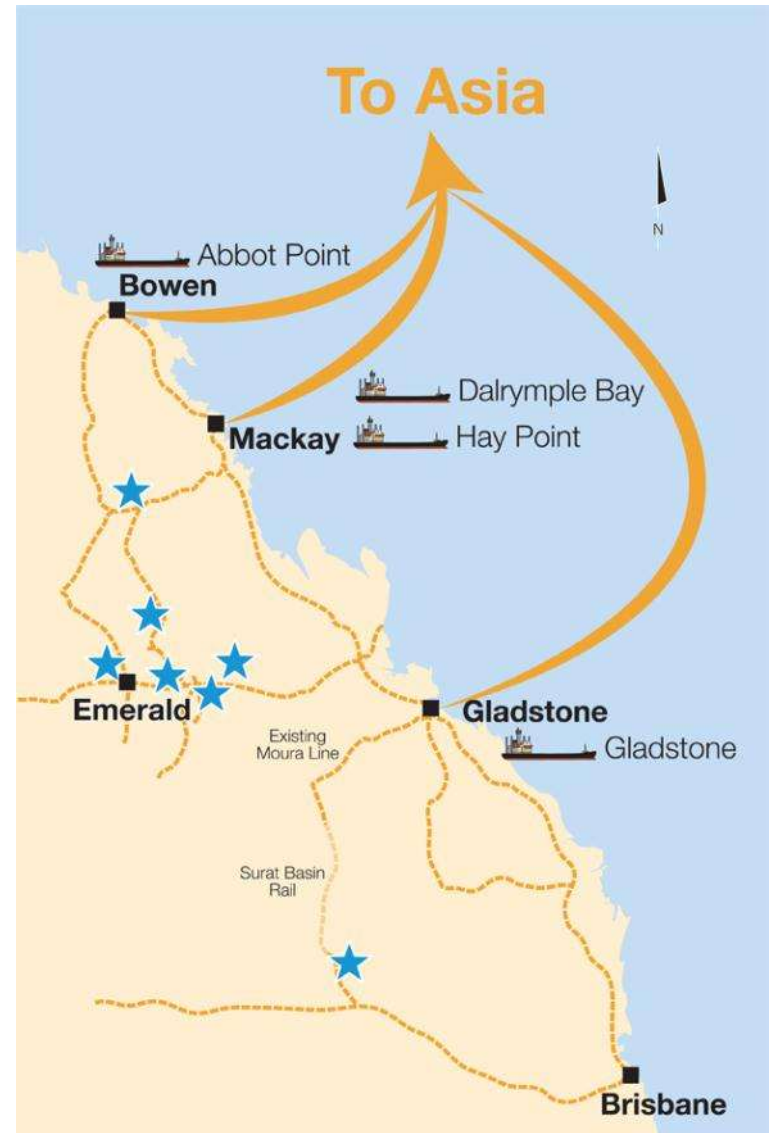
## Port

- WICET Expansion 1: app. 30 Mtpa (first coal 2015)
  - Financial close targeted for 2H-2012
  - Stanmore is well positioned with 7Mtpa priority (FFFA) capacity rights, including 5Mtpa for The Range

## Funding

- Unconditional, committed, credit approved debt facility to fund early works and bid bond commitments for key infrastructure

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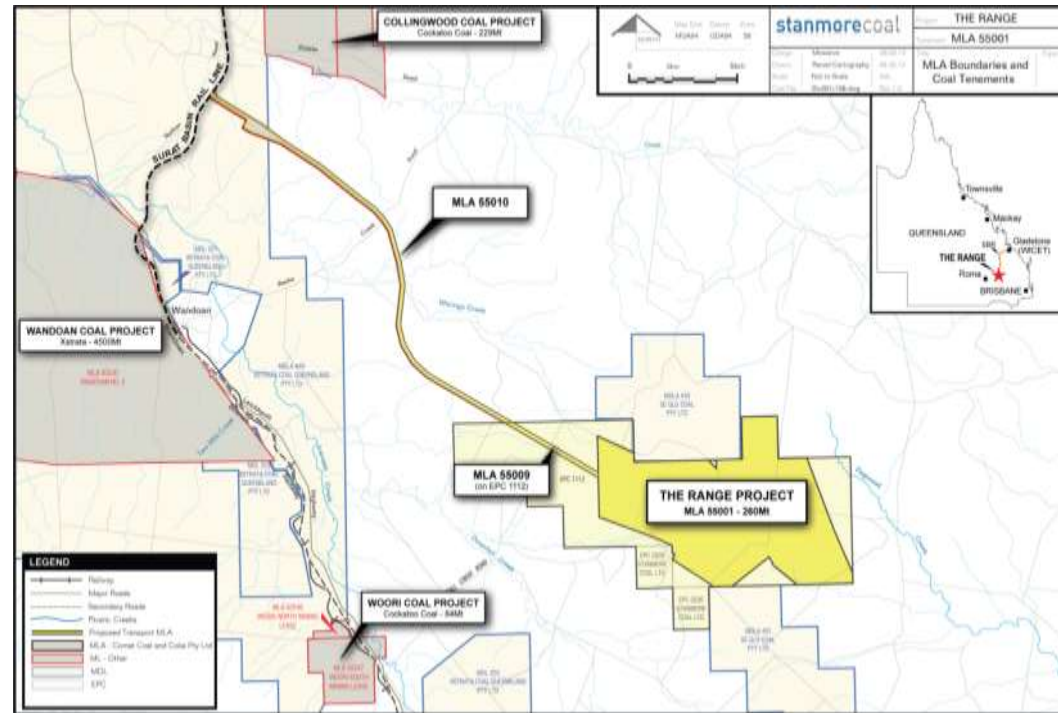


# The Range Project – Surat Basin

## Asset Overview

### 100% owned

- Significant Reserve/Resource base
  - 94Mt JORC Marketable Coal Reserves<sup>(1)</sup>
  - 260Mt JORC Resource (184Mt Indicated, 76Mt Inferred)
  - 60 – 70Mt additional Exploration Target<sup>(2)</sup>
- Open cut mining operation over 26 year mine life
- On track for first coal by 2015
- Target saleable production of 5Mtpa
- Bankable feasibility study underway
- Average total coal thickness 8.5m (max 12m)
- Coal is near flat with dip of 1° to west
- EIS completed and submitted
- SBR – satisfied due diligence criteria and conditionally offered 5Mtpa capacity
- QR – invited to participate in Moura line upgrade feasibility process
- Located 27km south east of the proposed Surat Basin rail line – transport corridor ML applications submitted



