ANNUAL REPORT 2018

stanmorecoal

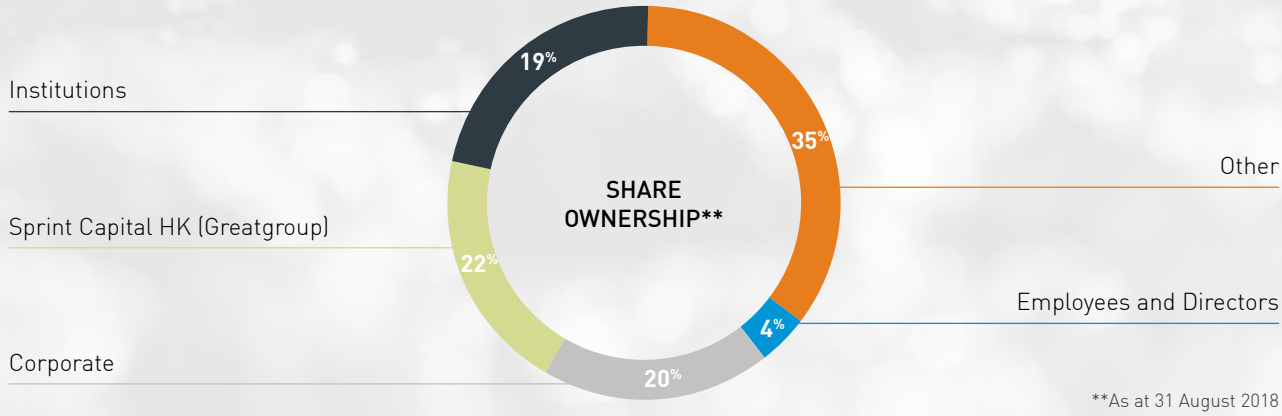
EARNINGS GROWTH DELIVERING SHAREHOLDER RETURNS

CONTENTS

As one of the small ASX-listed coal producers, Stanmore Coal offers an attractive entry point into the coal sector in Australia

ASX CODE	SHARE PRICE	SHARES	MARKET CAP
SMR	$0.89*	251,800,978	$224M*

*As at 10 September 2018



**As at 31 August 2018

CORPORATE INFORMATION

DIRECTORS

Stewart Butel
Dan Clifford
Stephen Bizzell
Chris McAuliffe
Neal O'Connor
Patrick O'Connor

COUNTRY OF INCORPORATION

Australia

INTERNET ADDRESS

stanmorecoal.com.au

COMPANY SECRETARY

Ian Poole

SHARE REGISTRY

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STOCK EXCHANGE LISTING

Australian Securities Exchange
ASX Code: SMR

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AUSTRALIAN BUSINESS NUMBER

27 131 920 968

CHAIRMAN'S LETTER

Stewart Butel
Chairman

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure as your new Chairman to present this year's Chairman's letter.

Firstly, I want to acknowledge my predecessor, Neville Sneddon, for his leadership, guidance and outstanding service to the company over the past eight years when Stanmore Coal transformed from an exploration company to a coal producer with an exciting future.

Stanmore Coal achieved significant improvements in its financial performance during the year as well as de-risking the business through the commodity cycle with the astute acquisition of Isaac Downs (previously Wotonga South) coking coal deposit in June 2018.

FINANCIAL PERFORMANCE

Stanmore Coal's revenue from operations totalled a record $208.1 million, up 51% from the 2017 financial year, producing a gross profit of $52.3 million, which was an increase of 55% from prior year. The underlying Earnings Before Interest, Tax, Depreciation and Amortisation improved by 70% to $45.6 million. During the year the company also recognised the remaining $25.3 million contingent consideration due to the vendors of Isaac Plains, because the company has revised up its long-term pricing assumptions which is expected to have a positive impact on future EBITDA and operating cashflows. Stanmore reported another profitable year with a Net Profit After Tax of $6.0 million.

Cashflow generation from operations was $21.9 million, a significant turnaround from cash outflow in the prior year. This allowed the company to repay its drawn working capital facility of $15.6 million and be debt free at year end, as well as fund its ongoing sustaining capital and the pre-production capital of $7.2 million at Isaac Plains East. This enabled mining to commence at Isaac Plains East in July 2018.

Based on the strong operational performance, the Board declared a maiden dividend of 2 cents per share for the year. With a focus on generating strong cashflows and maintaining balance sheet strength, Stanmore Coal aims to deliver returns to shareholders through improved returns on invested capital. As well as share price appreciation, Stanmore plans to pay ongoing dividends commensurate with performance in earnings, cashflow, the cyclicality of our industry and any capital management decisions made from time to time.

INDUSTRY CHALLENGES

The outlook for metallurgical coal is positive. To date the industry response to improved long-term prices has been subdued following the overcapacity

Stanmore Coal achieved significant improvements in its financial performance during the year as well as de-risking the business through the commodity cycle with the astute acquisition of Isaac Downs

developed in the 2000s and the lessons learnt. However, as metallurgical coal prices remain above the long-term average we anticipate existing operations will absorb underutilised capacity and new capacity will be developed, resulting in infrastructure constraints. Stanmore Coal will remain agile and flexible to manage these challenges.

PROTECTION AGAINST THE PRICE CYCLE

Stanmore will continue to be disciplined with operating costs and capital to ensure profitability and flexibility throughout the coal price cycle. As we look forward to the next few years, we will strive to become one of the low cost producers in the industry to ensure strong, stable returns for our shareholders. This involves optimisation of our existing portfolio and ensuring that all investment decisions are made with this strategy at the forefront of our minds.

Permitting our recently acquired Isaac Downs deposit (Wotonga South) will be a key focus over the next few years. During FY19 the company will place more focus on its portfolio of untapped thermal resources in the Bowen and Surat basins. Stanmore strongly believes the requirement for thermal coal in the overall energy mix both nationally and internationally will sustain long-term demand for this product.

GOVERNANCE

During the year the Board was renewed. This process was supported by a skills gap analysis with a targeted selection process, resulting in the appointment of Neal O'Connor and myself in September 2017. The Board is well balanced, between independents and non-independents, with a full complementary mix of skills between the current Board members.

THANK YOU

On behalf of the Board, I thank the Stanmore management team led by our Managing Director Dan Clifford, our employees and contract partners for their outstanding outcomes and effort during FY18. I would like to thank you, the shareholders for your continued support. Together we look forward to delivering superior returns to shareholders by accelerating the company strategy and taking advantage of the improved outlook for metallurgical coal. I look forward to continuing the successes of Stanmore for FY19 and beyond.

Stewart Butel
Chairman

MANAGING DIRECTOR'S REPORT

Dan Clifford
Managing Director

The achievements of Stanmore Coal in the past year are only the beginning of the outcomes which can be delivered for shareholders as our strategy is implemented 'on the ground'.

YEAR IN FOCUS

Outcomes for Stanmore during the year included:

- FULL YEAR PRODUCTION FROM ISAAC PLAINS WITHIN TARGET RANGE
- DEVELOPMENT OF ISAAC PLAINS EAST WITH MINING COMMENCING JULY 2018
- PURCHASE OF ISAAC DOWNS, PROVIDING STANMORE WITH AN EXTRA 10 YEARS OF PRODUCTION
- RECORD LEVELS OF ENVIRONMENTAL REHABILITATION COMPLETED
- OPERATIONS RECORDING AN UNDERLYING EBITDA OF $45.6M
- MAIDEN DIVIDEND DECLARED OF 2 CENTS PER SHARE

Not only is the company cycle proofed, but it is capital light and well positioned in metallurgical coal with a strong pipeline ahead of us as the existing infrastructure is pushed to full capacity

Before we look back on the year's achievements for shareholders, it is worth looking ahead at the company's operating platform. At the end of the 2018 financial year, Stanmore Coal is debt free, invested and well on-track for a 50% increase in production over the next year. We have an improving cost structure, a runway of 15+ years of mine life and all the major infrastructure in place. Not only is the company now placed to perform throughout the commodity cycle, but its operations are capital light and well positioned in metallurgical coal with a strong pipeline ahead as the existing infrastructure is pushed to full capacity.

The objectives and expectations targeted from the beginning of the 2018 financial year focused on the key areas of value generation. Firstly, driving further advances in production, cost efficiency and productivity, building on the improvements made in the prior year. Secondly, achieving repeatability in our operating model for further EBITDA growth from the prior year. Thirdly and of significant value, creating 'runway' for the current infrastructure beyond the life of Isaac Plans mine and the final focus point of generating certainty in outcomes and returns for shareholders. I am proud and privileged to be in a position to outline these achievements by the entire team at Stanmore Coal. Just as importantly, we are transparent about the areas in which we did not meet the high standards we set out to achieve.

Health and Safety is a key pillar supporting the balanced outcomes all stakeholders expect from the company. In FY18, we did not achieve the high standard we set for the company. Our TRIFR (total recordable injury frequency rate) deteriorated from 12.5 to 16.4 injuries per million hours. We have committed significant management and governance resources to the areas of fatal risk and controls, personal safety and leadership to correct this performance.

During FY18, we made strong progress both operationally and financially. The physical performance of the operation improved with an 8% increase in ROM coal production supported by a 5% increase in overburden removal as we accelerated the business in the second half of the year to take advantage of fleet capacity and prevailing coal prices. This was an important step for the business as the second half annualised run rate provides the right platform for planned growth in production during FY19. Costs increased to $98/t (excluding state royalties of $12/t) for the full year as more emphasis was placed on increasing volumes in the lead in to the lower cost Isaac Plains East mine. Record full year earnings and cash generation from operations were the flow on from this strong operating performance. Underlying EBITDA rose by 70% compared to the prior year, supported by a 29% improvement in sales volumes, operating cost containment and strong coal prices.

Our investment in laying the foundation for the future is critical in driving improved returns and value growth. The approval, development and commencement of Isaac Plains East in the year was a great achievement. Significant further value

Stanmore Coal is well positioned in the metallurgical coal sector with a reducing cost structure, which will add further strength to the company as we seek to grow returns and value

has been captured with the acquisition of Isaac Downs, giving the Isaac Plains Complex a 15+ year life with a low capital requirement. This has been right in line with our strategy of low capital cost development and maximising our current infrastructure. It is pleasing to see this discipline resulting in the company being debt free at the end of the year, and posting a 155% increase in the share price. These factors have reinforced the Board's confidence in the strategic progression of the company and underpinned the decision to provide additional returns to our shareholders by way of a 2 cents per share maiden dividend.

The outlook for the company is exciting. Metallurgical coal prices remain well supported and it is our view they will remain that way over the long term as there is no replacement technology for this product in the steel making process. In the short term, China's environmental and safety reform measures have been successful. The consequence is the closure of local facilities resulting in increased demand for imported coking coal and upward pressure on the Australian FOB price. This movement, in conjunction with economic growth in south-east Asia and India is very positive for the company's outlook. Stanmore Coal is well positioned in the metallurgical coal sector with a reducing cost structure, which will add further strength to the company as we seek to grow returns and value.

We have a proven track record of delivering on our strategic objectives across the resource development cycle (Source, Develop, Operate, Rehabilitate). This can only happen with the dedicated work of the team at Stanmore Coal and I would like to take this opportunity to thank each and every team member for their dedication, enthusiasm and energy as we execute on the strategy. My thanks also to our shareholders, contract partners and neighbours for your support throughout the year.

Daniel Clifford
Managing Director

OUR STRATEGY

DRIVING CERTAINTY IN STRATEGIC OUTCOMES – CASH GENERATIVE, CAPITAL LIGHT APPROACH WITH FUNDING IN PLACE.

INITIAL STAGES OF STRATEGY SUCCESSFULLY EXECUTED LEADING TO STRONG RESULTS AND MAIDEN DIVIDEND

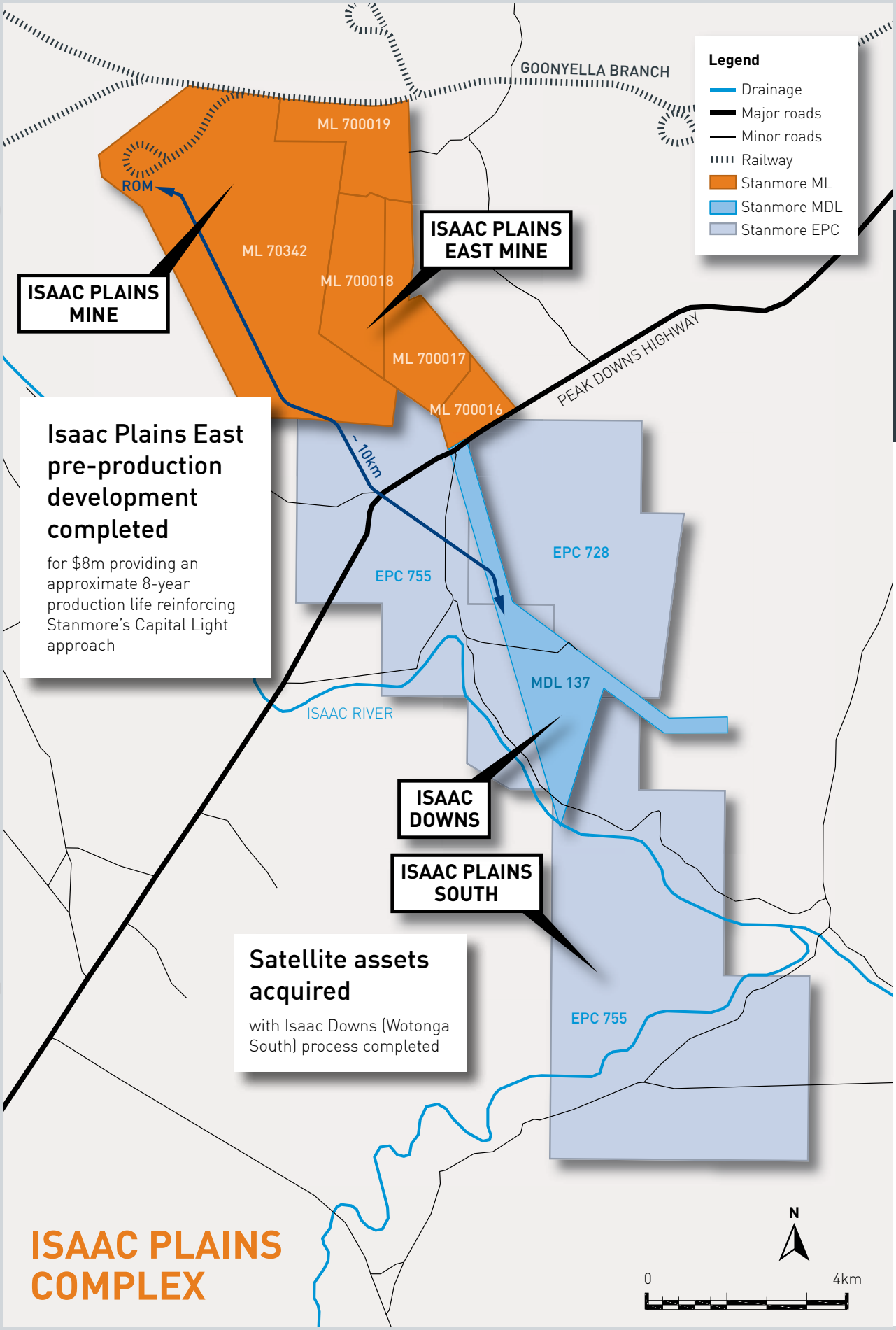
Platform acquisition	Maximising current assets	Right scale of development with capital discipline	Positioning in commodity type
Reliability established **Dragline utilisation**	**IPC CHPP to 3.5Mtpa ROM feed** **IPC Regional Advantage**	**OC and UG capability** **Repeatable 'hub' model**	**Integrated coal company**
Operational performance	Business plan	Life of mine plans	Strategic plan

VALUE DRIVERS

Toll loading project in combination with acceleration plan during H2 further sweated the asset as progress to 3.5Mtpa ROM is made

Open cut and underground capability secured with Golding open cut contact extension and Isaac Plains Underground BFS underway with Mastermyne

Met coal focus benefit with 100% of benchmark pricing received for semi-soft coking coal and strong price outlook



Isaac Plains East pre-production development completed

for $8m providing an approximate 8-year production life reinforcing Stanmore's Capital Light approach

Satellite assets acquired

with Isaac Downs (Wotonga South) process completed

FINANCIAL YEAR

EXECUTING THE STRATEGY

Now with our sights set on the future, the performance of our team and the Isaac Plains Complex will enable Stanmore to identify and execute further value accretive opportunities

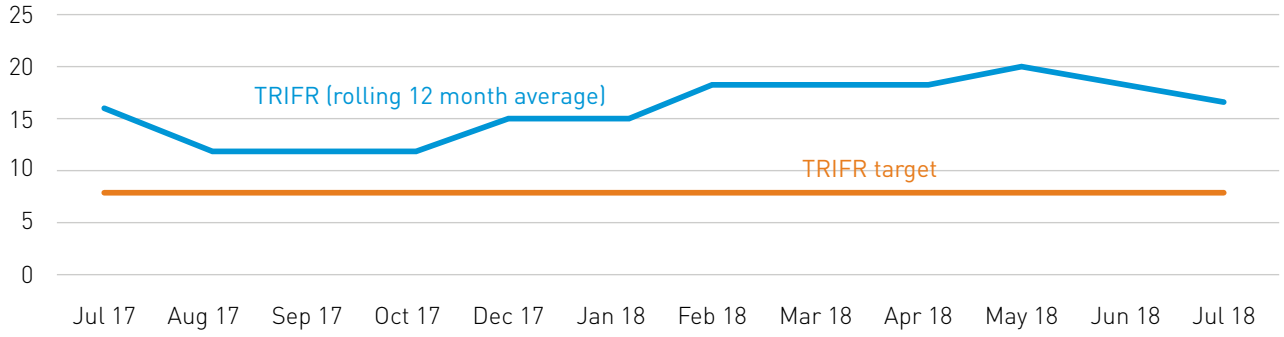
Targeting further transformation and **return for shareholders** through the execution of the FY19 strategic plan based on a solid foundation of values and strategy **leading to balanced results** and superior financial outcomes

HEALTH AND SAFETY

TRIFR

16.4

Many positive steps forward with a focus on Fatal Risk and visible leadership and there remains much more work to be done.



