JUNE 18 QUARTERLY PRODUCTION REPORT

HIGHLIGHTS

- Isaac Plains East operations commenced in June, with first coal expected during August
- FY19 Intent to produce approximately 1.8Mt product, representing a +50% increase over FY18
- Acquisition of Wotonga South coking coal deposit provides additional mine life of 8-10 years, utilising the existing Isaac Plains infrastructure
- ROM coal mining in the June Quarter was 43% ahead of prior quarter and in-line with full year guidance
- Coal production was within guidance, but impacted by timing of coal mining resulting in ROM stockpile increases
- September quarter semi-soft coking coal benchmark (forward looking) set at US$137/tonne
- Isaac Plains Underground maiden JORC reserve declared at 12.9Mt (Marketable Reserves 9.4Mt)
- Unaudited FY18 Underlying EBITDA expected to be $43.5 – 45.5 million[1]

PRODUCTION AND SALES

	Quarter Ended					Year-to-date		
Thousands of tonnes	Jun 2018	Mar 2018	Change %*	Jun 2017	Change %*	Jun 2018	Jun 2017	Change %*
ROM coal produced	547	382	43%	564	(3%)	1,643	1,737	(5%)
ROM strip ratio (BCM/ROM t) ^	13.1	14.6	(10%)	10.7	22%	13.5	13.4	0%
Saleable coal produced	314	302	4%	392	(20%)	1,128	1,204	(6%)
Saleable coal purchased	-	10	n.a.	-	n.a.	10	-	n.a.
Total coal sales	320	404	(21%)	265	21%	1,318	1,020	29%
Product coal stockpiles	80	85	(6%)	258	(69%)	80	258	(69%)
ROM coal stockpile	85	10	764%	62	38%	85	62	38%

*Note: Change is favourable/unfavourable

[1] Reported EBITDA expected to be $22-24 million – refer page 4

SAFETY PERFORMANCE

During the quarter there was one minor injury (TRI) recorded at Isaac Plains, with no injuries across other Stanmore projects and tenements. The 12-month TRIFR at the end of the June 2018 quarter was 16.4 compared to 12.46 this time last year.

ISAAC PLAINS OPERATIONS

Mining performance at Isaac Plains during the June quarter benefited from the acceleration plan put in place to ensure production guidance for the full year (following geotechnical issues), which utilised both dragline and truck and excavator overburden removal for coal production. ROM tonnes mined in the June quarter were 547kt, up from 382kt in the prior quarter as the acceleration plan came into effect. Product tonnes produced were 314kt, up from 302kt in the prior quarter. Coal production was on the lower end of guidance, largely due to the timing of coal mining resulting in ROM stockpile increases and impacted by lower yields due to increased faulting.

During the quarter, the financial assurance amount held with the Queensland State Government was reassessed following a successful FY18 rehabilitation program, together with planned rehabilitation and disturbances (including Isaac Plains East) in FY19. This resulted in a reduction in bank guarantees of around $8 million reducing Stanmore's cost of bonding in FY19.

Underlying FOB costs in the June quarter were A$114/tonne resulting in a Full Year FY2018 result of A$111/tonne. Full year guidance was A$105/tonne. The slight increase in costs was largely the result of worse than expected geological conditions impacting coal recoveries and yields, following the implementation of the acceleration plan.

During the quarter Stanmore completed the handling of 3rd party coal on a toll loading basis, with a total of 610kt railed to DBCT for FY18.

Isaac Plains - Jun-18	Quarter	YTD
ROM coal mined Kt	547	1,643
Product coal produced Kt	314	1,128
Underlying FOB costs (A$/tonne)	$114	$111

ISAAC PLAINS EAST OPERATIONS

Operations commenced at Isaac Plains East in June with topsoil removal and drill & blast preparation works, which allowed for the commencement of truck and shovel waste removal on 13 July (first bucket of overburden - picture on right). First coal is expected during August. This milestone is a great achievement for the company as it will lower mining unit costs through operating in a low strip ratio environment with an improved coking yield.