# The Range Project

## Coal quality

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### High energy export thermal coal

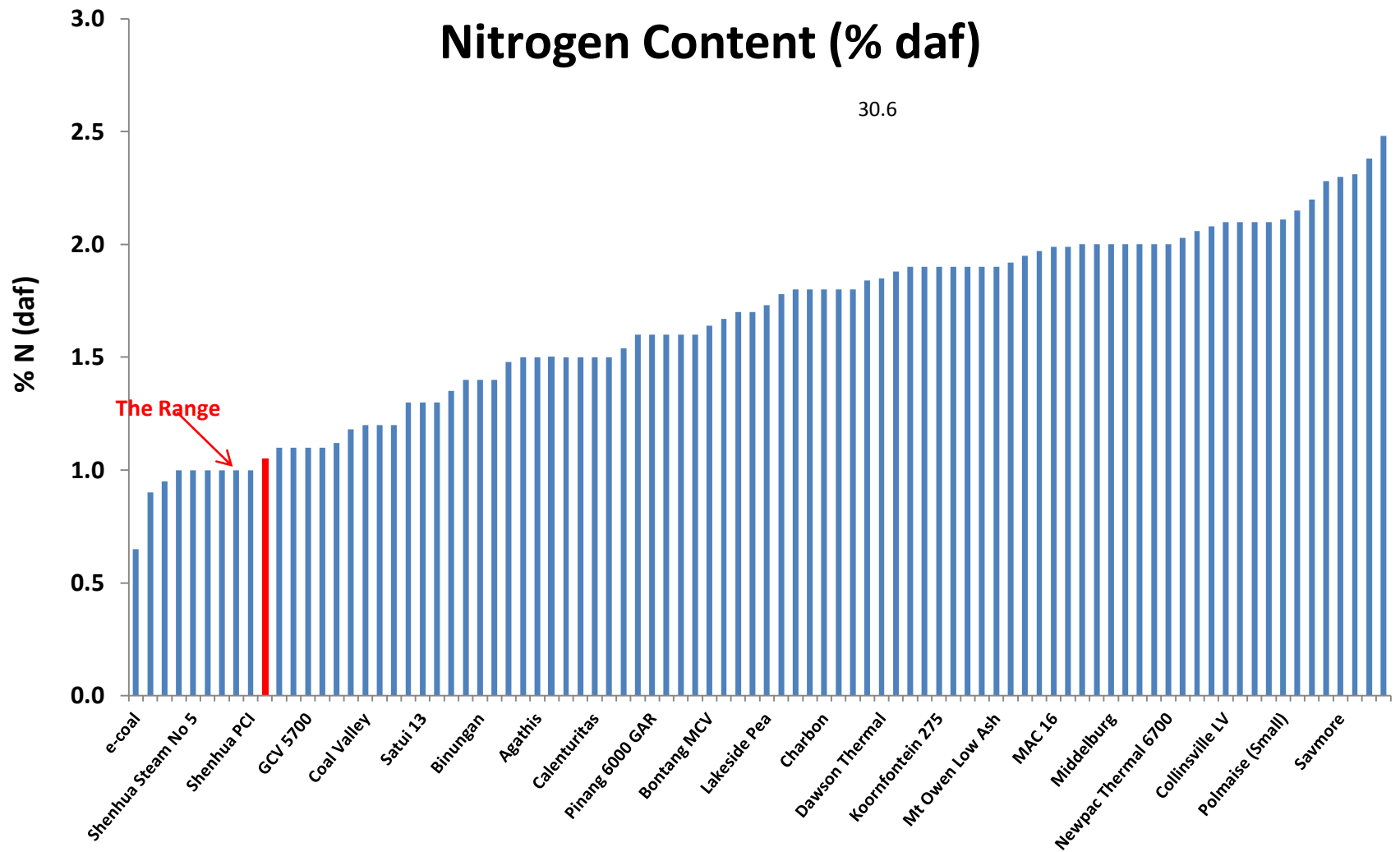
- Surat Basin coals are typically clean burning with good burnout characteristics and low nitrogen, ash and sulphur
- Suitable for all key markets including Japan, China, Korea and India
- Recent marketing trip to Japan confirmed strong interest in product coal
- Coal is capable of being washed to a range of ash levels from 10.0% to 15.6% including the following potential products:

The Range coal quality		The Range Gold 10% Ash	The Range Silver 15.6% Ash
Volatile Matter	%ad	41.7	39.5
Fixed Carbon	%ad	40.1	36.9
Total Sulphur	%ad	0.4	0.4
Nitrogen (ult)	%daf	1.1	1.1
Total Moisture	%	14	13
GCV	kcal/kg ad	6452	5987
GCV	kcal/kg daf	7888	7835