ENVIRONMENT AND COMMUNITY

Significant site rehabilitation achieved with a total of

128Ha

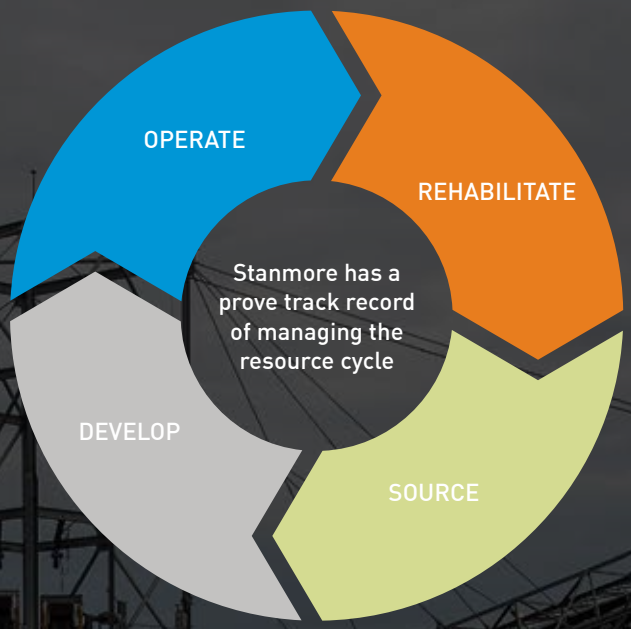
RECONTOURED

$8m

reduction in site rehabilitation obligation with State achieved

OPERATIONS

Record full year earning and **record cash generation** from operations



Acceleration plan implemented and successfully executed

H2 annualised ROM

1.9 Mt heading for 2.3Mt in FY19

Strong operational performance

Open cut overburden removed increased **5%** from FY17 with existing fleet

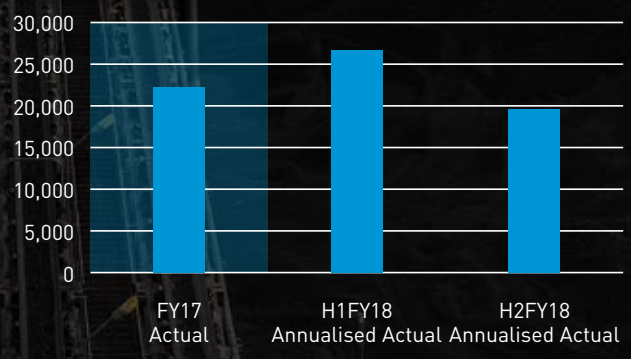
ROM coal production increased **8%**

Total underlying FOB unit costs contained to

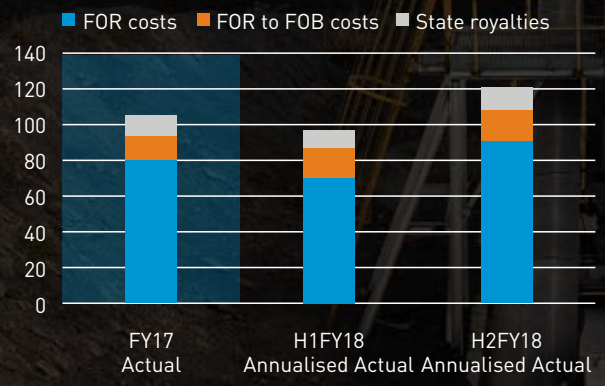
A$98/t

(excluding A$12/t contribution to State royalties) following acceleration plan

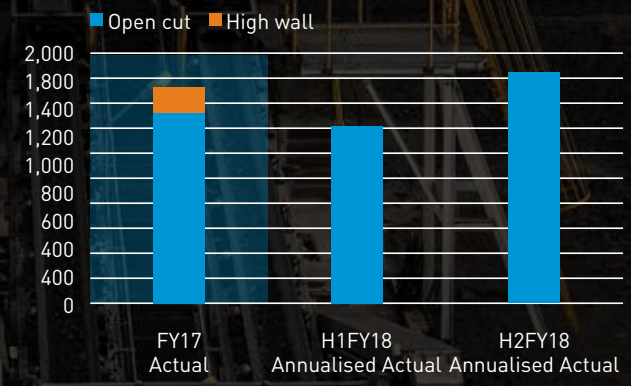
PRIME WASTE OVERBURDEN (K BCM)



FOB COSTS (A$/TONNE)



ROM TONNES MINED (K TONNES)



GROWTH

Transitioning to Isaac Plains East and fast-tracking Isaac Downs (Wotonga South) are major steps forward in bringing the infrastructure to 3.5Mtpa ROM

FINANCIAL

Revenue increased **51%**

Gross profit increased **55%**

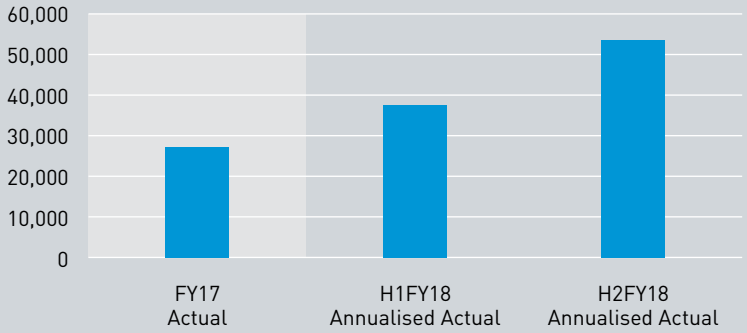
compared to FY17

Significant shareholder value in EPC755 adjoining Isaac Downs, both resulting in JORC upgrades

Underlying EBITDA (non IFRS measure) up from A$26.8m in FY17 to

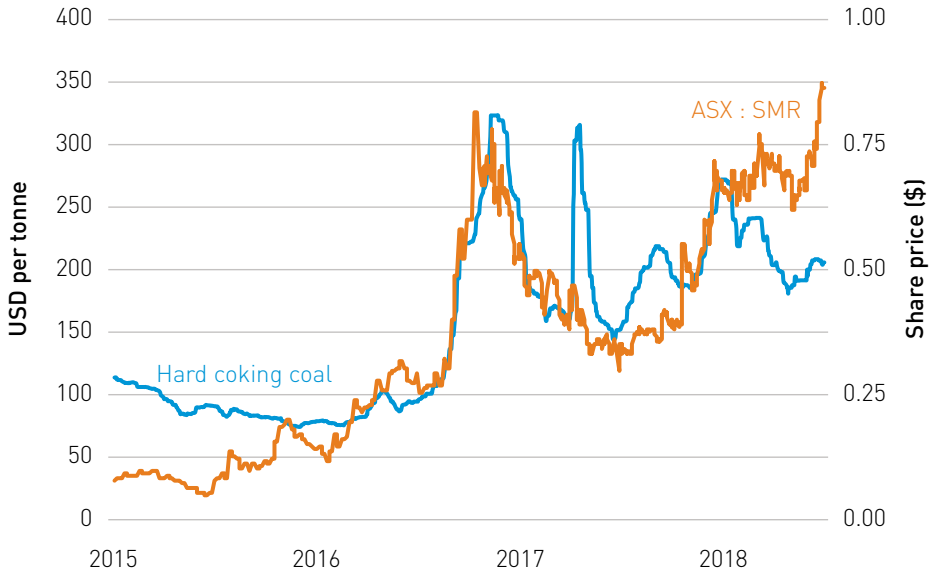
A$45.6m

in FY18



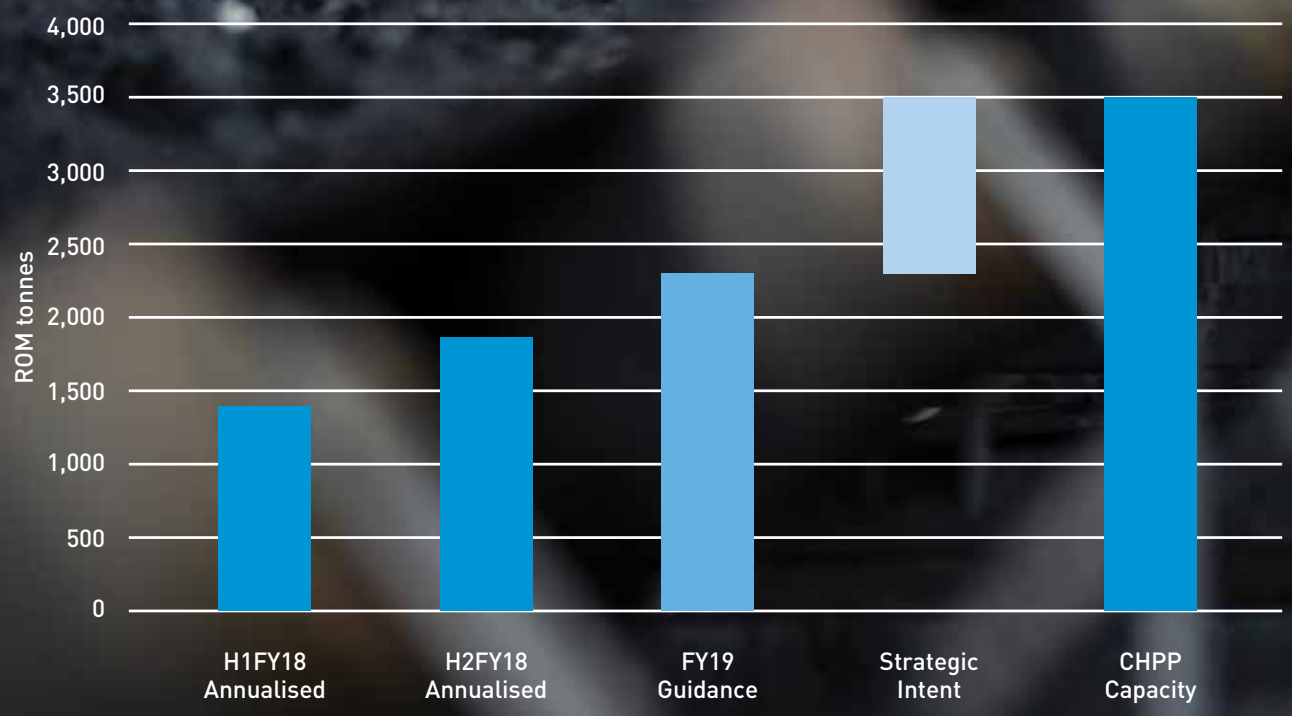
155%

increase in share price from FY17 and maiden dividend declared of 2 cents per share reflecting solid investment and returns for shareholders

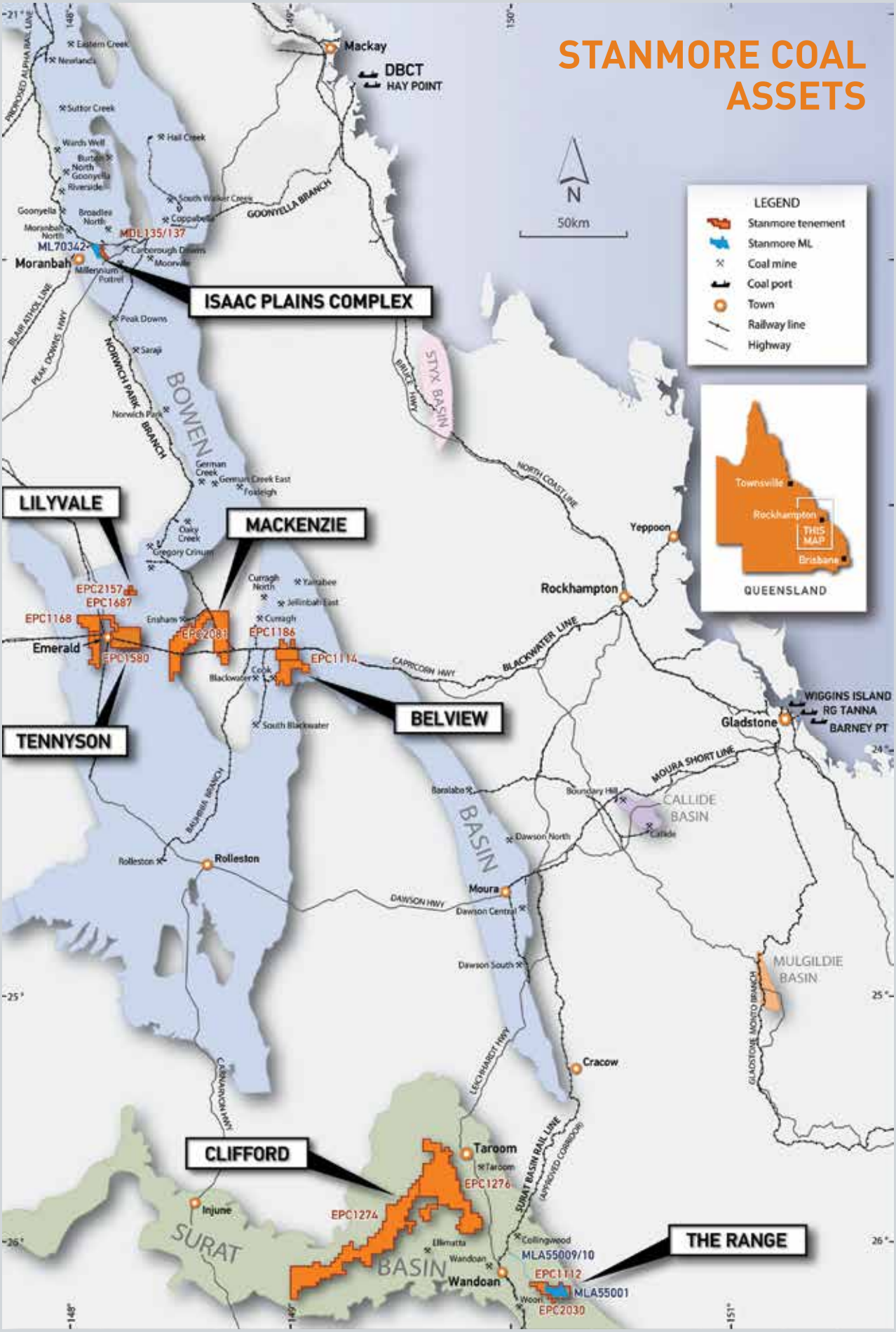


OUTLOOK

FY19 guidance of 1.8Mt product (2.3Mt ROM) being 50% increase on FY17, in parallel to unit cost reduction of 12% (excluding State royalties), putting Stanmore in a position of strength for FY19



Metallurgical coal demand and pricing significantly stronger than historical forecasts for the past year and its expected that it will remain well supported moving forward.



STANMORE COAL RESOURCES

AS AT JUNE 2018

Project Name	Tenement	Coal Type*	Measured Resources	Indicated Resources	Inferred Resources	Total Resources	Competent Person	Report Date
Issac Plains	ML 70342 ML 700018 ML 700019	C, T	22.2	21.3	9	52	A	May 18
Isaac Plains East	ML 700016 ML700017 ML700018 ML700019	C	12.9	8.8	8	30	A	May 18
Isaac Downs (Wotonga)	MDL 137 EPC 728	C, PCI	18.7	3.6	1	23	B	Mar 18
Isaac South	EPC 755	C, T	11.9	14.5	25	52	C	May 18
Isaac Plains Complex	**Sub Total**		**65.7**	**48.2**	**43**	**157**		
Clifford	EPC 1274 EPC 1276	T	0	200.0	430	630	D	Aug 16
The Range	EPC 1112 EPC 2030	T	18.1	187.0	81	286	A	Oct 12
Surat Basin Complex	**Sub Total**		**18.1**	**387**	**511**	**916**		
Mackenzie	EPC 2081	C, T	0	25.7	117	143	A	Nov 11
Belview	EPC 1114 EPC 1186 EPC 1798	C, PCI	0	50.0	280	330	A	Mar 15
Tennyson	EPC 1168 EPC 1580	T	0	0.0	161	161	A	Dec 12
Lilyvale	EPC 1687 EPC 2157	C	0	0	33	33	A	Feb 14
Total Coal Resources			**83.8**	**510.9**	**1,145**	**1,740**		

***Coal Types Potential Legend:**
CK – Coking Coal, semi-soft or greater potential
PCI – Pulverised Coal Injection
TH – Export Thermal grade

Competent Person
A: Troy Turner – Xenith Consulting
B: Kane Maxwell – Peabody Australia
C: Mal Blaik – JB Mining
D: Oystein Naess – Xenith Consulting

Note 1: All Coal Resources are reported under The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') applicable at the time each report was published. Reports dated 2012, and earlier, used the JORC 2004 version, reports dated after 2012 are reported against the requirements of the 2012 JORC Code.

Note 2: Rounding to the nearest significant figure is applied to Total Resource Tonnes in the Inferred Category. This is deemed conservative and reflective of the Inferred Resource category confidence level and accounts for the minor differences in the overall total reported resources.

Note 3: All Coal Resources are reported on a 100% basis; Stanmore Coal's economic interest in Clifford is 60%, Mackenzie is 95%, and Lilyvale is 85%, all other tenure is 100% owned by Stanmore Coal.