As previously foreshadowed, Stanmore's intent for FY19 in the short term is to operate Isaac Plains and Isaac Plains East concurrently. This involves mining Isaac Plains East initially with a truck and shovel fleet until Isaac Plains mining ceases when the dragline will walk to Isaac Plains East.

In light of the commencement of mining at Isaac Plains East and the acquisition of Wotonga South the company will continue to review and optimise the cost and production profile focusing on prioritising high margin sources of coal to feed its existing infrastructure at Isaac Plains.

Stanmore has agreed to a contract extension with Golding Contractors Pty Ltd for FY19, including the mining operations at both Isaac Plains and Isaac Plains East. The company is currently negotiating a longer-term contract for Isaac Plains East, post FY19.

There were no material direct impacts during the quarter as a result of the dispute between Aurizon, the Queensland Competition Authority and coal producers. Stanmore will continue to monitor Aurizon's performance.

Stanmore is expecting to boost ROM production to approximately 2.3Mt ROM for FY19, representing a 40% increase over FY18 and 1.8Mt product, representing a +50% increase over FY18.

COAL SALES

Coal sales in the June quarter were 320kt, down from a prior quarter of 404kt (which included 10kt of purchased coal) as coal sales in the March quarter were inflated by closing product stocks from the December quarter (177kt). The average price per tonne of coal sold was A$162 (US$121), with 225kt of semi-soft coking coal sold at A$181 (US$136) per tonne and 95kt of thermal coal sold at A$116 (US$86) per tonne.

Stanmore's pricing for its semi-soft coking coal is based on a quarterly negotiated benchmark price agreed in advance of the commencement of the quarter, as well as a negotiated lagging 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 September 2018 quarterly advance benchmark price was settled at US$137/t (US$136/t in prior quarter). The June quarterly lagging benchmark price has yet to be agreed (expected by end of July), while the September lagging quarter price is to be negotiated in August/September.

	Quarter		YTD	
Coal sales ('000)	**Tonnes**	**ASP (A$/t)**	**Tonnes**	**ASP (A$/t)**
Isaac Plains	320	162	1,318	145
Isaac Plains East	-	-	-	-
TOTAL	**320**	**162**	**1,318**	**145**

ISAAC PLAINS UNDERGROUND PROJECT

A maiden JORC reserve (compliant with JORC 2012) of 12.9Mt was declared during the quarter[2], based on the pre-feasibility study. Marketable Reserves total 9.4Mt (8.2Mt coking, 1.2Mt thermal). The outcome of the pre-feasibility study supported the commitment of capital funds to develop a BFS[3] for the Isaac Plains Underground project in conjunction with Mastermyne (ASX: MYE) based on an early contractor engagement model. The BFS is targeted for completion in CY2018. A financial investment decision on the project is planned for FY19 and subject to the outcome of the BFS. The company will consider mine development, to supplement the open cut ROM feed to fully utilise the CHPP infrastructure and rail loop at the Isaac Plains Complex.