- Optimal product mix will be determined in the Bankable Feasibility Study

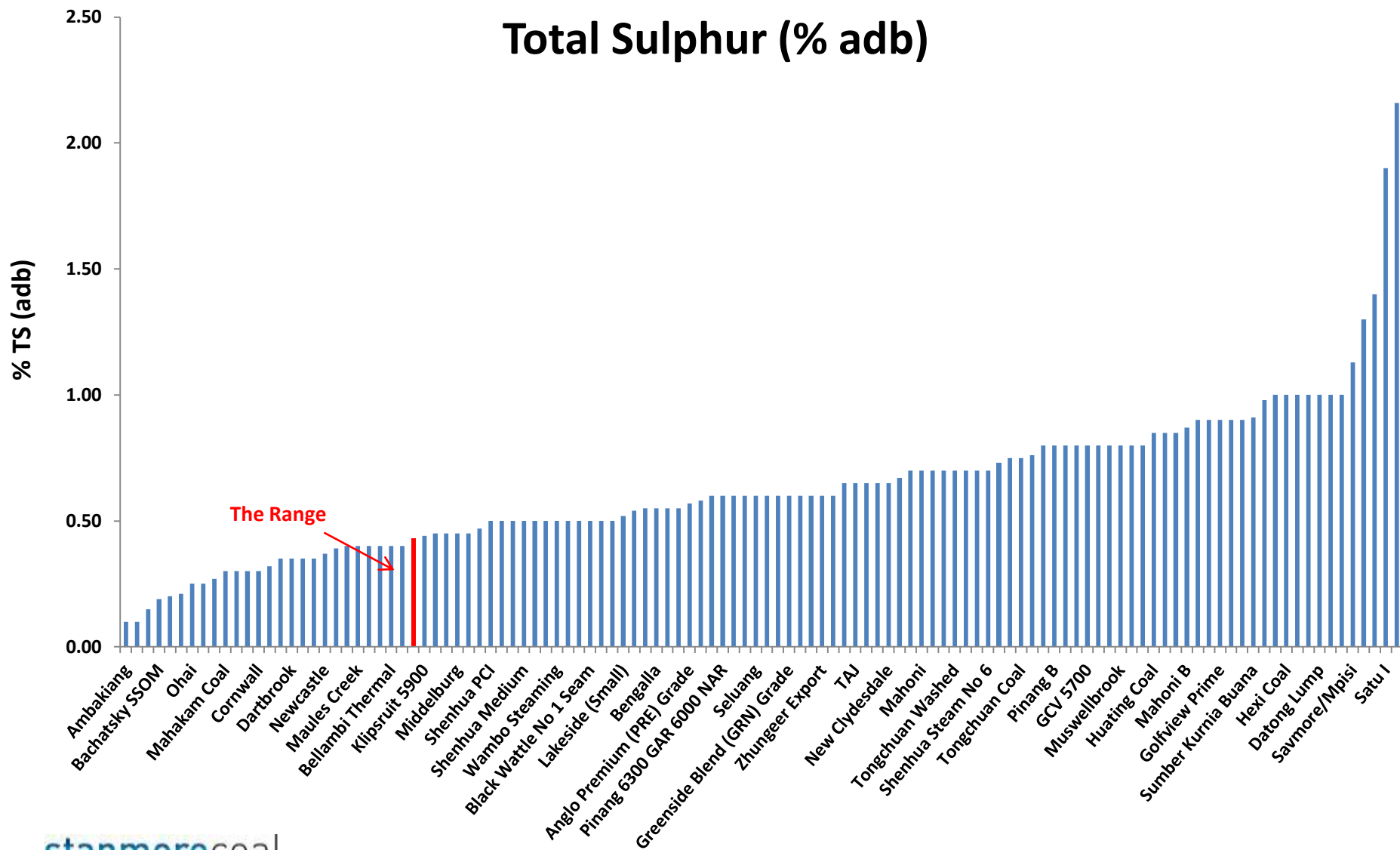
# The Range Project

## Comparison of key characteristics



# The Range Project

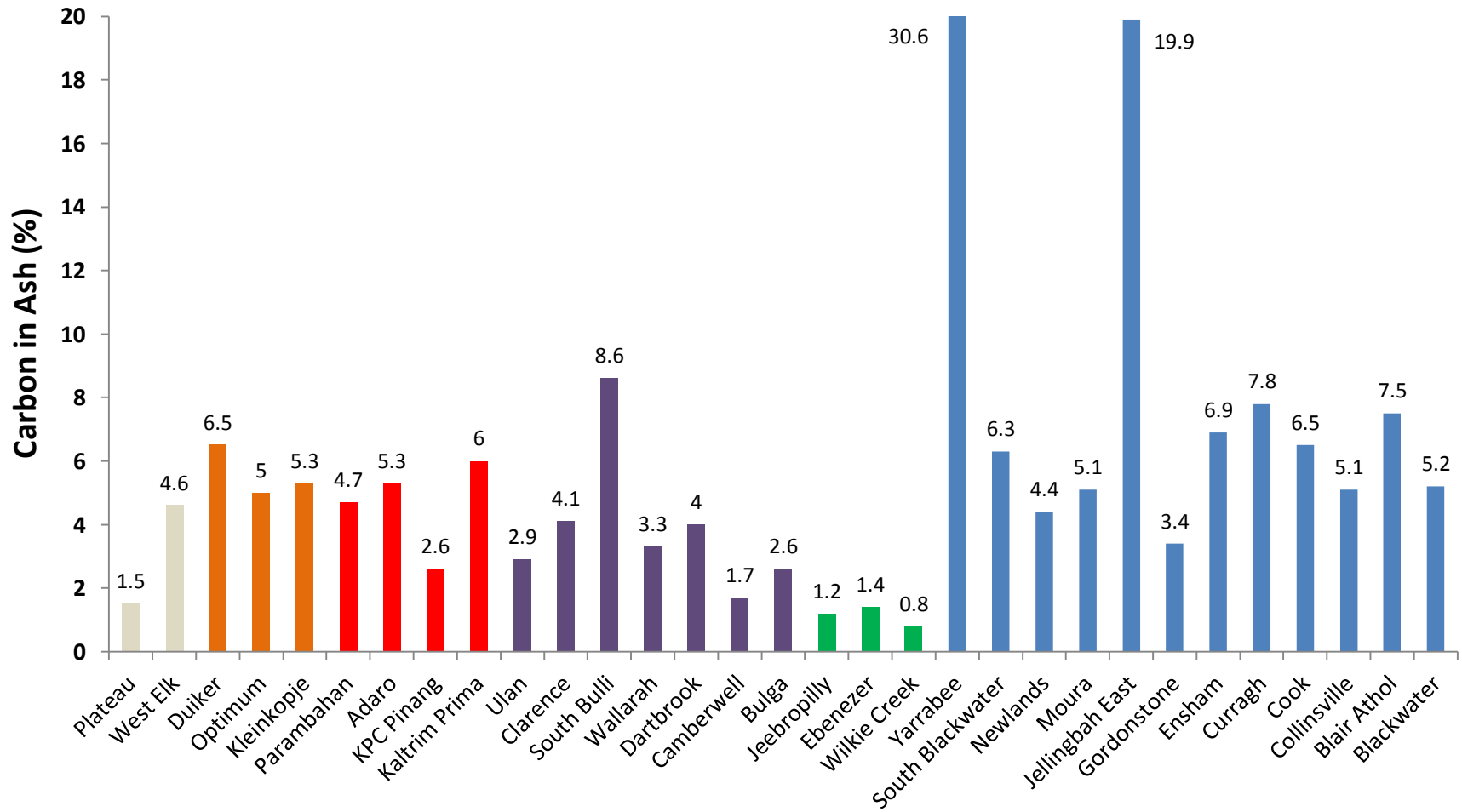
## Comparison of key characteristics



# The Range Project

## Typical Walloon Coal Measures Carbon in Ash

### Carbon in Ash



# The Range Project

## Pre-feasibility study results

Asset Description	
Project	The Range, Surat Basin (Queensland)
JORC Resources <sup>(1)</sup> / Coal Reserves <sup>(2)</sup>	260Mt / 94Mt
Location relative to infrastructure	Located 27km SE of the proposed Surat Basin rail line
Mining Profile	
Mining method	Open-cut, truck and shovel
Potential project life	26 years
Production Profile Assumed in Mine Plan	
First coal production	2015
ROM production	~6Mtpa
Yield	~80% (14.4% ash product)
Saleable coal production	5Mtpa
Average stripping ratio <sup>(4)</sup>	6.7:1
Product	100% export quality thermal coal
Operating Costs (first 17 years of production) <sup>(3),(4)</sup>	
Owner mining	A\$39.4/t (FOR) / A\$71.9/t (FOB)
Contractor mining	A\$49.8/t (FOR) / A\$81.7/t (FOB)