STANMORE COAL RESERVES

AS AT JUNE 2018

		Coal Reserves			Marketable Coal Reserve				
Project Name	**Tenement**	**Proved**	**Probable**	**Total**	**Proved**	**Probable**	**Total**	**Competent Person**	**Report Date**
Issac Plains Opencut	ML 70342	1.8	0.9	2.7	1.3	0.7	2.0	E	Aug 18
Issac Plains East Opencut	ML 700016 ML700017 ML700018 ML700019	10.3	1.9	12.2	8.0	1.5	9.5	E	Aug 18
Isaac Plains Underground	ML 70342 ML 700018 ML 700019		12.9	12.9		9.4	9.4	F	Apr 18
Isaac Plains Complex		**12.1**	**15.7**	**27.8**	**9.3**	**11.6**	**20.9**		
The Range	EPC 1112 EPC 2030		116.6	116.6		94.2	94.2	G	Jul 11
Surat Basin Complex			**116.6**	**116.6**		**94.2**	**94.2**		
Total Coal Reserves		**12.1**	**132.3**	**144.4**	**9.3**	**105.8**	**115.1**		

Coal Type Ratio - Coking:Thermal (% of Marketable Coal Reserve)
Isaac Plains OC – 76%:24%
Isaac Plains East OC – 98%:2%
Isaac Plains Underground – 88%:12%
The Range – 100% Thermal

Competent Person
E: Gary Benson – Measured Group
F: Mark McKew – Geostudy
G: Richard Hoskings – Minserve

Note 1: All Coal Resources are reported under The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') applicable at the time each report was published. Reports dated 2012, and earlier, used the JORC 2004 version, reports dated after 2012 reported against the requirements of the 2012 JORC Code.

Note 2: Totals may not be exact due to significant figure rounding.

Note 3: The Reserves quoted for The Range project were established in 2011 under the relevant JORC Code at the time and used a coal price forecast of A$120/tonne for benchmark NEWC thermal coal equivalent. These Reserves were supported by a Feasibility Study that assumed the completion of the Surat Basin rail to connect the mine to the Port of Gladstone.

Note 4: All Coal Reserves are reported on a 100% basis, and Stanmore Coal's economic interest in the tenure above is 100%.

FURTHER DEVELOPMENT

THE RANGE THERMAL COAL PROJECT

A definitive feasibility study completed in 2012 covering geology, mining and infrastructure confirmed The Range as a high quality, export grade, thermal coal project producing 94Mt of product over a 22 year life is now being reviewed. The focus continues on the investigation of possible rail infrastructure to link the project with the Port of Gladstone. Until there is certainty as to timing of the rail solution, Stanmore will continue with environmental monitoring and other minor on-site activities to maintain compliance with approvals.

TENEMENTS

EPC 1112, 2030
MLA 55001, 55009, 55010

AREA

90km^2

LOCATION

Surat Basin – 24km south-east of Wandoan

JORC RESOURCE

Total of 286Mt high quality open pit thermal coal (18Mt Measured + 187Mt Indicated + 81Mt Inferred Resource)

OWNERSHIP

100% Stanmore Coal

OTHER PROJECT AREAS

CLIFFORD THERMAL COAL PROJECT

The Clifford Project covers about 820km^2 in Queensland's highly prospective Surat Basin. The project is near Stanmore's The Range, a potential 5 Mt/a open cut export grade thermal coal project. The Clifford Project adjoins Glencore's Wandoan Project and is targeting thermal coal deposits at depths amenable to open cut mining.

The joint exploration initiative with JOGMEC played a key role in the identification and development of new, long term sources of high quality thermal coal highly suitable for Japanese electricity generators.

The JORC Resource defined to date totals 630Mt (200Mt indicated, 430Mt inferred).

TENEMENTS

EPC 1274, 1276

AREA

820km^2

LOCATION

Surat Basin – north-west of Wandoan

JORC RESOURCE

630Mt (200Mt Indicated; 430Mt Inferred)

OWNERSHIP

60% Stanmore Coal
40% JOGMEC

BELVIEW COKING COAL PROJECT

The Belview Project is a large scale, metallurgical coal project located in the heart of Queensland's Bowen Basin. Belview currently hosts a 330Mt JORC Resource (50Mt Indicated and 280Mt Inferred).

Extensive coal analysis has revealed that maintaining a minimum vitrinite content is important to ensure the saleable product displays adequate coking properties. This is achieved by separation at a low density and thus is accompanied by a low product ash level (typically 6–7.5% (ad)). A washed coking coal is likely to exhibit low sulphur (0.4–0.55% ad) and moderate phosphorus (0.07–0.1% ad) with limited plastic properties. The secondary PCI coal has low-volatile matter, standard ash, low sulphur and moderate phosphorus content.

At a typical ash level of 10–11% (ad) the calorific value is regarded as high (~7,500 kcal/kg gad). This calorific value level, along with the high carbon content, indicates a high coke replacement ratio. The variable iron and calcium content in the ash impact the ash fusion temperature. The HGI is high (~80–87).

Wash and clean coal composite analysis of Belview coal samples indicates that together these products can be produced at a high overall washed yield, with an achieved laboratory yield for the main seam (Pollux) of 79%. Under certain processing scenarios a thermal coal product may also be produced at minimal yields (5–10%) additional to the PCI product, as a moderate ash (20% ad) with reasonably high energy content around 6,500 kcal/kg (gad) and attractive HGI of 75–80.

TENEMENTS

EPC 1114, 1186, 1798

AREA

125km^2

LOCATION

10km south-east of Blackwater

JORC TOTAL RESOURCE

330 Mt

OWNERSHIP

100% Stanmore Coal

LILYVALE COKING COAL PROJECT

The Lilyvale Project is 25km north-east of Emerald and close to the operating Kestrel South and Gregory-Crinum coking coal mines. The project hosts the German Creek seam from 336m in depth with a typical thickness across the project area of 2.2–2.5m. Geologically the project and surrounding areas are well understood and not expected to be geologically complex.

The project area has defined JORC Resource of 33Mt (at an inferred level). Further exploration is planned to define additional resources.

TENEMENTS

EP 1687, 2157

AREA

13km^2

LOCATION

25km north-east of Emerald

JORC RESOURCE

33Mt (33Mt Inferred)

OWNERSHIP

85% Stanmore Coal
15% Cape Coal

The company maintains other exploration tenements including Mackenzie and Tennyson.

DIRECTORS' REPORT

DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity consisting of Stanmore Coal Limited (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2018 (referred to in this report as Stanmore Coal or the Company).

STEWART BUTEL

B. Science (Geology), Grad Dip in Business Studies, Advanced Certificate of Coal Mining, GAICD

NON-EXECUTIVE DIRECTOR
APPOINTED 18 SEPTEMBER 2017

CHAIRMAN
APPOINTED 1 FEBRUARY 2018

Stewart has more than 40 years of experience in operational management and board roles in the resources industry in New South Wales, Queensland and Western Australia. He joined Wesfarmers Limited in 2000 as Managing Director of the Curragh mine, and was Managing Director of Wesfarmers Resources between 2006 and 2016. Stewart holds a Bachelor of Science (Geology) and qualifications in business and mining. He has completed the Breakthrough Program for Senior Executives at IMD Business School in Switzerland and the Advanced Management Program at Harvard Business School. He was appointed to the Board of Gladstone Ports Corporation in October 2017. He is a past director of a number of Wesfarmers subsidiaries, and Duet Company and Duet Investment Holdings. He is immediate past President of Queensland Resources Council and has held directorships of a number of resources industry bodies including Minerals Council of Australia, Chamber of Mines and Energy WA, Australian Coal Association and its low emissions technology fund, ACALET.

Stewart is a member of the Remuneration and Nominations Committee, Chairman of the Health Safety, Environment and Community Committee and a member of the Audit and Risk Management Committee.

During the past three years, Stewart has served as a Director of Duet Group an ASX listed company until its delisting on 16 May 2017.

DAN CLIFFORD

B. Eng (Mining)

MANAGING DIRECTOR

Dan was appointed as Managing Director and Chief Executive Officer on 14 November 2016.

Dan has more than 20 years' experience in the coal mining industry and has worked in Australia, South Africa and New Zealand. He has substantial open cut and underground coal mining experience, including responsibility for major dragline and longwall operations under previous employers including Glencore, Anglo Coal, BHP Billiton and Solid Energy.

Dan was appointed Chief Executive Officer of Solid Energy New Zealand in 2014 when the company was facing significant financial pressures and very difficult market conditions for coal mining companies. During this period, significant achievements in health and safety and operational efficiencies were reached. In parallel with running the operations of Solid Energy, Dan led the process of an asset sales program. Dan previously held the position of General Manager of the Ulan Complex at Glencore in Ulan, New South Wales, and has held roles with Anglo Coal and BHP in technical, operational and regional management roles.

Dan was a member of the Health, Safety, Environment and Community Committee.

During the past three years, Dan has not served as a Director of any other listed companies.

STEPHEN BIZZELL

B. Com, MAICD

NON-EXECUTIVE DIRECTOR

Stephen is the Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd. He was an Executive Director of Arrow Energy Ltd from 1999 until its acquisition in 2010 by Shell and PetroChina for $3.5 billion. He was instrumental in Arrow's corporate and commercial success and its growth from a junior explorer to a large integrated energy company. He was also a co-founder and director of Bow Energy Ltd until its $550 million takeover.

Stephen qualified as a Chartered Accountant and early in his career was employed in the Corporate Finance division of Ernst & Young and the Corporate Tax division of Coopers & Lybrand. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions. He has over 20 years' corporate finance and public company management experience in the resources and energy sectors in Australia and Canada with various public companies.

During the past three years, Stephen has also served as a Director of the following listed companies:

- Armour Energy Limited
  (Appointed 09/03/2012 – current)
- Augend Ltd (formerly Titan Energy Services Ltd)
  (Appointed 28/03/2011 – resigned 14/04/2016)
- Diversa Ltd
  (Appointed 09/03/2012 – resigned 06/10/2016)
- Laneway Resources Limited
  (Appointed 28/06/1996 – current)
- Renascor Resources Limited
  (Appointed 01/09/2010 – current)
- UIL Energy Ltd
  (Appointed 01/08/2014 – current)

Stephen is the Chairman of the Audit and Risk Management Committee and a member of the Remuneration and Nominations Committee.

CHRIS MCAULIFFE

LLB (Hons), MBA

NON-EXECUTIVE DIRECTOR

Chris McAuliffe is co-founder and Managing Director of Sprint Capital, a Hong Kong based private equity investment management group. Chris has more than 20 years' experience in private equity and investment banking with significant relationships across Asia. Prior to co-founding Sprint Capital in 2008, Chris was a Managing Director and co-head of Asia Pacific Industrials Group at Citigroup in Hong Kong, prior to which he was a Managing Director and head of Asia Industrials and Services Group at Credit Suisse in Singapore.

During the past three years, Chris has also served as a Director of the following listed companies:

- Chaswood Resources Holdings Limited (SGX)
  (Appointed 30/04/2012 – resigned 01/07/2018)
- Xplorer PLC (London)
  (Appointed 27/06/2013 – current)

Chris is a member of the Audit and Risk Management Committee and was a member of the Remuneration and Nominations Committee.

NEAL O'CONNOR

B. Laws and Dip. Legal Practice, GAICD

NON-EXECUTIVE DIRECTOR
APPOINTED 18 SEPTEMBER 2017

Neal has 30 years of legal experience in private practice in Australia and the United Kingdom, and within the resources industry. He was Company Secretary and General Counsel of the global copper business unit of Xstrata plc between 2003 and 2013, prior to which he was the General Manager Legal at MIM Holdings. Neal holds Bachelor of Laws and Diploma of Legal Practice from Queensland University of Technology. He is admitted to practice as a solicitor in Queensland and England and Wales. He is also a Member of the Australian Institute of Company Directors.

During the past three years, Neal has also served as a Director of the following listed companies:

- Mitchell Services Limited
  (Appointed 21 October 2015 – current)

Neal is Chairman of the Remuneration and Nominations Committee and is a member of the Health, Safety, Environment and Community Committee.

PATRICK O'CONNOR

B. Com, FAICD

NON-EXECUTIVE DIRECTOR

Patrick is an experienced non-executive director in a wide range of industries including mining, oil and gas exploration, forestry, biotechnology and government utilities across several international jurisdictions (Australia, Africa, New Zealand, United Kingdom and USA).

During the past three years, Patrick has also served as a Director of the following listed companies:

- Optiscan Imaging Limited
  (Appointed 21/07/2015 – resigned 12/04/2016)
- Tech Mpire Limited
  (Appointed 26/07/2016 – resigned 24/02/2017)

Patrick is a member of the Health, Safety, Environment and Community Committee, a member of the Remuneration and Nominations Committee and was a member of the Audit and Risk Management Committee.

NEVILLE SNEDDON

B. Eng (Mining) (Hons), M. Eng, MAusIMM, Grad AICD

NON-EXECUTIVE DIRECTOR AND CHAIRMAN RESIGNED 31 JANUARY 2018

A mining engineer with over 40 years' experience in most facets of the Queensland and NSW resource sectors. Neville resigned on 31 January 2018 from all positions at Stanmore Coal.

Neville was Chairman of the Remuneration and Nominations Committee and a member of the Health, Safety, Environment and Community Committee.

During the past three years, Neville has not served as a Director of any other listed companies.

COMPANY SECRETARY IAN POOLE

B. Econ, CA

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Ian was appointed Chief Financial Officer on 8 May 2017 and Company Secretary of Stanmore Coal Limited on 2 June 2017.

Ian has almost 30 years' experience in financial and commercial roles in the resources industry in Australia and the United States. He was Chief Financial Officer of ASX-listed minerals processing and infrastructure company, Sedgman Limited between 2010 and 2016. Prior to this, he worked for Rio Tinto Coal Australia Pty Ltd and Pasminco Resources.

DIRECTORS' INTERESTS

The relevant interests of each Director in the shares and rights issued by the Group, as notified by the directors to the Australian Securities Exchange in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report.

	Ordinary shares
Stewart Butel	200,000
Dan Clifford*	500,000
Stephen Bizzell	7,372,514
Chris McAuliffe	-
Neal O'Connor	125,204
Patrick O'Connor	500,000
Neville Sneddon	-

*Dan Clifford held 1,636,517 rights issued by the Group as at the date of this report.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Board		Audit & Risk Management Committee		Remuneration & Nominations Committee		Health, Safety, Environment & Community Committee	
	Held while in office	Meetings attended	Held while in office	Meetings attended	Held while in office	Meetings attended	Held while in office	Meetings attended
Stewart Butel	17	17	5	5	1	1	2	2
Dan Clifford	19	19	-	-	-	-	1	1
Stephen Bizzell	19	19	8	8	4	4	-	-
Chris McAuliffe	19	19	8	5	2	2	-	-
Neal O'Connor	17	17	-	-	2	2	1	1
Patrick O'Connor	19	19	3	3	4	4	3	3
Neville Sneddon	8	8	-	-	2	2	2	2

PRINCIPAL ACTIVITIES

The principal activities of Stanmore Coal Limited and its subsidiaries ("the Company", "the Group" or "the Consolidated Entity") was the exploration, development, production and sale of metallurgical and thermal coal in Queensland, Australia.

OPERATING AND FINANCIAL REVIEW

HIGHLIGHTS

Financial highlights for the year ending 30 June 2018 include:

- Full year net profit after tax of $5.966m
- Underlying EBITDA of $45.548m (non-IFRS measure) an increase from $26.756m (non-IFRS measure) in FY17
- Recognition of the remaining $25.728m contingent consideration for Isaac Plains mine due to improved forward hard coking coal pricing
- Cash generation from operations was $21.874m following cash outgoing in the FY17 of $17.810m
- Pre-production development capital at Isaac Plains East of $7.244m was fully funded from operating cashflows
- Working capital facility repaid by $15.601m leaving the company debt free
- Net cash of $19.817m at 30 June 2018 (FY17 $11.914m)
- A final dividend of 2 cents per share is declared for FY18.

FINANCIAL PERFORMANCE AND FINANCIAL POSITION

	2018 $M	2017 $M
Coal sales and other revenue	208.081	137.846
Cost of sales	(155.790)	(104.057)
Gross profit/(loss)	**52.291**	**33.789**
Other income and expenses	(33.465)	(18.046)
Profit/(loss) before income tax and net finance expenses	18.826	15.743
Finance income	**0.293**	**0.212**
Financial expenses	(9.079)	(9.537)
Profit/(loss) before income tax benefit/(expense)	**10.040**	**6.418**
Income tax benefit/(expense)	(4.074)	5.617
Profit/(loss) after income tax expense	**5.966**	**12.035**

UNDERLYING EBITDA RESULT (NON-IFRS MEASURE)

Underlying EBITDA reflects statutory EBITDA as adjusted to reflect the Director's assessment of the result for the ongoing business activities of the Group. These numbers have not been audited.

	Note	2018 $M	2017 $M
Profit/(loss) before income tax and net finance expenses		**18.826**	**15.743**
Depreciation and amortisation	2	5.207	3.332
Earnings before interest, depreciation and amortisation (EBITDA)		**24.033**	**19.075**
Adjustments for Underlying EBITDA			
Movement in impairment of The Range Development Project	9(a)	-	(8.512)
Impairment and write off of exploration assets	9(b)	0.008	0.917
Remeasurement of rehabilitation provision	14	(0.281)	1.357
Remeasurement of onerous contracts	13	(4.040)	(0.538)
Fair value movement contingent consideration	15	25.828	14.457
Underlying EBITDA		**45.548**	**26.756**

The Underlying EBITDA of $45.548m was a $18.792m improvement compared to $26.756m in FY17. The improvement in EBITDA performance was driven by a 13.7% increase in underlying margin of A$34.8/t compared $30.6/t in FY17, the continued strong operating performance in difficult geological conditions at Isaac Plains as well as a $3.356m contribution from toll loading utilising infrastructure at Isaac Plains.