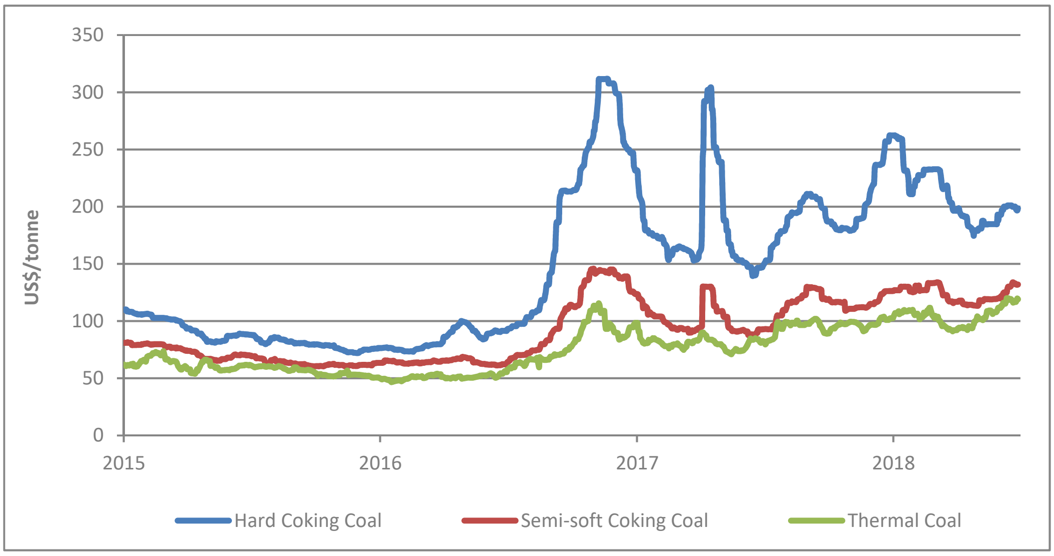
WOTONGA SOUTH

Stanmore announced on 12 June 2018 the acquisition of MDL137[4] and EPC728[5] (Wotonga South) from Millennium Coal Pty Ltd. Stanmore has agreed to acquire the Wotonga South coking coal deposit for $30 million cash (consisting of $6 million payable at completion expected in July 2018 followed by a series of deferred payments totalling a further $24 million payable over the following 12 months) plus a production based royalty capped at circa $10 million (paid quarterly if the premium HCC coal price is over A$170/t). The acquisition is expected to be funded from cashflows and existing debt facilities of the company. Completion of the acquisition is subject to obtaining FIRB approval and satisfaction of other customary conditions precedent.

The Wotonga South deposit has a Coal Resource of 22.8 million tonnes[6] (compliant with JORC 2012) which is 10 kilometres south of the existing coal handling and processing plant (CHPP) at Isaac Plains. The deposit will support a mine life of 8-10 years and has the capability to produce semi-hard coking coal, a mid-vol PCI product, as well as a range of semi-soft/weak coking coals and will provide significant additional value to shareholders.

[2] ASX announcement 28 May 2018, “Maiden JORC Reserve – Isaac Plains Underground Mine”
[3] Bankable Feasibility Study
[4] Mineral Development License
[5] Exploration Permit for Coal
[6] ASX announcement 12 June 2018, “Acquisition of Wotonga South Coking Coal Deposit”

COAL PRICE OUTLOOK



There has been less volatility in the coal markets in FY18 compared to FY17. The outlook for seaborne metallurgical coal remains positive as supply responses to the current stronger prices and increased demand appears to remain restrained.

As a result of this positive outlook the company has revised its long-term pricing assumptions [7] which is expected to have a positive impact on future EBITDA and operating cashflows however it has triggered the recognition of the remaining outstanding contingent consideration which arose as a consequence of the accounting treatment of the "Isaac Plains" acquisition in November 2015.

CORPORATE

The financial year ending 30 June 2018 is expected to produce an underlying EBITDA result of between $43.5 - 45.5 million (subject to audit), after adjusting for remeasurements of acquisition provisions. The reported EBITDA is expected to be $22-24 million (subject to audit).

Full Year Guidance ($m) *	Estimate
Underlying EBITDA estimate	**43.5 – 45.5**
Provision remeasurements:	
Contingent Consideration	(26.0)
Onerous Contracts	4.2
Rehabilitation	0.3
Reported EBITDA estimate	**22.0 – 24.0**

** Unaudited financial information*

Contingent consideration[8] relates to future royalties payable to the vendors of Isaac Plains as deferred consideration. Vendor royalties are a production-based royalty (~$2/t, for each vendor) triggered by a hard-coking coal price threshold which when triggered delivers a net positive result for the business through improved margins. This expense is a non-cash item in FY18 with a liability

[7] The methodology used described in Note 16 "Vendor Royalties – Contingent Consideration" of the 2017 Annual Report.