### Key Highlights

- Confirmed the technical and economic feasibility of the project
- Attractive ROM strip ratio<sup>(4)</sup> averages 6.7bcm/t
- Substantial quantities of clean coal (~42% bypass) resulting in product yield up to ~80%
- Operating costs (owner mining, ex royalty) of A\$71.9/t (FOB)<sup>(4)</sup>
- Bankable Feasibility Study (BFS) underway with Xenith, Minserv, AECOM and DRA
- Further potential to optimise operations and add value (e.g. product optimisation, bypass configuration, increase scale, shared infrastructure)
- Potential to further increase marketable reserves, extend the resource base and mine life

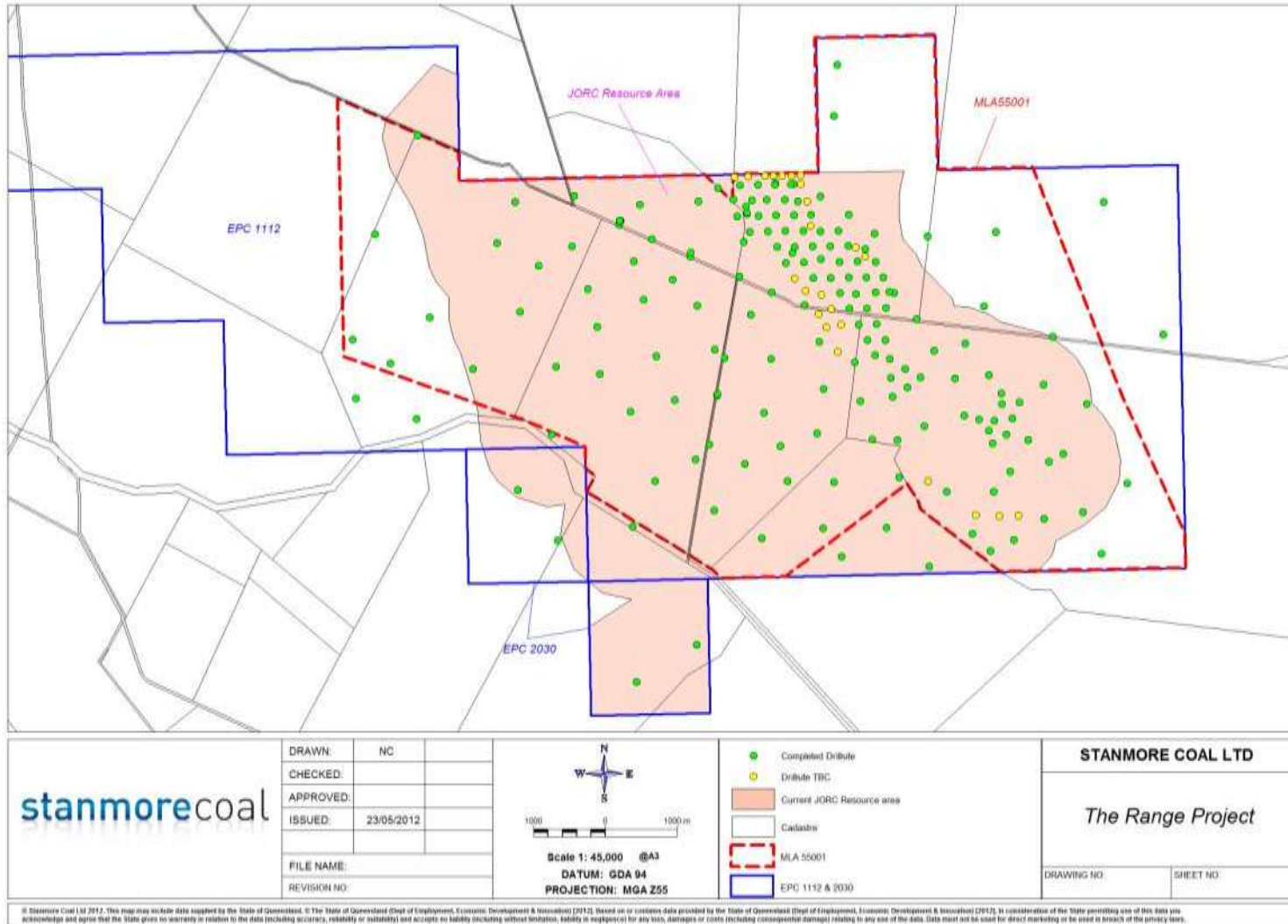
Development capital (\$Am)	Owner mining	Contract mining
Coal handling and prep plant	134	134
Surface infrastructure	120	123
Conveyer and rail loop	113	113
Mining fleet to first coal (2015)	101	-
Contingency	37	37
<b>Total</b>	<b>505</b>	<b>407</b>

- (1) Refer Reserves, Resource and Exploration Target (p.1)  
 (2) Refer to Marketable Reserves Note (p.1) , JORC Probable Resource (ROM) of 117.5Mt.  
 (3) FOB cost excludes State Government Royalty.  
 (4) Over the first 17 years of mine life.