The primarily drivers contributing to the NPAT result of $5.966m include:

- Gross revenue from coal sales increased to $190.832m in FY18 from $137.846m in FY17. The increase was driven by a $9.7/t increase in the A$ realised price to an average of A$144.8/t from A$135.1/t in FY17 and an increase in sales of produced coal from 1,308kt in FY18 from 1,204kt in FY17
- The production mix at Isaac Plains is typically 70:30 semi-soft to thermal however due to the timing of shipments the sales mix of semi-soft coking coal to thermal coal in FY18 was 63:37 compared to 77:23 in FY17. The sales mix impacted realised pricing
- Underlying FOB costs of $110.0/t, including $11.9/t of state royalties, were $5.9/t higher than FY17 underlying FOB costs of $104.5/t. FOR costs increased following the implementation of an acceleration plan in the second half of the year to capitalise on buoyant coal prices, enable a strong lead into FY19 and offset some impacts of difficult geological conditions. FOR to FOB costs increased by $2.0/t from demurrage due to shipping queues at DBCT and by $0.8/t because of the price impact on state royalties
- The release of the maiden Isaac Plains Underground JORC reserves resulted in a benefit of $4.040m due to a remeasurement of the onerous contracts provision which relates to long term contracts acquired as part of the Isaac Plains Coal acquisition in November 2015
- The remaining contingent consideration due to the vendors of Isaac Plains of $25.858m has been brought to account because the company has revised its long-term pricing assumptions which are expected to have a positive impact on future EBITDA and operating cashflows. The contingent consideration relates to production-based royalties (~$2/t for each of the two vendors) which is triggered by a hard coking coal price threshold. The expense is a non-cash item in FY18. Based on the current coal price outlook and production profile the vendor royalties are expected to be fully paid by FY23.

The variance between Underlying EBITDA and cashflow from operations is primarily due to the settlement of liabilities which arose on the acquisition of Isaac Plains, as outlined in the table below.

	2018 $M	2017 $M
Underlying EBITDA	**45.548**	**26.756**
Net Financing costs	(6.645)	(4.486)
Settlement of onerous contracts	(2.652)	(5.326)
Completion of rehabilitation works	(6.705)	(1.035)
Settlement of vendor royalties – contingent consideration	(5.550)	(3.193)
Net movement in working capital	(2.122)	(30.526)
Cash flow from operations	**21.874**	**(17.810)**

In FY18 $6.705m was invested in rehabilitation at Isaac Plains as the operation is nearing the final stages of mine life. Stanmore Coal integrates this core activity with operations to ensure timely and efficient close out of the rehabilitation targeted each year. In FY19 the mining operations will transition to Isaac Plains East.

CASHFLOW

In the year to 30 June 2018, a total net cash outflow of $7.698m was recorded. The net inflow from operating activities was positive with $21.874m being contributed by operations. Cash outflows from investing activities were $13.971m

mainly attributable to Isaac Plains East, planned maintenance of the major equipment and exploration activities. During the year the Consolidated Entity repaid all funds in the working capital facility and at the end of year no funds were drawn from the facility resulting in a net outflow from financing activities of $15.601m.

	2018 $M	2017 $M
Net cash at beginning of year	**27.515**	**12.080**
Net cash from operating activities	21.874	(17.810)
Net cash from investing activities	(13.971)	2.727
Net cash from financing activities	(15.601)	30.518
Net increase/(decrease) in cash held	**(7.698)**	**15.435**
Net cash at end of year	**19.817**	**27.515**

OPERATIONAL SUMMARY

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY PERFORMANCE

Stanmore Coal has committed significant management and governance resources to the current and future performance of the business for the health, safety and wellbeing of our people, the environment and the communities in which we operate.

The Group undertook or managed 547,970 hours of coal mining, drilling, exploration, and mine development activities directly and through its contractors during the year and reported one lost time injury. The Total Reportable Injury Frequency Rate for the year was 16.4 per million hours, with a Lost Time Injury Frequency Rate of 1.8 per million hours. During the year, Stanmore Coal worked closely with our contract partners to develop and improve a number of systems targeting the management of fatal risk, personal safety and leadership to drive for certainty in an improved performance.

Rehabilitation increased during the year with 128ha recontoured and 91ha topsoiled. Additionally, a number of improvement projects were undertaken to improve water management infrastructure and integrity across the Isaac Plains Complex.

Stanmore Coal's presence in the community in which our operations are predominantly positioned was supported by a number of grants, sponsorships and important community initiatives and events. Significant 'in-kind' time was also dedicated to regional industry bodies and professional groups to enhance local industry and services in the region.

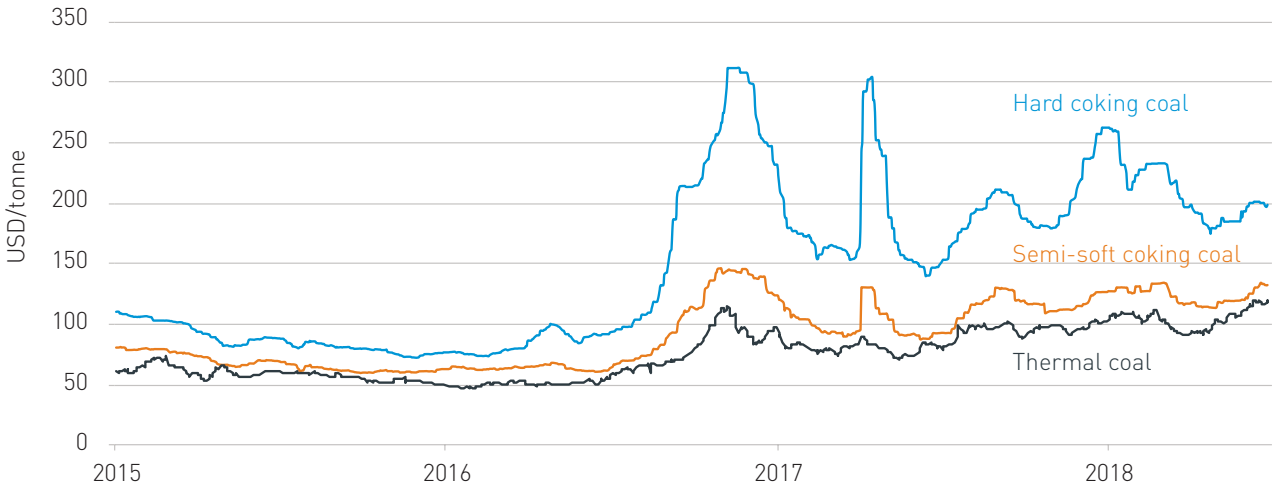
OPERATIONS

The Isaac Plains Complex delivered a total of 1,643kt of ROM coal to the coal handling and processing plant (CHPP) at a prime strip ratio of 14.2x. This performance was underpinned by a 5% increase in overburden and 8% increase in open-cut ROM performance compared to FY17.

Product coal production of 1,128kt with the CHPP delivering a total yield of 70.4%. The FY18 production split of semi-soft and thermal coal was 70% semi-soft and 30% thermal.

The Group completed capital works for the CHPP and dragline during the year together with funding the Isaac Plains East development reflecting the $13.0m cash outflow incurred on investing activities. These major overhauls have been delivered on time and within budget.

The average sale price achieved for all coal during the year was A$144.8/t, driven by a strong market for premium hard coking coal. Semi-soft and thermal prices also moved upward along with hard coking coal increases although not to the same extent. Semi-soft and thermal coal prices remained strong and stable during H2 FY18.



Source: Platts – June 2018 Coal Trader International.

In light of strong coal prices being received and the granting of the leases at Isaac Plains East, the company accelerated production at Isaac Plains with a small increase in costs to maximise the financial performance of the operation. In the second half of the year, this accelerated performance resulted in the mine operating at an annualised rate of 1.9mt ROM coal. Planned shutdowns of the coal handling and preparation plant and the dragline were successfully completed, and these, in combination with the operations, increased performance positions the company well for FY19.

	FY18	FY17
Prime Overburden (bcm)	23,382	22,345
ROM coal produced – Open cut (kt)	1,643	1,521
ROM strip ratio (prime)	14.2	13.4
ROM coal produced – Highwall (kt)	-	217
CHPP feed (kt)	1,602	1,617
ROM stockpile (kt)	85	62
Saleable coal produced (kt)	1,128	1,204
Saleable coal purchased (kt)	10	-
COAL SALES		
– Metallurgical (kt)	835	832
– Thermal (kt)	483	188
Total coal sales (kt)	**1,318**	**1,020**
Product Yield	70.4%	74.5%
Coal product stockpiles (kt)	80	258
Average sale price achieved (A$/t)	144.8	135.1
UNIT COSTS OF SALES (A$/T SOLD)		
FOR cost (A$/t sold)	82.3	80.0
FOR to FOB cost (ex. state royalty)(A$/t sold)	15.8	13.4
State royalty (A$/t sold)	11.9	11.1
FOB cash cost (A$/t sold)	110.0	104.5
Margin (A$/t sold)	**34.8**	**30.6**

The variance between coal margins and Underlying EBITDA is due to toll loading margin and net corporate overheads as shown in the table below.

	FY 2018 $M	FY 2017 $M
Coal sales (t'000)	1,318	1,020
Margin (A$/t)	34.8	30.6
Coal sales margin	**45.815**	**31.226**
Margin from toll loading 3rd party coal	3.356	-
Unallocated corporate overhead	(3.623)	(2.547)
Vendor reimbursement	-	(1.923)
Underlying EBITDA	**45.548**	**26.756**

ISAAC PLAINS COAL MINE – TOLL HANDLING

During the year Stanmore Coal entered into an agreement with a 3rd party to handle their coal on a toll loading basis. At 30 June 2018 the agreement had finished, and Stanmore Coal had received and railed 610kt to Dalrymple Bay Coal Terminal (DBCT).

ISAAC PLAINS COAL MINE – STOCKPILE SALE

During the year Stanmore Coal entered into an agreement with a third party for a coal sale by selling the clean coal product from the stockpile at Isaac Plains. This third party then on-sold this product to an existing contracted customer of Isaac Plains under the same contract terms.

ISAAC PLAINS EAST

There have been a number of key milestones achieved in relation to Isaac Plains East at the date of this report including:

- Approval of the Environmental Authority amendment for the Isaac Plains East Project on 24 January 2018
- Commencement of approved project capital works including the Smoky Creek haul road crossing and infrastructure
- All compensation and overlapping tenement agreements have been executed with the respective parties and lodged with the Department of Natural Resources and Mines
- Granting of the mining leases on 1 March 2018 along with the Commonwealth Environment Protection and Biodiversity Conservation Act (EPBC Act) approvals
- Pre-mining operations commenced in June, with first coal mined during August 2018.

ISAAC PLAINS UNDERGROUND PROJECT

Progress has also been made on the Isaac Plains Underground project and as at the date of this report include:

- Pre-feasibility study completed in December 2017
- Maiden JORC reserve declared at 12.9Mt (Marketable Reserves of 9.4Mt)
- Bankable Feasibility Study (BFS) underway, investment decision expected in FY19
- Mastermyne Group Limited (ASX Code: MYE) appointed as the contract partner for an early contractor involvement process and to work with the company in undertaking the BFS
- The underground mine is targeting to produce over 1Mt of ROM coal per annum at an underlying FOB cost of less than $100/t.

FUTURE OUTLOOK AND LIKELY DEVELOPMENTS

OPERATIONS

- With the existing Isaac Plains infrastructure capacity, granting of approvals and flexibility in logistics capability, Stanmore Coal is positioned to boost ROM production to approximately 2.3Mt ROM for FY19, representing a 40% increase over FY18.
- Results in approximately 1.8Mt product, representing a +50% increase over FY18.
- Underlying FOB Costs will improve to $86/t (excluding state royalties) from $98/t in FY18. State royalties (variable dependent on coal price received) are estimated at $14/t in FY19, up from $12/t in FY18. This reduction is primarily due to the migration of operations from Isaac Plains to Isaac Plains East which will be realised in H2 FY19.
- Supported by strong coal prices and embedded cost discipline which is expected to deliver a significant EBITDA growth in FY19 and shareholder value.
- The current mining plan has the dragline staying at Isaac Plains for the first part of FY19 and commencing Isaac Plains East with truck and excavator. The dragline will then move over to Isaac Plains East with the truck and excavator remaining to complement production.
- All commercial structures impacting costs are being negotiated to ensure that Isaac Plains can revert to the lowest possible cost structure (i.e. dragline and minimal truck & shovel when pre-strip required) on short notice.
- High quality semi-soft coking coal from Isaac Plains is purchased by tier one steel mills in Japan, South Korea and Europe. The Group will continue to pursue high value selling opportunities and has taken advantage of the planned increased production from Isaac Plains East to build a new customers and further establish existing customers who have contracted for coking coal since recommencement of operations.

ACQUISITIONS

On 12 June 2018, the Consolidated Entity announced it had executed definitive agreements with Peabody Australia to acquire MDL137 and EPC7282 from Millennium Coal Pty Ltd. Stanmore Coal has agreed to acquire the coking coal deposit contained within MDL 137 (Wotonga South – now renamed Isaac Downs) and an additional exploration area (EPC 728) for $30 million cash (consisting of $6.0 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). On 31 July 2018, this agreement was completed, and the first payment was made. It is expected all acquisition payments will be funded with existing operational cash flows. This acquisition represents significant value for our shareholders and provides the Isaac Plains Complex with an additional eight to ten years production life, while utilising the existing infrastructure.

EXPLORATION AND DEVELOPMENT

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

Due to environmental approval (EA), granting of mining leases and other approvals of the Isaac Plains East Project and the commencement of mine infrastructure works and mine pre-strip it has been assessed that the exploration and evaluation phase has been completed, and the development phase has commenced. Therefore, all exploration and evaluation expenditure has been impairment tested and reclassified as capitalised development costs. Following the commencement of production (August 2018), this balance and additional development costs relating to Isaac Plains East will be reclassified to mining properties in production.

In addition, Stanmore Coal reclassified The Range, (an undeveloped thermal deposit in the Surat Basin) from capitalised development costs to exploration and evaluation assets. This is due to an insignificant amount of development activities being completed since the asset was classified as a development asset. The Range was transferred at its fair value of $15.7m. Stanmore Coal continues to support The Range project and the potential development of the Surat Basin is a part of the medium-term strategy (2020–2025).

The Group will continue to monitor and assess the opportunities to develop or monetise its existing portfolio of assets in the Surat Basin and South Bowen Basin, particularly with respect to The Range and Belview assets.

MANAGING RISK

Stanmore Coal is a producing coal group operating in a volatile pricing market. Factors specific to Stanmore Coal, or those which impact the market more broadly, may individually or in combination impact the financial and operating performance of the Group. These events may be beyond the control of the Board or management of Stanmore Coal.

The major risks associated with an investment in the Group are summarised below:

OPERATING RISKS

Stanmore Coal is a single-mine producer and therefore reliant on continued performance of operations at the Isaac Plains Complex. There are numerous operating risks which may result in a reduction in performance that decreases the Group's ability to produce high quality coal to meet customer shipping needs. The risks include, but are not limited to, factors such as weather conditions, machinery failure, critical infrastructure failure or natural disasters.

MARKET RISKS

The key drivers for the business's financial performance are commodity price and foreign currency markets. Stanmore Coal is not of a size to have influence on coal prices or the exchange rate for Australian dollars and is therefore a price-taker in general terms.

Stanmore Coal sells export coal in United States Dollars and is therefore exposed to movements in currency rates. Stanmore Coal may from time to time use forward exchange contracts to hedge a portion of its short-term currency risk where agreed appropriate between management and the Board. The market price for Stanmore Coal's coking coal and thermal coal products is impacted by many factors which could be favourable or unfavourable for the Group.

GEOLOGICAL RISK

Resource and Reserve estimates are prepared by external experts in accordance with the JORC code for reporting. The estimates are inherently subjective in some respects therefore there is a risk that the interpretation of data may not align with the future experienced conditions in the field. Due care is taken with each estimation.

REGULATORY AND LAND ACCESS RISK

The Group's operations and projects are subject to State and Federal laws and regulation regarding environmental hazards. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. The ability to secure and undertake exploration and operational activities within prospective areas is also reliant upon satisfactory resolution of native title and management of overlapping tenure.

To address these risks, the Group develops strong, long-term effective relationships with landholders, with a focus on developing mutually acceptable access arrangements as well as appropriate legal and technical advice to ensure it manages its compliance obligations appropriately. The Group minimises these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage. In addition, the Group engages experienced consultants and other technical advisors to provide expert advice where necessary.

SAFETY

Safety remains of critical importance in the planning, organisation and execution of Stanmore Coal's exploration and operational activities. Stanmore Coal is committed to providing and maintaining a working environment in which its employees are not exposed to hazards that will jeopardise an employee's health and safety, or the health and safety of others associated with our business.

SOVEREIGN RISK

The Group has limited influence over the direction and development of government policy. Successive changes to the Australian resources policy, including taxation policy, have impacted Australia's global competitiveness and reduced the

attractiveness of Australian coal projects to foreign investors. The Group's view is that whilst there is currently a negative perception of thermal coal, it will continue to play a significant role as an export commodity. Coking coal is critical for future steel production and thermal coal will continue to play a key role in the global energy mix as part of sustaining global growth, particularly in developing regions, through efficient electricity generation.