[8] Details disclosed in Note 14 of the December 2017 Interim Financial Report published 26 Feb 2018

being brought to account following an improving coal price outlook and production profile.   Based on the current coal price outlook and production profile the vendor royalties are expected to be fully paid by FY23. Vendor royalties do not impact underlying FOB costs.

Operating Cashflows ($m)*	YTD
Underlying EBITDA estimate	**43.5 – 45.5**
Settlement of onerous contracts through provision	(2.5)
Settlement of rehabilitation through provision	(7.2)
Settlement of contingent consideration through provision	(5.6)
Finance costs	(6.9)
Operating Cashflow	**21.4 – 23.4**

** Unaudited financial information*

Payments for onerous contracts, rehabilitation and deferred consideration are offset through provision movements reflecting these costs are related to acquired liabilities and not business as usual operating costs.

The significant expenditure in rehabilitation during FY18 had a direct substantial reduction in the financial assurance requirements for the Isaac Plains Complex with an ongoing future reduction in costs associated with the provision of environmental bonding. This commitment to rehabilitation performance should hold the Company in good standing for future ongoing operations and any future permitting required for the continued development of the Isaac Plains Complex.

Cash Flow ($m) *	YTD
Operating Cashflow	22.4
Working capital	(1.0)
Investing Cashflow	(13.8)
Financing Cashflow	(15.3)
Cash movement	**(7.7)**
Opening Cash	27.5
Closing Cash	**19.8**

** Unaudited financial information*

Stanmore's net cash position declined from $23.4m to $19.8m[9] during the quarter, following investments of $1.9m in Isaac Plains East development, $0.4m in the underground project BFS, $0.5m in sustaining capital at Isaac Plains and an increase in working capital of $4.2m offset by operating cash flows of $3.6m.

Full year cash position declined by $7.7m, following $15.3m of debt repayments (working capital facilities fully repaid), investment in Isaac Plains East $5.5m and Underground Project $1.6m, and sustaining capital spend of $6.7m. Operating cash flows increased by $22.4m, including financing costs of $6.9m.

The net cash position as at 18 July 2018 is $36m following receipt of late June cargoes, which together with FY18 year-end stockpiles and the FY19 production intent of 1.8Mt product supports the acquisition of Wotonga South from the Company's cash resources.

[9] Net cash of $19.8m represented by cash of $19.8m less interest-bearing debt of $nil

EXPLORATION

Stanmore exploration program for its EPC 755 tenement (15km south of the Isaac Plains) is planned to commence during FY19 to assess the opportunity to provide further long-term ROM feed for its Isaac Plains Complex infrastructure within 100% owned tenements. This tenement is located nearby to the recently announced Wotonga South acquisition which will provide synergistic benefits to the future development of this tenement.

Yours faithfully

Ian Poole
Company Secretary

FOR FURTHER INFORMATION, PLEASE CONTACT:

Dan Clifford	**Ian Poole**
Managing Director	Chief Financial Officer & Company Secretary
07 3238 1000	07 3238 1000

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 complex which includes the original Isaac Plains Mine, the adjoining Isaac Plains East Project (now a new open cut mine that commenced operations in July 2018), and the Isaac Plains Underground Mine (currently being assessed in a Bankable Feasibility phase). 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 (such as the Isaac Plains Underground Mine and the Wotonga South Coking Coal Resource) within the region. In addition, Stanmore Coal holds a number of high quality development assets (both coking and thermal coal resources) located in the Queensland's Bowen and Surat Basins.

Stanmore Coal Limited ACN 131 920 968

p: +61 (7) 3238 1000	e: info@stanmorecoal.com.au w:	Level 8, 100 Edward Street, Brisbane QLD 4000
f: +61 (7) 3238 1098	www.stanmorecoal.com.au	GPO Box 2602, Brisbane QLD 4001