# The Range Project

## Drilling update

- 305 holes and 27543.39 metres drilled to date



# The Range Project

## Mining plans

- 26 year mine life - twin pits
- Coal extraction with excavators, loaders and trucks – typically 250t excavators, 992 loaders and 785 dump trucks
- Overburden and interburden removed by truck and shovel combined with bulk dozer push to minimise costs
- Looking to maximise dozer push (cheapest dirt)

## Major Fleet

	Min	Max
Waste mining trucks	11	19
Coal mining trucks	6	8
Large (600t) excavators	3	5
Small (250t) excavators	2	3
Carry Dozers	6	10
Ancillary Plant	12	20
Crew		420



# The Range

## Local infrastructure

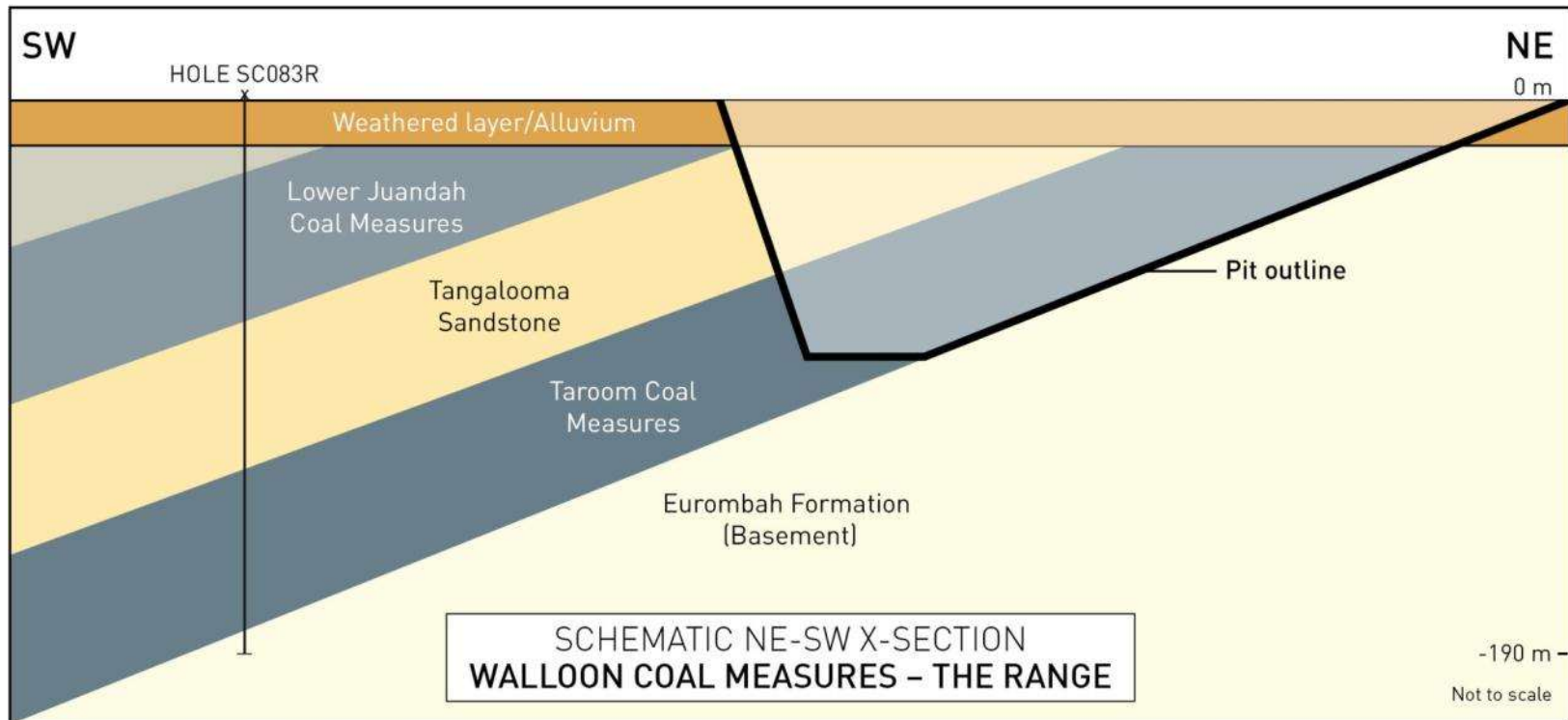
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- Power – Ergon, in progress
- Water – Sunwater Glebe Weir
- CSG Proponents
- Accommodation – mix of villages and new houses in Wandoan
- Roads – existing public roads to our site
- Overland Conveyor – Approximately 25km up to SBR
- Quarry – Weringa Quarry DA approved