ACCESS TO CAPITAL

At 30 June 2018, the Group remains well funded with cash reserves and an at call working capital facility expected to be sufficient to meet the business's operating costs. Stanmore Coal's ability to effectively continue as a coal producing business may be dependent upon several factors including the success of the mine operations, or the successful exploration and subsequent exploitation of the Group's tenements. Should these avenues be delayed or fail to materialise, the Group expects to have the ability to successfully raise additional funding through debt, equity or farm out/sell down to allow the Group to continue as a going concern and meet its debts as and when they fall due.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of Stanmore Coal Limited, and for the Company's Key Management Personnel ("KMP"). KMP are defined as those persons who have the authority and responsibility for planning, directing and controlling the activities of the Company. The Company's KMP during the year were:

DETAILS OF KEY MANAGEMENT PERSONNEL

Directors		
Stewart Butel	Non-Executive Director Non-Executive Chairman	Current Appointee (Appointed 18 September 2017) Current Appointee (Appointed 1 February 2018)
Dan Clifford	Managing Director	Current Appointee
Stephen Bizzell	Non-Executive Director	Current Appointee
Chris McAuliffe	Non-Executive Director	Current Appointee
Neal O'Connor	Non-Executive Director	Current Appointee (Appointed 18 September 2017)
Patrick O'Connor	Non-Executive Director	Current Appointee
Neville Sneddon	Non-Executive Chairman	(Resigned 31 January 2018)
Senior Management		
Ian Poole	Chief Financial Officer Company Secretary	Current Appointee Current Appointee
Bernie O'Neill	General Manager Operations	Current Appointee
Jon Romcke	General Manager Development	Current Appointee (Appointed 21 August 2017)

REMUNERATION POLICY OVERVIEW

Stanmore Coal's business strategy of managing an operating coal business can only be achieved by identifying and retaining high calibre employees with appropriate experience and capability. Developing an appropriate compensation strategy for the Company's employees is a key factor in ensuring employees are engaged and motivated to improve the Company's performance over the long term. The Board's intention is to maximise stakeholder benefit by the retention of a high-quality Board and executive team without creating an undue cost burden for the Company.

The Board regularly reviews the appropriateness of employees' fixed compensation considering the Company's cost structure and the practices of its peers.

The following describes the Company's remuneration arrangements for KMP.

FIXED REMUNERATION

MANAGING DIRECTOR AND SENIOR MANAGEMENT REMUNERATION

The Company aims to reward the Managing Director and senior management with a base level of remuneration which is both appropriate to the position and competitive in the market. Fixed remuneration is reviewed annually by the Remuneration and Nominations Committee and the Board. The Managing Director reviews all senior management performance and remuneration and then makes recommendations to the Remuneration and Nominations Committee. The Remuneration and Nominations Committee reviews the performance and remuneration of the management team.

The process consists of a review of Company-wide and individual performance, relevant comparative remuneration in the market and internal, and where appropriate, external advice on policies and practices.

NON-EXECUTIVE DIRECTOR FIXED REMUNERATION

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution of Stanmore Coal Limited and the ASX Listing Rules specify that the Non-Executive Directors are entitled to remuneration as determined by the Company in a general meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The maximum aggregate remuneration currently determined by Stanmore Coal Limited shareholders $500,000 per annum.

During the year the Remuneration and Nominations Committee reviewed Non-Executive Director board and committee fees. With effect from 1 January 2018, the Chairman's fee was increased to $85,000 per annum (previously $65,000 per annum), Non-Executive Director's fees was increased to $65,000 per annum (previously $50,000 per annum). Committee fees are also paid to the Chairman of the committee of $10,000 per annum (previously nil) and membership of the committee of $5,000 per annum (previously nil). The maximum aggregate of the fee changed is within the shareholder annual agreed limit.

Total Non-Executive Director remuneration for FY18 was $386,706 (FY17: $213,335).

A Non-Executive Director is entitled to be paid travel and other expenses properly incurred by them in attending Directors' or general meetings of Stanmore Coal Limited or otherwise relating to the business of the Company.

The fixed remuneration of Non-Executive Directors for the year ending 30 June 2018 is detailed in this Remuneration Report.

SHORT-TERM AND LONG-TERM INCENTIVE PLAN STRUCTURES

The Board considers that the use of Short Term Incentives (STI) and Long-Term Incentives (LTI) are a reasonable means of remunerating employees, on the basis that they:

- encourage Senior Management to drive toward the realisation of shareholder value;
- provide flexibility to the Company to actively manage the way in which it remunerates and incentivises Senior Management;
- preserve the Company's cash resources; and
- contribute to the attraction and retention of skilled talent in a competitive market.

STI and LTI's were provided in FY18 for KMP. The STI aligned rewards with key performance outcomes associated with mining at Isaac Plains except for the General Manager Development whose KPIs align to key business development activities which are more aligned to his role. The LTI plan contains links to the Stanmore Coal share price with Rights issued with a three-year vesting period for KMP that qualify under the LTI plan rules.

INCENTIVE OUTCOMES FOR FY18 AND FY17

The incentive outcomes for the STI and LTI schemes are below.

SHORT TERM INCENTIVE

Incentive	Award structure	Outcome/discussion
FY18 STI	Based on multiple key performance indicators: • TRIFR • Prime overburden • Product tonnes • FOR cash cost • Balance Project Plan • Development targets	The key performance indicators were met to varying levels resulting in a total accrued payout percentage of 63%. All KMP met eligibility requirements. FY18 STI amounts are highlighted below but are not due and payable until after the signing of these Financial Statements.
FY17 STI	Based on multiple key performance indicators: • TRIFR • Prime overburden • Product tonnes • FOB cash cost	The key performance indicators were met to varying levels resulting in a total accrued payout percentage of 56%. The only entitled KMP was Dan Clifford. FY17 STI amounts were accrued in FY17 and paid in FY18.

In the FY18 all KMP were entitled to a payment under the STI scheme. No payment was made before 30 June 2018 and all payments are due to be paid after the signing of these Financial Statements. During the year Mr Clifford was paid his FY17 STI. No other KMP were eligible to a STI in FY17.

	Maximum STI FY18				Maximum STI FY17			
	% of Base salary	Max. amount $	Awarded $	% of Base salary	% of Base salary	Max. amount $	Awarded $	% of Base salary
Dan Clifford	25%	101,800	65,600	16.1%	25%	62,500	35,000	14.0%
Ian Poole	30%	96,210	55,900	17.4%	-	-	-	-
Bernie O'Neill	30%	91,620	58,100	19.0%	-	-	-	-
Jon Romcke	30%	77,425	52,993	20.5%	-	-	-	-

LONG TERM INCENTIVE

Incentive	Award structure	Outcome/discussion
FY18 LTI	LTI is based on the Absolute Shareholder Total Return (ASTR) with price targets resulting in the LTI benefits potentially vesting two financial years after the relevant remuneration year. Rights are issued annually with vesting periods of three years, total Rights issued are based on the performance target tested at the end of three years i.e. FY20. In the event that no rights vest at the end of three years, the Rights may be retested for vesting after four years (FY21) subject to the escalated performance target. Further details regarding the LTI plan are shown below.	During the FY18, Rights were granted to KMP as outlined below to: Dan Clifford, Ian Poole, Bernie O'Neill and Jon Romcke.

Incentive	Award structure	Outcome/discussion
FY17 LTI	LTI is based on the Absolute Shareholder Total Return (ASTR) with price targets resulting in the LTI benefits potentially vesting two financial years after the relevant remuneration year. Rights are issued annually with vesting periods of three years, total Rights issued are based on the performance target tested at the end of three years i.e. FY19. In the event that no rights vest at the end of three years, the Rights may be retested for vesting after four years (FY20) subject to the escalated performance target. Further details regarding the LTI plan are shown below.	During the FY17, Rights were granted or subject to AGM approval to KMP. As outlined below to: Dan Clifford, Bernie O'Neill, and Andrew Roach. Andrew Roach's rights were forfeited when he resigned from the company.

During the FY18 3,143,005 rights were granted to KMP of which 2,611,508 related to FY18 rights and 531,497 related to FY17 rights (FY17 94,985). The FY18 and FY17 rights were granted at the maximum amount issuable if stretch targets are reached, all rights will be payable as cash or shares as decided by the Board upon vesting. 3,237,990 (FY17 and FY18) rights remain on issue at FY18.

Key Management Personnel[1]	FY	# of rights	Vesting date[2]	Target %	Salary package value at Stretch[3]	Price[4]	Value of Rights[5]	Total Value	Share based payment expense
Dan Clifford	FY18	1,105,020	30/06/2020	50%	$407,200	$0.3685	$0.32	$353,606	$191,451
	FY17	531,497	30/06/2019	50%	$251,111	$0.4725	$0.29	$154,134	$21,504
Ian Poole[6]	FY18	593,410	30/06/2020	30%	$218,672	$0.3685	$0.32	$189,891	$63,124
Bernie O'Neill	FY18	492,863	30/06/2020	30%	$181,620	$0.3685	$0.38	$187,288	$69,200
	FY17	94,985	30/06/2019	30%	$44,877	$0.4725	$0.17	$16,147	$2,263
Jon Romcke[7]	FY18	420,215	30/06/2020	30%	$154,849	$0.3685	$0.38	$159,682	$53,081
Total		**3,237,990**							

1 KMP employed as at 30 June 2018.
2 Retest available after 12 months if no Rights have vested on vesting date.
3 Stretch target based on 2 x Target %.
4 Based on the 10-day VWAP of shares in the 24 hours following the release of the annual results.
5 Accounting value of shares issued.
6 FY18 Rights include an allocation for FY17 based on commencement date.
7 FY18 Rights based on commencement date of 21 August 2017.

Below is a summary of the conditions for vesting for FY18 rights granted.

Performance Level	ATSR[1] of SMR[2] CAGR[3]	% of stretch/ maximum vesting	June 20 share price for vesting
Stretch	52.86%	100.00%	$1.25
Between target and stretch	›39.49%‹52.86%	Pro-rata	Pro-Rata
Target	39.49%	50.00%	$0.95
Between threshold and target	›22.92% ‹39.49%	Pro-Rata	Pro-Rata
Threshold	22.92%	0%	$0.65
Below threshold[4]	‹22.92%	0%	$0.00

Below is a summary of the conditions for vesting for FY17 rights granted:

Performance Level	ATSR[1] of SMR[2] CAGR[3]	% of stretch/ maximum vesting	June 19 share price for vesting
Stretch	58.74%	100.00%	$1.20
Between target and stretch	>44.22%<58.74%	Pro-rata	Pro-Rata
Target	44.22%	50.00%	$0.90
Between threshold and target	>25.99%<44.22%	Pro-Rata	Pro-Rata
Threshold	25.99%	0%	$0.60
Below threshold[5]	<25.99%	0%	$0.00

1 Absolute Shareholder Return
2 Stanmore Coal Limited
3 Compound Annual Growth Rate (CAGR)
4 Subject to Retest in FY21 at CAGR
5 Subject to Retest in FY20 at CAGR

In relation to the FY18 and FY17 Rights, one retest is available 12 months after the end of the measurement period only if no vesting occurred in relation to the first test following the completion of the measurement period in FY20 and FY19 respectively.

The Company does not intend to issue more than an aggregate of 5% of its share capital, from time to time, under the LTI plans.

It is a condition of the rights that the KMP must remain employed by Stanmore Coal for the Rights to vest.

GENERAL INCENTIVE AND REMUNERATION CONSULTANTS

From time to time, the Remuneration and Nominations Committee seeks and considers advice from external advisors who are engaged by and report directly to the Remuneration and Nominations Committee. Such advice will typically cover Non-Executive Director fees, Executive KMP remuneration and advice in relation to equity plans.

The Corporations Act requires companies to disclose specific details regarding the use of remuneration consultants. The mandatory disclosure requirements only apply to those advisers that provide a 'remuneration recommendation' as defined in the Corporations Act.

During FY18 the Remuneration and Nominations Committee received recommendations from Godfrey. Remuneration Group, this recommendation was received free from undue influence from any affected KMP, and the directors ensured this by engaging the consultant independent of any affected KMP. In addition, the recommendation and outcomes were not discussed or influenced by any KMP's with the remuneration consultant. The cost of services associated with the recommendation made by the remuneration consultant totalled $16,000 (FY17 $59,700).

RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

Performance measure	2018	2017	2016	2015	2014
Revenue ($M)	208.081	137.846	12.700	859	749
Profit/(loss) attributable to the Group ($M)	5.966	12.035	(19.746)	(12.148)	(11.864)
Share price at year end ($/share)	$0.87	$0.34	$0.28	$0.06	$0.11
Basic EPS (c/Share)	2.7	5.1	(8.9)	(5.8)	(5.7)
Diluted EPS (c/Share)	2.7	5.1	(8.9)	(5.8)	(5.7)

There were no dividends paid during the FY18 (FY17: nil).

It is the Board's policy that employment contracts or consultancy agreements are entered with all Executive Directors and senior management.

Contracts do not provide for pre-determining compensation values or method of payment. Rather portions of compensation are discretionary STI and LTI plan awards that are determined by the Remuneration and Nominations Committee and the Board in accordance with the Company's remuneration policies.

All other employment contracts or consultancy agreements have either six or three-month (or lower) notice periods. No current employment contracts contain early termination clauses. All Non-Executive Directors have received letters outlining the key terms of their appointment. The contracts have no specified duration.

KMP are entitled to their statutory entitlements of accrued annual leave and long service leave together with statutory superannuation on termination.

MANAGING DIRECTOR

Stanmore Coal Limited has an Executive Services Agreement (ESA) with Mr Dan Clifford for the position of Managing Director which commenced on 14 November 2016. Mr Clifford's base remuneration is $407,200 (FY17 $400,000) per annum for FY18 plus statutory superannuation. The ESA provides for termination by either party by providing six month's written notice, or immediately in the case of gross negligence or serious misconduct.

Mr Clifford is eligible to participate in the STI and LTI schemes (the current LTI scheme was approved at the 2016 Annual General Meeting). For FY18, the maximum annual STI is 25% of base remuneration and the maximum annual LTI is 50% of base remuneration at Target performance and a further 50% of base remuneration at Stretch performance. Detail of instruments issued under the LTI scheme are provided on page 38 of this report.

SENIOR MANAGEMENT

CHIEF FINANCIAL OFFICER

Stanmore Coal Limited has an Executive Services Agreement (ESA) with Mr Ian Poole for the position of Chief Financial Officer which commenced on 8 May 2017. Mr Poole receives a base remuneration of $320,700 (FY17 $315,000) per annum plus statutory superannuation effective from 8 May 2017. The ESA provides for termination by either party by providing three month's written notice, or immediately in the case of gross negligence or serious misconduct.

Mr Poole is eligible to participate in the STI and LTI schemes. The maximum annual STI is 30% of base remuneration and the maximum annual LTI is 30% of base remuneration at Target performance and a further 30% of base remuneration at Stretch performance. Detail of instruments issued under the LTI scheme are provided on page 38 of this report.

GENERAL MANAGER OPERATIONS

Stanmore Coal Limited has an Executive Services Agreement (ESA) with Mr Bernie O'Neill for the position of General Manager - Operations which commenced on 1 April 2017. Mr O'Neill receives a base remuneration of $305,400 (FY17 $300,000) per annum plus statutory superannuation. The ESA provides for termination by either party by providing three month's written notice, or immediately in the case of gross negligence or serious misconduct.

Mr O'Neill is eligible to participate in the STI and LTI schemes. The maximum annual STI is 30% of base remuneration and the maximum annual LTI is 30% of base remuneration at Target performance and a further 50% of base remuneration at Stretch performance. Detail of instruments issued under the LTI scheme are provided on page 38 of this report.

GENERAL MANAGER DEVELOPMENT

Stanmore Coal Limited has an Employment Contract with Mr Jon Romcke, General Manager Development, which commenced on 21 August 2017. Mr Romcke receives a base remuneration of $300,000 per annum plus statutory superannuation.

Mr Romcke is eligible to participate in the STI and LTI schemes. The maximum annual STI is 30% of base remuneration and the maximum annual LTI is 30% of base remuneration at Target performance and a further 30% of base remuneration at Stretch performance. Detail of instruments issued under the LTI scheme are provided on page 38 of this report.

REMUNERATION DETAILS

The following tables detail the components of remuneration for KMP of the Company, for both 30 June 2018 and 2017.