# The Range

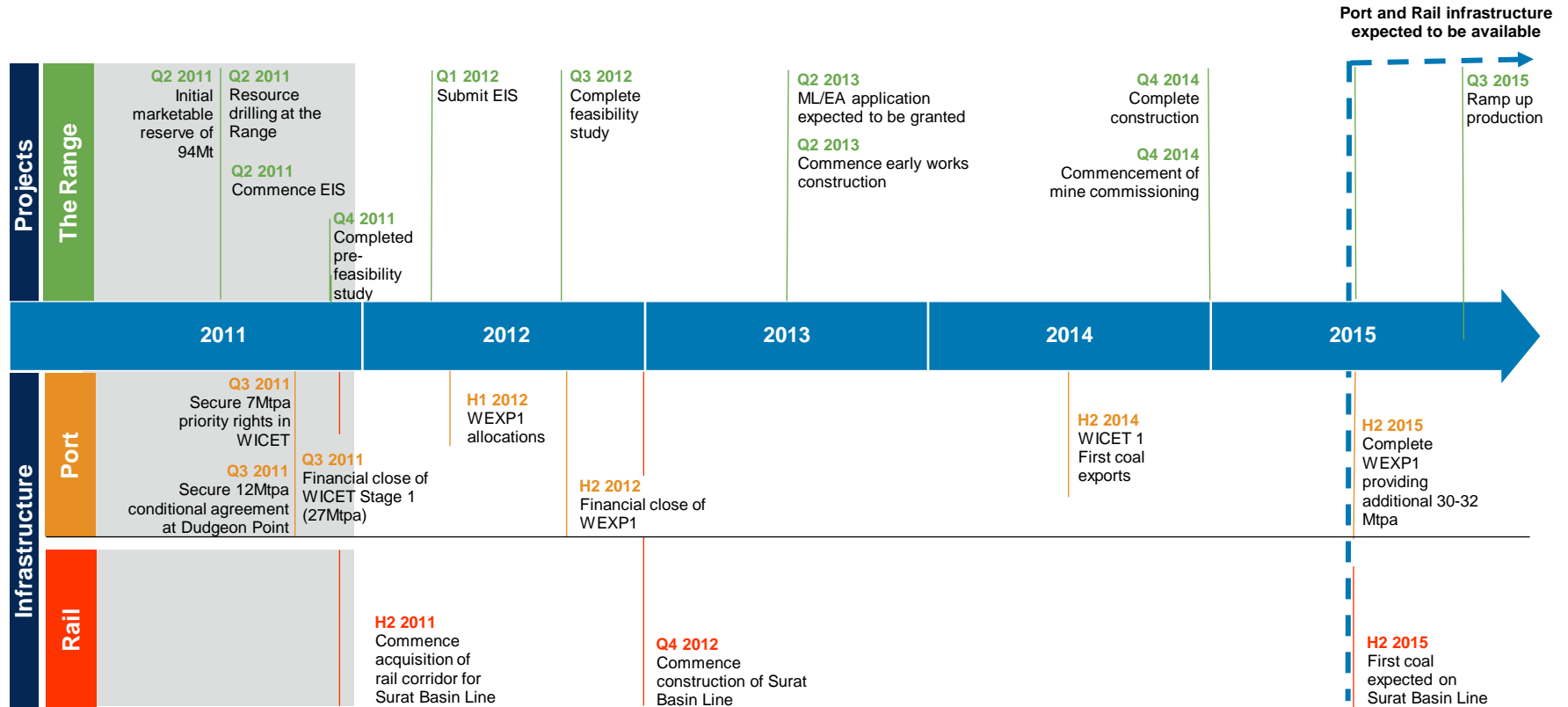
## Further upside potential



- Drilling to the west of the pit has intercepted additional sub-cropping coal seams
- Interpreted to be seams in the Argyle interval of the lower Juandah Coal Measures
- Hole 83R: 11.8m cumulative coal to a depth of 188m including a seam of 3m at 169m
- Potential to extend the deposit west at an economic strip ratio – exploration target of 60-70Mt established<sup>(1)</sup>

# The Range and Infrastructure

## Target Development Timeline



WICET Expansion Phase 1 (WEXP1) formerly known as WICET Stage 2

# The Range Project

## Environment

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- EIS Report submitted to DERM mid April 2012
- EPBC Referral to Federal Government completed
- EIS studies – all completed and include:
  - Soil and landform assessment
  - Hazard and risk
  - Ground water monitoring
  - Visual impact
  - Flood assessment
  - Economic contribution
  - Social impact Management Plan (SIMP)
  - Air assessment
  - Noise assessment
  - Cultural & Heritage Management Plan well advanced
  - CH clearance across entire site



# The Range Project

## Community

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- Working closely with the communities in which we operate is a key priority
- We engage with the local community in an open manner and make a valuable contribution through actions and not just words
- Stanmore Coal is committed supporting the development of vibrant, livable and sustainable communities in the town of Wandoan and broader region
- We place high importance on the value of education and community health and have tailored our community strategy accordingly.
- Examples of our community activity to date:
  - Wandoan kindergarten sponsorship
  - Variety Club contribution
  - Affordable housing solutions
- Direct engagement with effected landholders

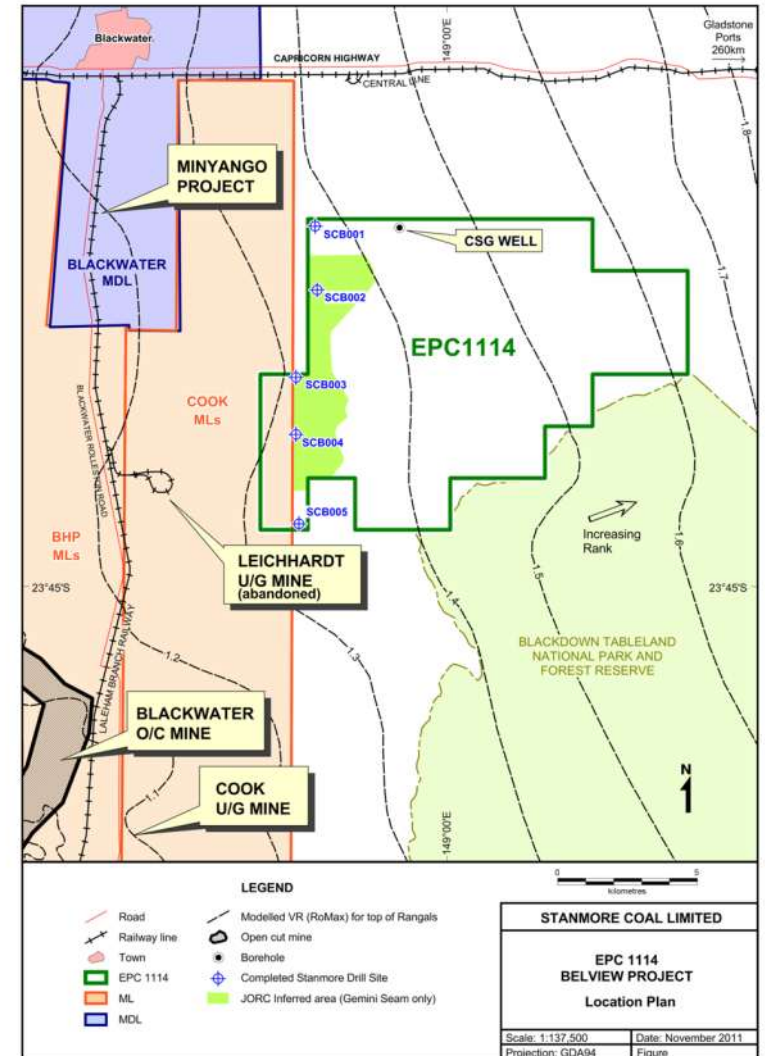


# Exploration Projects

## Belview Overview

### 100% owned

- 95Mt initial JORC Inferred Resource (Gemini seam only)
- Exploration Target<sup>(1)</sup> of 205 – 345Mt<sup>(2)</sup>, covers western 26% of lease
- Plan to undertake an additional drilling programme in 2012 to extend the existing Inferred Resource and then complete a scoping study
- Significant underground deposit with intersections from 560m depth
- Initial drilling confirms extensive 6m+ Gemini Seam at underground depths
  - Gemini seam was mined as a hard coking coal by BHP in nearby Leichhardt Colliery and now shown to extend into EPC1114
  - High quality coking coal: average CSN of 7, ash of 7% and total sulphur of 0.4%
  - Secondary thermal / weak coking coal: average CSN of 2, specific energy of 7,570 kcal/kg, ash of 10% and total sulphur of 0.35%
- Other key seams comprise the Aries, Orion and Pisces
  - Aries samples also demonstrate attractive coking coal qualities, others pending
- Blackwater to Gladstone railway line runs approximately five kilometres north of the EPC

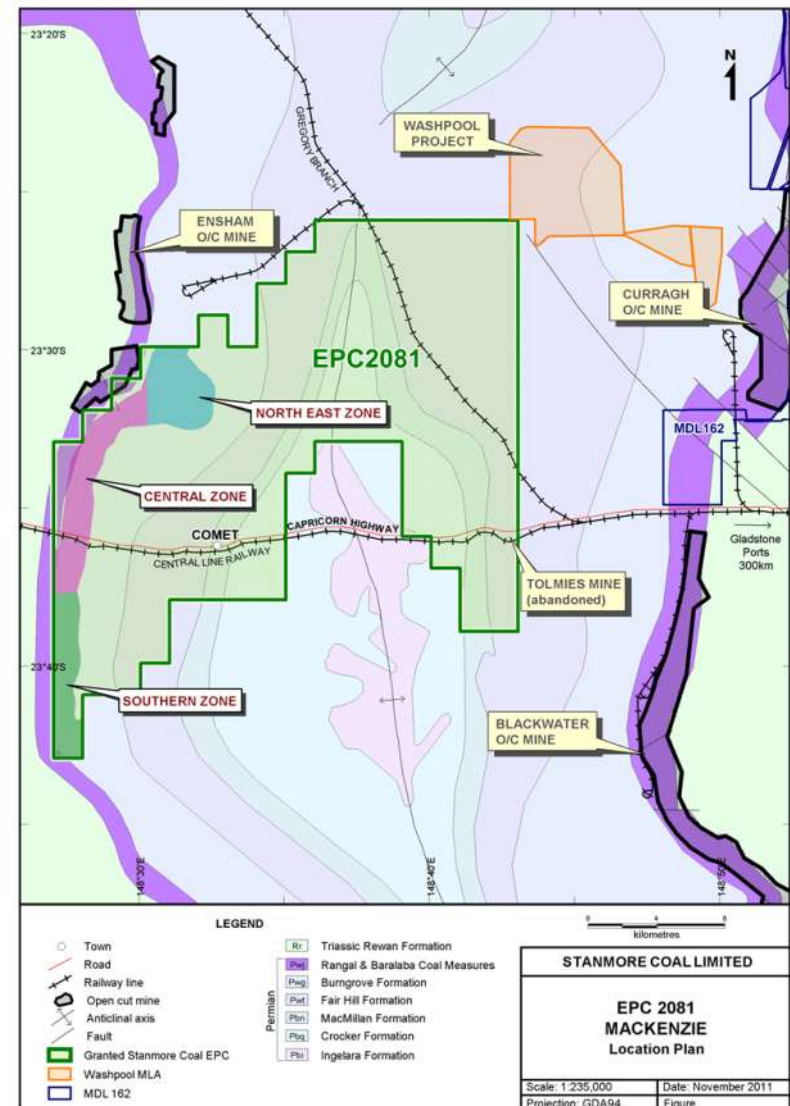


# Mackenzie Project

## Asset Overview

### Bowen Basin – 100% owned

- Open cut coking coal deposit
  - 27km of strike (Burngrove Formation)
  - Main coal seams occur at depths between 10 – 110m
- Significant Resource base
  - 143Mt JORC Resource (25.7Mt Indicated, 117.5Mt Inferred)
- Review of 2011 coal quality results
  - Targeting the two main seams (Leo and Aquarius seams)
  - Indicates considerable variability in yield across the deposit ranging from 11 - 71% (average yield 26% over all seams)
  - Targeting 6,750kcal/kg, 15 - 17% ash, 6.0 CSN coking coal product
  - Focussed on areas of the deposit with the highest potential for economic coal
- Optimisation work underway to address beneficiation and metallurgical issues identified
- Located on existing railway line to coal ports at Gladstone
- Adjacent to Aquila Resources' advanced Washpool coking coal project (also Burngrove Formation)