		Short-term benefits		Post-employment	
2018	Salary & fees $	Cash bonus $	Other short-term benefits $	Superannuation $	Termination benefits $
DIRECTORS					
Steward Butel[1]	62,903	-	-	5,976	-
Dan Clifford	407,200	65,600	-	20,048	-
Stephen Bizzell	72,500	-	-	-	-
Chris McAuliffe	67,500	-	-	-	-
Neal O'Connor[2]	53,192	-	-	5,053	-
Patrick O'Connor	70,000	-	-	-	-
Neville Sneddon[3]	49,583	-	-	-	-
Total	**782,878**	**65,600**	**-**	**31,077**	**-**
SENIOR MANAGEMENT					
Bernie O'Neill	305,400	58,100	-	20,048	-
Ian Poole	320,700	55,900	-	20,048	-
Jon Romcke[4]	250,385	52,993	-	15,966	-
Total	**876,485**	**166,993**	**-**	**56,062**	**-**
Total Director and Senior Management remuneration	**1,659,363**	**232,593**	**-**	**87,139**	

1 Commenced Non-Executive Director 18 September 2017 and Chairman 1 February 2018
2 Commenced 18 September 2017
3 Resigned 31 January 2017
4 Commenced 21 August 2017

	Share-based payments				
	Equity-settled (options) $	Equity-settled (Shares) $	Total $	Performance related remuneration %	Remuneration as share-based payments %
	-	-	68,879	0.0%	0.0%
	-	191,451	684,299	9.6%	28.0%
	-	-	72,500	0.0%	0.0%
	-	-	67,500	0.0%	0.0%
	-	-	58,245	0.0%	0.0%
	-	-	70,000	0.0%	0.0%
	-	-	49,583	0.0%	0.0%
	-	**191,451**	**1,071,006**		
	-	69,200	452,748	12.8%	15.3%
	-	63,124	459,772	12.2%	13.7%
	-	53,081	372,425	14.5%	14.5%
	-	**185,405**	**1,284,945**		
		376,856	**2,355,951**		

		Short-term benefits		Post-employment	
2017	Salary & fees $	Cash bonus $	Other short-term benefits $	Superannuation $	Termination benefits $
Neville Sneddon	64,167	-	-	-	-
Dan Clifford[1]	230,769	35,000	-	11,755	-
Nicholas Jorss[2]	254,770	194,467	-	9,808	74,448
Patrick O'Connor	44,167	-	-	-	-
Stephen Bizzell	44,167	-	-	-	-
Viv Forbes[3]	16,667	-	-	-	-
Chris McAuliffe	44,167	-	-	-	-
Total	**698,874**	**229,467**	**-**	**21,563**	**74,448**
SENIOR MANAGEMENT					
Ian Poole[4]	20,676	-	-	23,240	-
Bernie O'Neill[5]	68,076	-	-	4,527	-
Andrew Roach[6]	233,385	96,756	-	17,352	-
Michael McKee[7]	245,882	138,956	-	13,580	12,228
Total	**568,019**	**235,712**	**-**	**58,699**	**12,228**
Total Director and Senior Management remuneration	**1,266,893**	**465,179**	**-**	**80,262**	**86,676**

1 Commenced 14 November 2016
2 Resigned 14 November 2016
3 Resigned 30 November 2016
4 Commenced 8 May 2017
5 Commenced 1 April 2017
6 Resigned (CFO) 8 May 2017
7 Resigned 3 March 2017

	Share-based payments				
	Equity-settled (options) $	Equity-settled (Shares) $	Total $	Performance related remuneration %	Remuneration as share-based payments %
	-	-	64,167	-	-
	-	21,504	299,028	11.7%	7.2%
	-	(53,397)	480,096	40.5%	(11.1%)
	-	-	44,167	-	-
	-	-	44,167	-	-
	-	-	16,667	-	-
	-	-	44,167	-	-
	-	**(31,893)**	**992,459**		
	-	-	43,916	-	-
	-	2,263	74,866	-	3.0%
	-	(53,397)	294,096	32.9%	(18.2%)
	-	(53,397)	357,249	38.9%	(14.9%)
	-	**(104,531)**	**770,127**		
	-	**(136,424)**	**1,762,586**		

CASH BONUSES, PERFORMANCE-RELATED BONUSES AND SHARE-BASED PAYMENTS

For the financial year ending 30 June 2018 the following cash performance award is accrued.

	Maximum STI cap $	STI awarded $	% of STI	% of STI forfeit	Expected payment date
Dan Clifford	101,800	65,600	64%	36%	7 September 2018
Ian Poole	96,210	55,900	58%	42%	7 September 2018
Bernie O'Neill	91,620	58,100	63%	37%	7 September 2018
Jon Romcke	77,425	52,993	68%	32%	7 September 2018

Rights issued to KMP during FY18 and FY17 are outlined below.

	FY18 Rights issued	FY18 Rights forfeited	Net FY18 Rights	FY17 Rights issued	FY17 Rights forfeited	Net FY17 Rights
Dan Clifford	1,105,020	-	1,105,020	531,497*	-	531,497
Ian Poole	593,410	-	593,410	-	-	-
Bernie O'Neill	492,863	-	492,863	94,985	-	94,985
Jon Romcke	420,215	-	420,215	-	-	-

*531,497 FY17 rights issued to Dan Clifford during FY18 related to unissued rights noted in the FY17 financial statements.

EQUITY INSTRUMENTS

SHAREHOLDINGS

Details of ordinary shares held directly, indirectly or beneficially by KMP and their related parties are as follows:

	Balance at 1 July 2017	Granted as remuneration	Exercise of Options or Rights	Net change other	Balance FY18
DIRECTORS					
Stewart Butel	-	-	-	200,000	200,000
Dan Clifford	-	-	-	500,000	500,000
Stephen Bizzell	7,372,514	-	-	-	7,372,514
Chris McAuliffe	-	-	-	-	-
Neal O'Connor	-	-	-	125,204	125,204
Patrick O'Connor	500,000	-	-	-	500,000
Neville Sneddon	500,000	-	-	(500,000)	-
Total	**8,372,514**	**-**	**-**	**325,204**	**8,697,718**
SENIOR MANAGEMENT					
Ian Poole	-	-	-	90,000	90,000
Bernie O'Neill	-	-	-	-	-
Jon Romcke	-	-	-	-	-
Total	**-**	**-**	**-**	**90,000**	**90,000**

The net change in shareholding for all KMP relates the acquisition of shares on market other than Neville Sneddon whose decrease in shares occurred when he resigned from the Board.

There were no shares held nominally at 30 June 2018.

OPTIONS HOLDINGS

The Consolidated Entity has had no options on issue in FY18.

RIGHTS

Details of rights held directly, indirectly or beneficially by KMP and their related parties are as follows:

	Opening balance	Rights issued	Rights vested	Rights forfeited	Closing balance	Vesting FY20*	Vesting FY21*
Dan Clifford	-	1,636,517	-	-	1,636,517	531,497	1,105,020
Ian Poole	-	593,410	-	-	593,410	-	593,410
Bernie O'Neill	94,985	492,863	-	-	587,848	94,985	492,863
Jon Romcke	-	420,215	-	-	420,215	-	420,215
	94,985	**3,143,005**	**-**	**-**	**3,237,990**	**626,482**	**2,611,508**

*Subject to retest conditions on page 39.

TRANSACTIONS WITH DIRECTORS AND DIRECTOR-RELATED ENTITIES

There were no transactions with Directors or Director-related entities during the year ending 30 June 2018.

LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans to KMP during the year.

END OF REMUNERATION REPORT (AUDITED).

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each of the Directors and the Secretary of Stanmore Coal Limited have entered into a Deed with Stanmore Coal Limited whereby Stanmore Coal Limited has provided certain contractual rights of access to books and records of Stanmore Coal Limited to those Directors and Secretary. Stanmore Coal Limited has insured all the Directors and Executive Officers of the Consolidated Entity. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances. Stanmore Coal Limited has not indemnified or insured its auditor.

OPTIONS AND RIGHTS

At the date of this report there were nil unissued ordinary shares under options, and 3,337,990 potential unissued ordinary shares under Rights as follows:

- 626,482 unlisted Rights vesting subject to various performance hurdles in 2019 or in the event that no vesting at all occurs, the Rights may be retested vesting in 2020 subject to escalated performance hurdles and other agreed conditions
- 2,611,508 unlisted Rights vesting subject to various performance hurdles in 2020 or in the event that no vesting at all occurs, the Rights may be retested vesting in 2021 subject to escalated performance hurdles and other agreed conditions
- 100,000 unlisted rights vesting subject to various performance hurdles in 2020.

No Right holder has any right to participate in any other share issue of Stanmore Coal Limited.

During the year ended 30 June 2018 there were 251,800,978 fully paid ordinary shares in Stanmore Coal Limited on issue, no additional shares were issued during the financial year.

During the year ended 30 June 2018, 3,143,005 Rights were granted to KMP as part of the Stanmore Coal Limited Rights Plan, of which 531,497 were for Dan Clifford relating to FY17. No rights were forfeited.

CHANGES TO CAPITAL STRUCTURE

At the date of this report, the Consolidated Entity had 251,800,978 ordinary shares, nil unlisted options and 3,337,990 Rights on issue.

EVENTS AFTER REPORTING DATE

An unfranked dividend of 2cps is declared for the year ending 30 June 2018. There have been no other events after reporting date.

ROUNDING

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 and dated 24 March 2016 and, in accordance with the instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

DIVIDENDS PAID OR RECOMMENDED

The Board of Stanmore Coal, based on strong operational performance achieved in FY2018 and the outlook for the Group, has resolved to declare an unfranked dividend of $0.02 per share for the financial year ending 30 June 2018. All shareholders on the register at 5pm on 31 October 2018 ("Record Date") will be entitled to receive the dividend payment which the company expects to pay on 23 November 2018. The ex-dividend date will be 30 October 2018.

Subject to approval by the shareholders at the 2018 AGM, Stanmore Coal will also commence a Dividend Reinvestment Program (DRP). The DRP provides a convenient way for shareholders to invest their dividends in new fully paid shares in Stanmore Coal, without paying brokerage and other associated costs. At each dividend payment date, dividends on shares nominated to be subject of the DRP are automatically invested in Stanmore Coal ordinary shares.

With a focus on generating strong cash flows and maintaining balance sheet strength, Stanmore Coal aims to deliver satisfactory returns to shareholders through improving returns on invested capital. As well as share price appreciation, Stanmore Coal seeks to pay dividends over time commensurate with performance in earnings, cash flow, the cyclicality of our industry and any capital management decisions from time to time.

ENVIRONMENTAL ISSUES

The Consolidated Entity is subject to environmental regulation in relation to its exploration activities. There are no material matters that have arisen in relation to environmental issues up to the date of this report.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purposes of taking responsibility on behalf of the Consolidated Entity for all or any part of those proceedings. The Consolidated Entity was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to BDO (QLD) Pty Ltd for non-audit services provided during the year ended 30 June 2018:

Taxation services	$116,273

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 50.

SIGNIFICANT CHANGES AND LIKELY DEVELOPMENTS

Comments on significant changes and likely developments are included in the operating and financial review on pages 29 to 36.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Stanmore Coal Limited support and have adhered to the principles of corporate governance. Stanmore Coal Limited's Corporate Governance Statement can be found on the Company's website / ASX platform (http://stanmorecoal.com.au/corporate). This report is signed in accordance with a resolution of the Directors.

Daniel Clifford
Managing Director

Brisbane
Date: 27 August 2018

AUDITOR'S INDEPENDENCE DECLARATION

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Australia

DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF STANMORE COAL LIMITED

As lead auditor of Stanmore Coal Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Stanmore Coal Limited and the entities it controlled during the year.

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 27 August 2018

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 $'000
Revenue	1	208,081	137,846
Cost of sales	2	(155,790)	(104,057)
Gross profit/(loss)		**52,291**	**33,789**
Other income	1	4,321	(819)
Other expenses	2	(37,786)	(17,227)
Profit/(loss) before income tax and net finance expenses		**18,826**	**15,743**
Finance income	1	293	212
Financial expenses	2	(9,079)	(9,537)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method		-	-
Profit/(loss) before income tax expense		**10,040**	**6,418**
Income tax benefit/(expense)	3	(4,074)	5,617
Net profit/(loss) for the year		**5,966**	**12,035**
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year		**5,966**	**12,035**
Profit/(loss) for the year is attributable to:			
Owners of Stanmore Coal Limited		**5,966**	**12,035**
Total comprehensive income profit/(loss) for the year is attributable to:			
Owners of Stanmore Coal Limited		**5,966**	**12,035**

Earnings/(loss) per share attributable to the owners of Stanmore Coal Limited:		Cents	Cents
Basic earnings/(loss) per share (cents per share)	17	2.7	5.1
Diluted earnings/(loss) per share (cents per share)	17	2.7	5.1

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018 $'000	2017 $'000
CURRENT ASSETS			
Cash and cash equivalents	4(a)	19,817	27,515
Trade and other receivables	7	22,427	16,641
Inventories	6	20,967	27,460
Other current assets		2,583	2,279
Total current assets		**65,794**	**73,895**
NON-CURRENT ASSETS			
Inventories	6	4,364	-
Property, plant and equipment	8	36,444	35,249
Capitalised development costs	9a	13,410	15,700
Exploration and evaluation assets	9b	39,393	27,008
Intangible assets	10	3,778	4,282
Deferred tax assets	3	2,672	6,746
Other non-current assets		2,234	223
Total non-current assets		**102,295**	**89,208**
Total assets		**168,089**	**163,103**
CURRENT LIABILITIES			
Trade and other payables	11	27,028	22,282
Interest-bearing loans and borrowings	12	-	15,601
Onerous contracts provision	13	1,790	2,416
Rehabilitation provision	14	3,160	1,161
Vendor royalties – contingent consideration	15	6,966	3,089
Total current liabilities		**38,944**	**44,549**
NON-CURRENT LIABILITIES			
Provision for employee benefit		220	-
Onerous contracts provision	13	14,612	19,844
Rehabilitation provision	14	15,423	23,717
Vendor royalties – contingent consideration	15	25,728	8,175
Total non-current liabilities		**55,983**	**51,736**
Total liabilities		**94,927**	**96,285**
Net assets		**73,162**	**66,818**
EQUITY			
Issued capital	18	113,200	113,200
Share based payment reserve		1,152	774
Accumulated Losses		(41,190)	(47,156)
Total equity attributable to the owners of Stanmore Coal Limited		**73,162**	**66,818**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Issued capital $'000	Accumulated losses $'000	Share based payment reserve $'000	Total $'000
At 1 July 2016				
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
Profit/(loss) for the year	-	12,035	-	**12,035**
Other comprehensive income	-	-	-	**-**
	-	**12,035**	**-**	**12,035**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Issue of shares	15,454	-	-	**15,454**
Cost associated with issue of share capital	(751)	-	-	**(751)**
Share based payments reserve	-	3,469	(3,603)	**(134)**
Deferred tax recognised directly in equity	1,129	-	-	**1,129**
At 30 June 2017	**113,200**	**(47,156)**	**774**	**66,818**
At 1 July 2017	**113,200**	**(47,156)**	**774**	**66,818**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				
Profit/(loss) for the year	-	5,966	-	**5,966**
Other comprehensive income	-	-	-	**-**
	-	**5,966**	**-**	**5,966**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Share based payments reserve	-	–	378	**378**
At 30 June 2018	**113,200**	**(41,190)**	**1,152**	**73,162**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		201,668	130,183
Payments to suppliers and employees (inclusive of GST)		(173,149)	(143,507)
Interest received		293	212
Interest and other finance costs paid		(6,938)	(4,698)
Net cash (outflow)/inflow from operating activities	**5**	**21,874**	**(17,810)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(6,923)	(8,191)
Receipts for exploration, evaluation and development assets		2,000	1,000
(Payments) for exploration, evaluation and development assets		(10,026)	(3,512)
Receipts relating to vendor payments		978	13,430
Net cash (outflow)/inflow from investing activities		**(13,971)**	**2,727**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares (net of costs)		-	14,703
Proceeds from borrowings		22,084	15,815
Repayment of borrowings		(37,685)	-
Net cash (outflow)/inflow from financing activities	**4b**	**(15,601)**	**30,518**
Net increase/(decrease) in cash held		**(7,698)**	**15,435**
Net cash at beginning of year		27,515	12,080
Net cash at end of year	**4a**	**19,817**	**27,515**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

ABOUT THIS REPORT

The financial statements of Stanmore Coal Limited for the year ended 30 June 2018 covers the Consolidated Entity consisting of Stanmore Coal Limited and its subsidiaries ("the Consolidated Entity") as required by the Corporations Act 2001.

The financial statements are presented in the Australian currency.

Stanmore Coal Limited is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The principal activities the Group were the exploration, development, production and sale of metallurgical and thermal coal in Queensland, Australia.

The consolidated general purpose financial report of the Consolidated Entity for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 27 August 2018. The Directors have the power to amend and reissue the financial report. The financial report is a general-purpose financial report which:

- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars ($'000) unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial / Directors Report) Instrument 2016/191;
- adopts all new and amended Accounting Standards, IFRS and Interpretations issued by the AASB that are relevant to the operations of the Consolidated Entity and effective for reporting periods beginning on or after 1 July 2017. Refer to note 30 for further details; and
- does not early adopt any Australian Accounting Standards, IFRS and Interpretations that have been issued or amended but are not yet effective, except for those described in Note 30: Other Accounting Policies.

The financial statements have been prepared on a historical cost basis, except for Vendor Royalties – contingent consideration which has been measured at fair value. The entity is a for-profit entity for the purposes of Australian Accounting Standards.

KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Consolidated Entity's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are found in the following notes:

GOING CONCERN

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

BASIS OF CONSOLIDATION

Subsidiaries are all those entities (including special purpose entities) over which the Company has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed, or has the rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

Non-controlling interests in the results and consolidated equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and statement of financial position respectively. Total comprehensive income is attributable to owners of Stanmore Coal Limited and non-controlling interests even if this results in the non-controlling interests having a debit balance.

OTHER ACCOUNTING POLICIES

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

THE NOTES TO THE FINANCIAL STATEMENTS

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Consolidated Entity. Information is considered relevant and material if for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Consolidated Entity;
- it helps to explain the impact of significant changes in the Consolidated Entity's business for example, acquisitions and impairment write-downs; or
- it is related to an aspect of the Consolidated Entity's operations that is important to its future performance.

NOTE 1: REVENUE AND OTHER INCOME

	Note	2018 $'000	2017 $'000
REVENUE			
Revenue from contracts with customers		208,081	137,846
Total revenue		**208,081**	**137,846**
OTHER INCOME			
Rehabilitation provision re-measurement	14	281	(1,357)
Onerous contract re-measurement	13	4,040	538
Total other income		**4,321**	**(819)**
FINANCE INCOME			
Interest income		293	212
Total finance income		**293**	**212**

DISAGGREGATION OF REVENUE FROM CONTRACT WITH CUSTOMERS

The Group recognises revenue from the transfers of goods over time and at a point in time in the following major product lines and geographical regions.

2018	South East Asia AUD '000	Europe AUD '000	Australia AUD '000	Total AUD '000
Sales – thermal coal	53,323	-	-	53,323
Sales – semi-soft coking coal	132,312	5,197	-	137,509
Coal sales – subtotal	**185,635**	**5,197**	**-**	**190,832**
Toll loading revenue	-	-	17,249	17,249
Total	**185,635**	**5,197**	**17,249**	**208,081**
2017				
Sales – thermal coal	17,097	-	-	17,097
Sales – semi-soft coal	116,860	3,889	-	120,749
Total	**133,957**	**3,889**	**-**	**137,846**

During the year the Consolidated Entity completed a contract for toll loading of the 3rd party coal. Stanmore Coal provided the following services: coal handling, loadout, railing to DBCT, and DBCT port loading and then invoiced the 3rd party based on end of month train loaded tonnes.

RECOGNITION AND MEASUREMENT

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of duties and taxes paid.

The following specific recognition criteria must also be met before revenue is recognised:

CONTRACTS WITH CUSTOMERS – COAL SALES

General recognition

Revenue from the sale of coal is recognised in the profit or loss when the performance obligations of Stanmore Coal have been met and the ownership of the coal is legally transferred to the buyer. Performance obligations are considered to be met under the terms of the individual contracts. Typically, the transfer of ownership and the recognition of a sale occurs when the coal passes the ship rail when loading at the port, unless the sale is made on stockpile at which point the transfer of ownership will occur when the sales agreement is exercised. All coal is shipped through the Dalrymple Bay Coal Terminal and most coal sold during the financial year ending 30 June 2018 was on a contracted 'free on board' basis.

As is customary with 'free on board' contracts, parameters such as coal quality and mass are tested using independent experts and weightometers as the vessel is being loaded. The bill of lading is only issued upon verification and confirmation from several parties involved with the logistic and handling process. Once confirmed, the measured parameters form the basis for calculation of final price on the commercial invoice. All customer contracts specify a known price and tolerance range for quality parameters prior to the Consolidated Entity committing to the supply of coal to the customer.

Payment terms for coal customers range from letter of credit basis to up to 45 days, with the majority being settled in 20 days or less from issuance of the commercial invoice. There were no breaches of payment terms noted during the financial year and contracts recognised as fulfilled and therefore receivable at 30 June 2018 have subsequently been receipted in July 2018 without issue.

Semi-soft Quarterly Index Linked Price Contracts recognition

Semi-soft sales contracts with Stanmore Coal customers generally contain quarterly pricing provisions as is customary in the semi-soft coal markets. Sales contracts with regular customers are linked to the Hunter Valley semi-soft coking coal index with index adjustments based on the term agreements/relationship, Isaac Plains semi-soft variations to the index benchmark, or other contractual reasons.

When the quarterly benchmark prices have not been settled sales invoices are issued and paid based on the provisional prices from the prior quarters agreed index price. These provisional prices are then adjusted when the final quarterly benchmark prices are settled.

Where sales volumes have not been fulfilled within the scope of the contract for the previous quarters, the coal sales are at the prior quarters price. At the end of the annual contract period full year carry over tonnes are discussed between the parties and the supply of tonnes can be cancelled or carried over to the next annual contract.

KEY JUDGEMENTS

Due to the volatility in the Hunter Valley semi-soft coal price index, management review the index price at the end of the quarter Coal sales are then adjusted, based on the final index price, which has been agreed with customers. If the price has not yet been signed off on all contracts, management will make judgements on the risks associated with the customer and adjust the provisional price based on the contract. This risk weight price would then be used rather than the quarterly index price which has not yet been agreed with the customer.

Thermal Coal Contract Sales

Thermal coal sales are not customarily index linked and are settled based on contract prices as agreed and adjusted by the contract terms. Generally, price and adjustments are finalised and final invoiced within a short period of time after the coal is 'free on board'.

KEY JUDGEMENTS

Where prices are not finalised at the end of a period due to the timing of contractual adjustments, management will make assessments on the adjustments and provide for the expected impact of the contract adjustments. Price adjustments are minimal in comparison to the total invoice and are generally not material in nature.

NOTE 2: COST OF SALES AND OTHER EXPENSES

	Note	2018 $'000	2017 $'000
COST OF SALES			
Mining costs		77,897	52,049
Processing costs		17,964	14,862
Transport and logistics		18,638	12,694
State royalties		15,661	11,329
Private royalties		2,165	1,011
Production overheads		3,887	6,575
Other production costs		5,685	5,537
Sub-total cost of sales		**141,897**	**104,057**
Toll loading costs		13,893	-
Total cost of sales		**155,790**	**104,057**
OTHER EXPENSES			
Other expenses		11,950	10,365
Fair value movement – vendor royalty – contingent consideration	15	25,828	14,457
Provision for impairment and write-off – exploration asset	9b	8	917
Provision for impairment – Development Asset		-	(8,512)
Total other expenses		**37,786**	**17,227**
FINANCIAL EXPENSES			
Interest paid – external parties		2,224	4,566
Interest amortisation unwinding	13,14,15	2,676	2,043
Movement in foreign currency		306	(1,029)
Borrowing costs		3,873	3,957
Total financial expenses		**9,079**	**9,537**

RECOGNITION AND MEASUREMENT

PRODUCTION COSTS

Production costs are costs incurred directly or indirectly relating to the mining and preparation of coal for sale to third party customers. Costs have been recognised on an accruals basis at the time the sale is recognised, in line with movements through inventory and survey information from site. Refer to Inventory in Note 6.

OTHER EXPENSES

Other expenses include the following specific items:

	Note	2018 $'000	2017 $'000
DEPRECIATION AND AMORTISATION			
Depreciation – plant and equipment	8	4,703	2,828
Amortisation – intangibles	10	504	504
Sub-total depreciation and amortisation		**5,207**	**3,332**
Vendor reimbursements		-	1,923
EMPLOYEE EXPENSES			
Employee – salaries and wages		2,761	2,839
Employee superannuation		226	205
Share-based payments (shares)		378	(134)
Sub-total employee expenses		**3,365**	**2,910**
Other overhead expenses		3,242	2,048
Minimum lease payments made under operating lease		136	152
Total other expenses		**11,950**	**10,365**

RECOGNITION AND MEASUREMENT

WAGES AND SALARIES, ANNUAL LEAVE AND SICK LEAVE

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months of the end of the reporting period are recognised in respect of employees' services rendered up to the end of the reporting period. They are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease..

NOTE 3: INCOME TAX EXPENSE

	2018 $'000	2017 $'000
RECONCILIATION		
Current income tax expense	-	-
Deferred income tax benefit	4,074	(5,617)
Income tax expense/(benefit)	**4,074**	**(5,617)**
RECONCILIATION THROUGH EQUITY		
Opening balance	**-**	**-**
Current year share issue expenses	-	(225)
Prior year DTA not brought to account	**-**	**(904)**
Income tax expense/(benefit) – equity	**(1,129)**	**(1,129)**

The prima facie income tax on the profit/(loss) is reconciled to the income tax expense as follows:

	2018 $'000	2017 $'000
Prima facie tax benefit (30%) on loss before income tax	3,012	1,926
Add tax effect of:		
– Non-deductable expenses	482	1,782
– Prior year deferred tax asset recognised	580	(9,325)
Deferred Income tax expense/(benefit)	**4,074**	**(5,617)**
RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES		
DEFERRED TAX ASSETS		
Unused tax losses	11,617	20,645
Deductible temporary differences	24,917	14,912
Sub-total deferred tax assets	**36,534**	**35,557**
DEFERRED TAX LIABILITIES		
Assessable temporary differences	(33,862)	(28,811)
Deferred tax	**2,672**	**6,746**

Deferred tax assets will only be recognised when:

- the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;
- the Consolidated Entity continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Consolidated Entity in realising the losses.

RECOGNITION AND MEASUREMENT

The income tax expense for the year is the tax payable on the current year's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences at the tax rates expected to apply when the assets are recovered, or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity, respectively.

2018	Opening balance $'000	Recognised in equity $'000	Recognised in profit and loss $'000	Closing balance $'000	Deferred tax asset $'000	Deferred tax liability $'000
Provision for rehabilitation	7,463	-	(1,888)	5,575	5,575	-
Provision for onerous contracts	6,678	-	(1,757)	4,921	4,921	-
Property, plant and equipment	(7,661)	-	601	(7,060)	-	(7,060)
Vendor private royalty	3,379	-	6,429	9,808	9,808	-
Exploration and development costs	(17,454)	-	594	(16,860)	-	(16,860)
Unrealised FX	314	-	(278)	36	36	-
Other	886	-	60	946	946	-
Vendor receivable	(6,407)	-	2,200	(4,207)	-	(4,207)
Provision for impairment exploration and development	3,629	-	3	3,632	3,632	-
Rail loop benefit	(1,285)	-	151	(1,134)	-	(1,134)
Overburden in advance	(3,665)	-	(936)	(4,601)	-	(4,601)
Prior year yax losses	20,869	-	(9,253)	11,616	11,616	-
Total	**6,746**	**-**	**(4,074)**	**2,672**	**36,534**	**(33,862)**

2017	Opening balance $'000	Recognised in equity $'000	Recognised in profit and loss $'000	Closing balance $'000	Deferred tax asset $'000	Deferred tax liability $'000
Provision for rehabilitation	7,172	-	291	7,463	7,463	-
Provision for onerous contracts	8,019	-	(1,341)	6,678	6,678	-
Property, plant and equipment	(8,780)	-	1,119	(7,661)	(7,661)	-
Vendor private royalty	-	-	3,379	3,379	3,379	-
Exploration and development costs	(16,151)	-	(1,303)	(17,454)	-	(17,454)
Unrealised foreign exchange	-	-	314	314	314	-
Other	556	-	330	886	886	-
Vendor receivable	(3,890)	-	(2,517)	(6,407)	-	(6,407)
Provision for impairment exploration and development	6,025	-	(2,396)	3,629	3,629	-
Rail loop benefit	(1,436)	-	151	(1,285)	-	(1,285)
Overburden in ddvance	-	-	(3,665)	(3,665)	-	(3,665)
Prior year yax losses	8,485	(1,129)	13,513	20,869	20,869	-
Total	**-**	**(1,129)**	**7,875**	**6,746**	**35,557**	**(28,811)**

TAX CONSOLIDATION

Stanmore Coal Limited and its wholly-owned subsidiaries have formed a tax consolidated group and are taxed as a single entity. Stanmore Coal Limited is the head entity of the tax consolidated group. The stand-alone taxpayer/separate taxpayer within a group approach has been used to allocate current income tax expense and deferred tax expense to wholly-owned subsidiaries that form part of the tax consolidated group. Stanmore Coal Limited has assumed all the current tax liabilities and the deferred tax assets arising from unused tax losses for the tax consolidated group via intercompany receivables and payables as a tax funding arrangement is in place.

NOTE 4(a): CASH AND CASH EQUIVALENTS

	2018 $'000	2017 $'000
Cash at bank and in hand	**19,817**	**27,515**
Cash at bank bear floating and fixed interest rates between 1.5% and 1.75% (2017: 1.5% and 1.75%).		
RECONCILIATION OF CASH		
The above figures are reconciled to the consolidated statement of cash flows as follows:		
Balances as above	19,817	27,515
Balances per consolidated statement of cash flows	19,817	27,515

RECOGNITION AND MEASUREMENT

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

NOTE 4(b): RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2017 $'000	Cash flows	Non-cash changes	2018 $ '000
Net cash (outflow)/inflow from financing activities	15,601	(15,601)	-	-

NOTE 5: CASH FLOW INFORMATION

A. RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 $'000	2017 $'000
Profit/(Loss) for the year	5,966	12,035
Depreciation, amortisation and disposal of fixed assets	5,207	3,918
Rehabilitation provision non-cash movement	820	387
Onerous contract non-cash movement	3,206	857
Contingent consideration non-cash movement	21,430	11,264
Unrealised gains/loss on foreign exchange	306	1,029
Impairment of exploration and evaluation expenditure	8	917
Impairment of development assets	-	(8,512)
Share-based payments expense	378	(134)
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
- (Increase)/Decrease in trade and other receivables	(5,785)	6,382
- (Increase)/Decrease in coal inventory	5,248	(10,165)
- (Increase)/Decrease in overburden in advance inventory	(3,119)	(12,216)
- (Increase)/Decrease in other assets	(299)	567
- Increase/(Decrease) in trade and other payables	(3,413)	(15,023)
- Increase/(Decrease) in deferred tax asset	4,074	(5,617)
- Increase/(Decrease) in provisions for onerous contracts	(5,858)	(4,469)
- Increase/(Decrease) in rehabilitation provisions	(6,295)	970
Net cash flow from operating activities	**21,874**	**(17,810)**

(B) NON-CASH INVESTING AND FINANCING ACTIVITIES

There were no non-cash investing or financing activities during the current year.

NOTE 6: INVENTORIES

	2018 $'000	2017 $'000
CURRENT		
ROM coal stocks	3,752	12,802
Product coal stocks	6,244	2,442
Sub-total coal stock	**9,996**	**15,244**
Overburden in advance	10,971	12,216
Total current inventories	**20,967**	**27,460**
NON-CURRENT		
Overburden in advance	4,364	-
Total non-current inventories	**4,364**	**-**
Total inventories	**25,331**	**27,460**

RECOGNITION AND MEASUREMENT

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimate selling price in the ordinary course of business, less the estimate costs of completion and selling expenses.

The cost of coal inventories is determined using a direct costing basis. Costs include blasting, overburden removal, coal mining, processing, labour, transport and other costs which are directly related to mining activities at site.

Inventories are classified as follows:

- Over-burden in advance material extracted through the pre-strip mining process and includes blasting activities
- run of mine material extracted through the mining process and awaiting processing at the coal handling and preparation plant
- product coal which has been processed into final saleable form. Product coal may be held at the site or at port shared stockpile facilities awaiting delivery to customers.

INTERPRETATION 20 – STRIPPING COSTS IN THE PRODUCTION PHASE OF A SURFACE MINE

Interpretation 20, effective 1 January 2013 requires overburden in advance to be capitalised separately as Inventory under AASB 102. This means that coal mining and stripping no longer maintain a timing nexus. As a result of this the stripping process, costs of overburden removal will be capitalised separately as Inventory under AASB 102 as directed under Interpretation 20.

As at the reporting date the Consolidated Entity has also recognised non-current deferred stripping costs shown in the consolidated statement of financial position. This balance reflects the overburden in advance from pre-stripping at Isaac Plains not expected to be mined within the next 12 months as mining operations are moving to Isaac Plains East.

NOTE 7: TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
CURRENT		
GST receivable	1,569	1,395
Trade receivables	20,559	14,690
Vendor receivable	-	556
Other receivables	299	-
Total current trade and other receivables	**22,427**	**16,641**

RECOGNITION AND MEASUREMENT

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis and debts which are known to be uncollectible are written off. No receivable balances were past due or impaired at year end and in FY17.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	2018 $'000	2017 $'000
LAND		
At cost – option fees	-	1,946
Accumulated depreciation	-	-
	-	**1,946**
PLANT AND EQUIPMENT		
At cost	40,496	31,152
Accumulated depreciation	(8,355)	(3,778)
	32,141	**27,374**
BUILDINGS AND IMPROVEMENTS		
At cost	1,379	1,379
Accumulated depreciation	(343)	(219)
	1,036	**1,160**
FURNITURE AND OFFICE EQUIPMENT		
At cost	137	137
Accumulated depreciation	(117)	(115)
	20	**22**
CAPITAL WORK IN PROGRESS		
At cost	3,247	4,747
Accumulated depreciation	-	-
	3,247	**4,747**
Total property plant and equipment	**36,444**	**35,249**

Option fees on land previously recognised within property, plant and equipment has been reclassified as a deposit within non-current assets due to further extension of the commercial agreement to purchase the land, therefore the initial payment is more aligned to the characteristics of a deposit.

RECOGNITION AND MEASUREMENT

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. The cost of fixed assets constructed within the Consolidated Entity includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably.