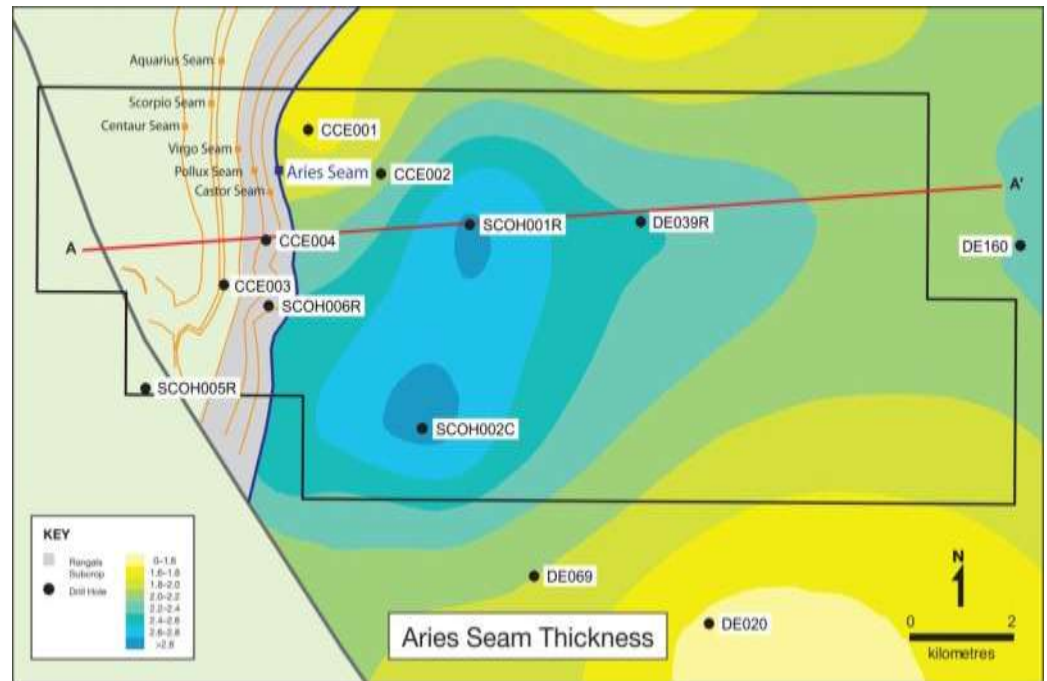


# Exploration Projects

## Tennyson Overview

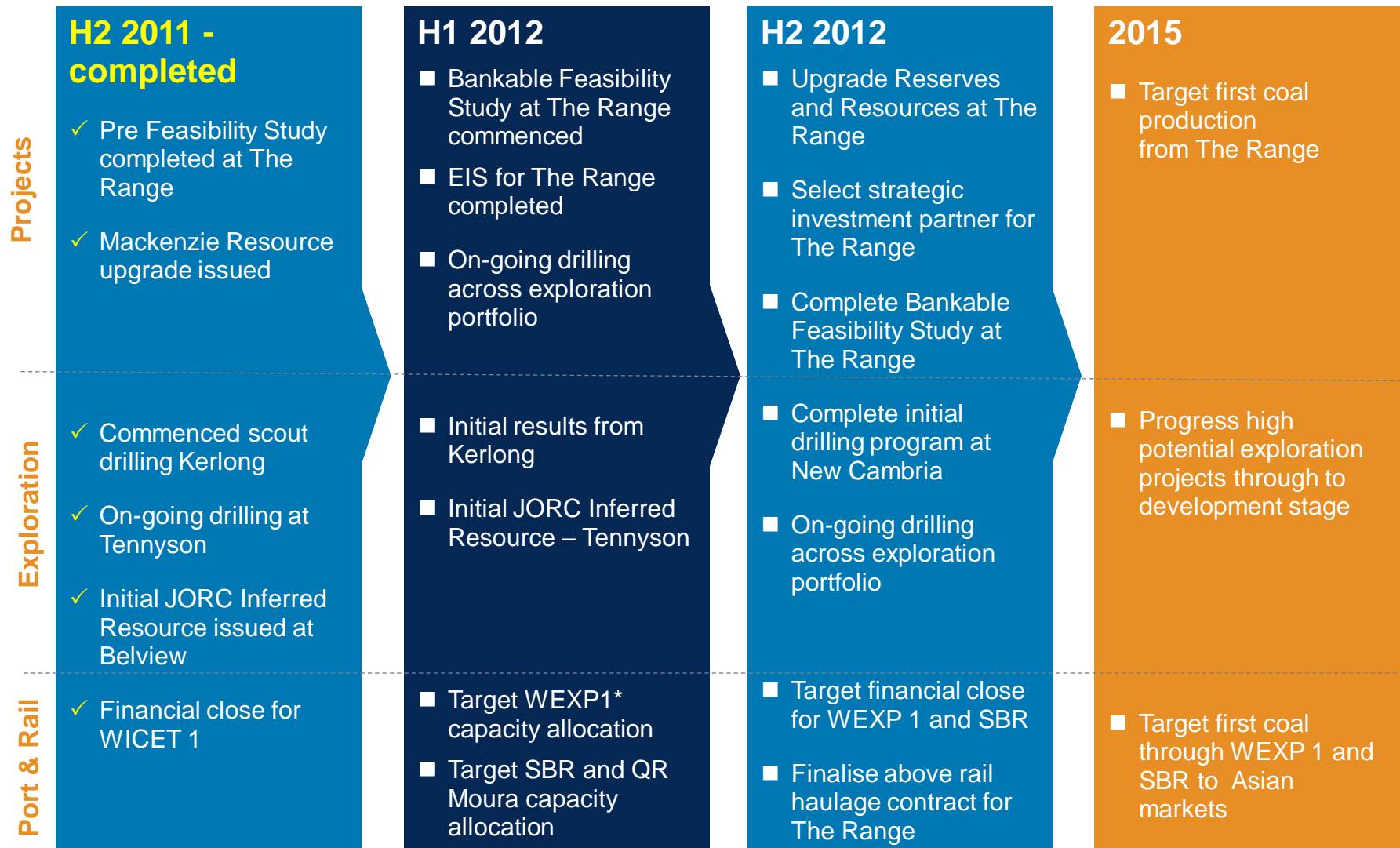
### 100% owned

- Prospective for underground coking and export thermal coal
- Exploration Target<sup>(1)</sup> of 220 – 290Mt
- 2012 drilling programme underway targeting initial JORC Inferred Resource
- Drill results to date (depth from 150m) have exceeded expectations with up to:
  - 2.85m Aries Seam (Rangals)
  - 5.1m Corvus Seam (German Creek)
- Expect low to moderate ash (8 – 12% raw) export quality thermal coal
- The Corvus Lower Seam has potential for coking coal properties at depth and is yet to be included in the current Exploration Target<sup>1</sup>



# Key Milestones

Next 12 months



# Summary

## 1 Attractive pipeline of Queensland coal projects at various stages of development

- The Range on track for 2015 production to produce export thermal coal, Mackenzie optimisation work continuing
- Five Bowen Basin exploration projects comprising predominantly coking coal
- All projects within close proximity to large producing / developing mines

## 2 Aiming to become a significant coal producer

- First coal planned for 2015
- 94Mt Marketable Reserves, 498Mt JORC Resource<sup>(1)</sup> and 485 – 705Mt Exploration Target to support significant mine life<sup>(2),(3)</sup>

## 3 Infrastructure development parallels with proposed mine development

- Recently secured 7Mtpa of priority (FFFA) capacity rights for WICET Stage 2
- 5 Mtpa of SBR capacity offered subject to continuing compliance with access policy requirements
- Entered into an agreement with Adani for an additional 12Mtpa of capacity through Dudgeon Point
- All assets located within close proximity to existing or proposed rail lines

## 4 Strong Board and management team with proven track record of developing and operating coal mines

- Over 150 years of coal experience
- Management have diverse backgrounds, including experience working for leading resource companies including Anglo Coal and BHP Billiton

## 5 Maximum flexibility for funding options

- Projects are all 100% owned and no committed off-take
- Balance of funding expected to come from a variety of sources, including sale of minority asset stakes to strategic JV partners and debt funding

## 6 Leveraged to strong fundamentals of coking and export thermal coal markets