MOVEMENTS IN CARRYING AMOUNTS

2018	Land $'000	Plant and equipment $'000	Buildings and improvements $'000	Computer equipment $'000	Furniture and office equipment $'000	Capital work in progress $'000	Total $'000
Balance at the beginning of the year	1,946	27,374	1,160	-	22	4,747	**35,249**
Additions – through ordinary course	-	21	-	-	-	7,823	**7,844**
Capital WIP transfers	-	9,323	-	-	-	(9,323)	**-**
Net disposals	-	-	-	-	-	-	**-**
Transfers – through ordinary course	(1,946)	-	-	-	-	-	**(1,946)**
Depreciation expense	-	(4,577)	(124)	-	(2)	-	**(4,703)**
Carrying amount at the end of the year	**-**	**32,141**	**1,036**	**-**	**20**	**3,247**	**36,444**
2017							
Balance at the beginning of the year	1,946	28,920	1,265	17	-	1,297	**33,445**
Additions – through ordinary course	-	-	-	-	-	5,218	**5,218**
Capital WIP transfers	-	1,768	-	-	-	(1,768)	**-**
Net disposals	-	(586)	-	-	-	-	**(586)**
WDV transfers – through ordinary course	-	(4)	(14)	(17)	35	-	**-**
Depreciation expense	-	(2,724)	(91)	-	(13)	-	**(2,828)**
Carrying amount at the end of the year	**1,946**	**27,374**	**1,160**	**-**	**22**	**4,747**	**35,249**

DEPRECIATION

The carrying amount of all non-mining property fixed assets is depreciated over their useful life from the time the asset is held ready for use. Mining property fixed assets are depreciated on a units of production basis over the life of the economically recoverably resources. The base for the units of production is drawn from the assets principle use. Items that are specific to open cut operations are depreciated over the run of mine open cut coal reserves. Surface infrastructure that is not specific to a mining method such as the wash plant and loadout facilities utilise the Economically Recoverable Resources of the Isaac Plains Complex which includes an estimate of recoverable underground coal reserves.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rate
Plant and equipment	10–25% straight line/units of production
Computer equipment	33.3% straight line
Furniture and equipment	5–25% straight line
Building and improvements	5–10% straight line

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised. A formal assessment of recoverable amount is made when impairment indicators are present. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

NOTE 9(a): CAPITALISED DEVELOPMENT COSTS

	2018 $'000	2017 $'000
NON-CURRENT		
Capitalised development costs	13,410	15,700
Recoverability of the carrying amount of development assets is dependent on the successful completion of development activities, or alternatively, sale of the respective areas of interest.		
MOVEMENTS IN CARRYING AMOUNTS		
Balance at the beginning of the year	21,071	21,058
Transfers from exploration and evaluation	6,167	-
Transfers to exploration and evaluation	(21,072)	-
Other additions	7,244	13
Sub-total capitalised cost	**13,410**	**21,071**
Provision for impairment	-	(5,371)
Carrying amount at the end of the year	**13,410**	**15,700**
MOVEMENTS IN PROVISION FOR IMPAIRMENT AMOUNTS		
Balance at the beginning of the year	(5,371)	(13,883)
Provisions (raised)/reversed	-	8,512
Provision transferred to exploration and evaluation	5,371	-
Provision for impairment at the end of the year	**-**	**(5,371)**

RECOGNITION AND MEASUREMENT

Capitalised development expenditure includes costs transferred from exploration and evaluation when the Consolidated Entity can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliability the expenditure during development.

Following recognition, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. During the year of development, the asset is tested for impairment annually.

KEY JUDGEMENTS – CAPITALISATION AND IMPAIRMENT ASSESSMENT OF DEVELOPMENT COSTS

Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generating potential of the project, discount rates to be applied and the expected period of which cash flows are expected to be received. As at 30 June 2018, the carrying amount of capitalised developments costs was $13.4 million (2017: $15.7 million).

During the year, due to the receipt of environmental approval (EA), mining leases, the commencement of mine infrastructure works and pre-stripping for Isaac Plains East it has been assessed that the exploration and evaluation phase has been completed, and the development phase has commenced. As required by AASB 136 impairment testing has been completed and it has shown that these costs will be recovered over the life of Isaac Plains East. During the year $6.2m was transferred from exploration and evaluation to capitalised development costs as part of Isaac Plains East. Following commencement of mining operations (July 2018), this balance and all additional development costs relating to Isaac Plains East will then be reclassified to mining properties in production.

In addition, Stanmore Coal reclassified The Range (an undeveloped thermal deposit in the Surat Basin), from capitalised development costs to exploration and evaluation assets. This is due to an insignificant amount of development activities being completed since the asset was classified as a development asset in FY12. The Range was transferred at its fair value of $15.7m, which is unchanged from FY17 and is reflected in its cost of $21.072m less the impairment of $5.371m. There were no transactions or significant market movements that affected the previous provision raised against The Range project.

NOTE 9(b): EXPLORATION AND EVALUATION ASSETS

	2018 $'000	2017 $'000
NON-CURRENT		
EXPLORATION AND EVALUATION EXPENDITURE CAPITALISED		
– Exploration and evaluation phases	39,393	27,008
Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation of coal, or alternatively, sale of the respective areas of interest.		
MOVEMENTS IN CARRYING AMOUNTS		
Balance at the beginning of the year	33,734	29,784
Additions and transfers from work in progress	2,859	4,341
Transferred to capitalised development	(6,167)	-
Transferred from capitalised development	21,072	-
Written-off	-	(391)
Sub-total capitalised cost	**51,498**	**33,734**
Provision for impairment	(12,105)	(6,726)
Carrying amount at the end of the year	**39,393**	**27,008**

	2018 $'000	2017 $'000
MOVEMENTS IN PROVISION FOR IMPAIRMENT AMOUNTS		
Balance at the beginning of the year		
Provisions (raised)/reversed	(6,726)	(6,200)
Provision transferred from capitalised development	(8)	(526)
Provision for impairment at the end of the year	**(5,371)**	**-**
	(12,105)	**(6,726)**

During the year The Range was reclassified from capitalised development costs to exploration and evaluation assets as outlined in Note 9(a) and Isaac Plains East was reclassified to capitalised development costs following the decision to begin development.

RECOGNITION AND MEASUREMENT

Exploration and evaluation expenditure incurred is capitalised on an area of interest basis. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure. These costs are carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of Economically Recoverable Resources and active or significant operations in relation to the area are continuing.

A regular review is undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off against profit in the year in which the decision to abandon the area is made. Where an uncertainty exists for further exploration of the area, a provision is raised for the costs of exploration.

When the technical feasibility and commercial viability is demonstrated, the accumulated costs for the relevant area of interest are transferred to capitalised development costs.

KEY JUDGEMENTS – CAPITALISATION AND IMPAIRMENT ASSESSMENT OF DEVELOPMENT COSTS

The Consolidated Entity performs impairment testing on specific exploration assets as required in AASB 6 para 20. During FY18 no impairment indicator was noted. In addition, during the year The Range was reclassified from capitalised development costs to exploration and evaluation assets as outlined in Note 9(a). This has resulted in an increase in total capitalised exploration costs by $21.1m, with an impairment transferred of $5.4m. The total impairment on these exploration and evaluation assets is now $12.1million. No specific event has occurred relating to other exploration and evaluation assets recognised on the Consolidated Statement of Financial Position. At the end of the reporting year the balance of Exploration and Evaluation Assets is $39.4 million (2017: $27.0 million).

NOTE 10: INTANGIBLE ASSETS

	2018 $'000	2017 $'000
INFRASTRUCTURE INTANGIBLE ASSET		
At cost	4,800	4,800
Accumulated amortisation	(1,022)	(518)
	3,778	**4,282**
MOVEMENTS IN CARRYING AMOUNTS		
Balance at the beginning of the year	4,282	4,786
Amortisation expense	(504)	(504)
Carrying amount at the end of the year	**3,778**	**4,282**

IMPAIRMENT OF ASSETS INCLUDING INTANGIBLE ASSETS

At the end of each reporting year the Consolidated Entity assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined, and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

INTANGIBLE ASSETS

The infrastructure intangible asset relates to future rebates on the cost of coal railings based on an agreement with the below rail infrastructure owner. Receipts of coal railing rebates are recognised in profit or loss as a credit against the cost incurred. The estimated useful life of the asset is aligned with the term of the contractual agreement and is amortised on a straight-line basis over the life in accordance with the anticipated profile of benefits received.

NOTE 11: TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
CURRENT		
Trade and other payables	2,197	1,254
Sundry payables and accrued expenses	24,325	20,450
Employee benefits	506	578
Total current trade and other payables	**27,028**	**22,282**

RECOGNITION AND MEASUREMENT

Trade and other payables represent liabilities for goods and services provided to the Consolidated Entity prior to the year end and which are unpaid. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. No assets of the Consolidated Entity have been pledged as security for the trade and other payables.

NOTE 12: INTEREST BEARING LOANS AND BORROWINGS

	2018 $'000	2017 $'000	2018 USD '000	2017 USD '000
INTEREST BEARING LOANS AND BORROWINGS				
Facility B – working capital facility	-	15,601	-	12,000
Total Interest-bearing loans and borrowings	**-**	**15,601**	**-**	**12,000**
TOTAL FACILITIES				
FACILITY A – BANK GUARANTEE FACILITY				
Total available facility	39,237	27,942	29,000	21,493
Facility utilised	24,638	27,942	17,427	21,493
Available facility	**14,599**	**-**	**11,573**	**-**
FACILITY B – WORKING CAPITAL FACILITY				
Total available facility	29,766	28,601	22,000	22,000
Facility utilised	-	15,601	-	12,000
Available facility	**29,766**	**13,000**	**22,000**	**10,000**

RECOGNITION AND MEASUREMENT

Interest bearing liabilities are initially recognised at fair value, net of any transactions costs incurred. Interest bearing liabilities are classified as current liabilities.

The Group pays a 2% pa facility fee for all undrawn funds in both the working capital and bank guarantee facilities, once utilised the funds attract a 10% fixed interest rate.

On 8 June 2018 the Group's debt finance facility was renewed to allow for an additional facility to be established for the acquisition of Isaac Downs if required. Key terms of the facility remain unchanged, with the expiration date still 15 November 2019. Key terms of the facility are:

- Bonding/bank guarantee facility increased to USD$29.0m (unchanged)
- Revolving working capital facility of USD$22.0m (unchanged)
- Interest rate on utilised funds of 10.0% (unchanged)
- Interest rate on available facility of 2.0% (unchanged)
- Royalty payable of 1.0% on proceeds from Isaac Plains Complex
- Taurus has a security charge of the operating entities which own Isaac Plains East and Isaac Downs.

Refer to Note 22 Contingent Assets and Liabilities for further discussion on the debt financing arrangements.

The working capital facility is denominated in USD and therefore when drawn exposes the Group to USD fluctuations these fluctuations are accounted for as outlined in Note 19.

NOTE 13: ONEROUS CONTRACTS PROVISION

	2018 $'000	2017 $'000
CURRENT		
Current onerous contract provision	1,790	2,416
NON-CURRENT		
Non-current onerous contract provision	14,612	19,844
Total onerous contracts provision	**16,402**	**22,260**
RECONCILIATION OF MOVEMENTS		
Opening balance	22,260	26,729
Depletions through settlement	(2,652)	(5,326)
Adjustment – through re-measurement	(4,040)	(538)
Unwinding of discount – via profit and loss	834	1,395
Closing balance	**16,402**	**22,260**

RECOGNITION AND MEASUREMENT

The provision for onerous contracts relates to the transaction to acquire the Isaac Plains Coal Mine which completed in November 2015. The Group acquired various long-term contracts necessary for mining activities at Isaac Plains including rail haulage, port allocations, water supply, electricity supply and accommodation. Based on the initial Isaac Plains mine plan, a portion of these contracts were estimated to be underutilised and the fixed charges incurred above the deemed requirement was recognised as an onerous contract liability. The fair value of onerous contracts at acquisition was estimated by calculating the present value of expected future cash outflows for the onerous portion of each contract, discounted at a rate reflecting the risk profile of each contract. Excluding the assessed onerous portion of the contracts already recognised in the consolidated statement of financial position, the minimum payments required under the identified contracts is approximately $58 million (undiscounted) (2017: $64 million (undiscounted)). These payments are expected to be met as part of normal operational expenditure at Isaac Plains complex in the coming years.

In the period from acquisition through to 30 June 2018, a number of onerous contracts have been settled through the ordinary course of business. The onerous position at 30 June 2018 has been re-measured for all contracts having regard to the latest Economically Recoverable Resources of the Isaac Plains Complex which includes an estimate of recoverable underground coal reserves.

KEY ESTIMATES – ONEROUS CONTRACTS

The Consolidated Entity assesses onerous contracts at each reporting date by evaluating conditions specific to each contract and the then current business plan. Where a contract provides capacity above that required to meet the business plan or for a longer period than the current extent of the business plan, the contract is deemed onerous and the onerous portion of the contract is recognised as a liability using an estimate of future onerous cash flows discounted to a net present value. Any re-measurement of the assessed level of onerous contracts is taken through profit or loss in the period in which the assessment is made. During the FY18 year a total of $2.7 million of onerous contracts were settled through payment, with the unwinding of the discount being $0.8 million and $4.0 million taken through consolidated statement of profit or loss for re-measurement.

NOTE 14: REHABILITATION PROVISION

	2018 $'000	2017 $'000
CURRENT		
Current rehabilitation provision	3,160	1,161
NON-CURRENT		
Non-current rehabilitation provision	15,423	23,717
Total rehabilitation liability	**18,583**	**24,878**
RECONCILIATION OF MOVEMENTS		
Opening balance	24,878	23,908
Depletion – rehabilitation works completed	(6,705)	(1,035)
Depletion – re-measurement	(281)	1,357
Unwinding of discount – via profit and loss	691	648
Closing balance	**18,583**	**24,878**

RECOGNITION AND MEASUREMENT

The provision for rehabilitation closure costs relates to areas disturbed during operation of the mine up to reporting date and not yet rehabilitated. Provision has been made to rehabilitate all areas of disturbance including surface infrastructure, contouring, topsoiling and revegetation, using internal and external expert assessment of each aspect to calculate an anticipated cash outflow discounted to a net present value. At each reporting date, the rehabilitation liability is re-measured in line with the then-current level of disturbances, cost estimates and other key inputs. The amount of provision relating to rehabilitation of areas caused by mining disturbance is recognised in profit or loss as incurred.

KEY ESTIMATES – REHABILITATION PROVISION

The Consolidated Entity assesses rehabilitation liabilities at each reporting date as there are numerous factors that may affect the ultimate liability payable. This includes the extent and nature of rehabilitation activity to be undertaken, changes in technology and techniques, changes in discount rates and regulatory impacts. There may be differences between the future actual expenditure and the assessment made at the balance date. The provisions at balance date represent management's best estimate of the present value of rehabilitation cost to completely rehabilitate the site.

In FY18 a decrease in the rehabilitation provision of $6.3 million was recognised due to the rehabilitation works completed. In addition, a rehabilitation liability was recognised with regard to disturbance of Isaac Plains East.

The continued extension of the mine life due to mine plan expansions at Isaac Plains East also contribute to a reduction in the rehabilitation provision due to the value of future cash outflows being reduced by the government discount factor.

NOTE 15: VENDOR ROYALTIES – CONTINGENT CONSIDERATION

	2018 $'000	2017 $'000
CURRENT		
Current vendor royalties – contingent consideration	6,966	3,089
NON-CURRENT		
Non-current vendor royalties – contingent consideration	25,728	8,175
Total vendor private royalty	**32,694**	**11,264**
RECONCILIATION OF MOVEMENTS		
Opening balance – vendor royalties – contingent consideration at fair value	11,264	-
Fair value adjustments taken to profit and loss in other expenses	25,828	14,457
Depletions through settlement	(5,550)	(3,193)
Unwinding of discount – via profit and loss	1,152	-
Total vendor royalties – contingent consideration at fair value	**32,694**	**11,264**

KEY JUDGEMENT AND ESTIMATES – VENDOR ROYALTIES

During the business combination of Isaac Plains in 2015, AASB 3 Business Combinations required the recognition of contingent consideration. The contingent consideration relates to a royalty stream payable to the vendors of Isaac Plains in the event that benchmark hard coking coal prices are above an Australian Dollar equivalent of 160 (adjusted for CPI) and coal is produced and sold from either Isaac Plains or Isaac Plains East. Each royalty is capped at predetermined amounts for each vendor. Once the price threshold and production requirements are met, the royalty is payable at $2 per product tonne (2015 dollars) to each of the two vendors of Isaac Plains. Royalties were paid during the FY18 to the vendors and as a result the remaining cap is $38.992 million (2018 dollars).

This valuation has been performed using a discounted cash flow methodology which was consistent with that used in FY17. The method used is classed as a level 3 valuation under AASB 13 the following key unobservable inputs are used in its calculation:

- Hard coking coal forward price curve based on a compilation of short term (12 months) prices from Isaac Plains coal marketing consultants Square Trading Pty Ltd and long-term estimates completed by Wood McKenzie;
- AUD/USD Foreign exchange forward curve estimates are based on market consensus curves; and
- Coal sales based on the current mining plans of the Isaac Plains Complex, including the Isaac Plains mine, the Isaac Plains East Mine (commenced July 2018), and the Isaac Plains Underground (unapproved).

As considered in AASB 13 para 93(h)(i) the following unobservable inputs contain sensitivities that would result in significant changes to the market valuation. There interactions between the sensitivities in the coking coal price and the USD/AUD foreign exchange rate. As the coal commodity is currently traded in USD the interaction between the index price and the FX rate could both magnify and mitigate each other depending on the timing and direction of movements of both indexes.

A matrix is shown below of changes in the hard coking coal index and the AUD/USD exchange rate. The numbers are shown in millions and the highlighted number in blue is the current valuation.

		Hard coking coal index curve				
		+10%	+5%	Current	(5%)	(10%)
FX Index Curve	+10%	32.694	31.625	21.142	9.096	9.096
	+5%	32.694	32.694	30.286	21.142	9.096
	Current	32.694	32.694	32.694	29.011	20.221
	(5%)	32.694	32.694	32.694	32.694	27.673
	(10%)	32.694	32.694	32.694	32.694	32.694

The below shows the above matrix as a percentage change in value.

		Hard coking coal index curve				
		+10%	+5%	Current	(5%)	(10%)
FX Index Curve	+10%	-	(3.3%)	(35.3%)	(72.2%)	(72.2%)
	+5%	-	-	(7.4%)	(35.3%)	(72.2%)
	Current	-	-	-	(11.3%)	(38.1%)
	(5%)	-	-	-	-	(15.4%)
	(10%)	-	-	-	-	-

The below shows changes in Valuation due to changes to Isaac Pains coal sales volume relating to a non-operating future mine not being approved for any reason.

Change	Valuation $M	Valuation change $M	% Change
Isaac Plains Underground not approved	26.584	(6.110)	(23.0%)
Remaining Isaac Plains Open Cut reduced by 20% Product	31.688	(1.006)	(3.1%)
Remaining Isaac Plains Open Cut increased by 20% Product	32.694	0.000	-

As at 30 June 2018 the fair value was assessed at $32.694 million this calculation reaches the cap of both agreements.

NOTE 16: DIVIDENDS AND FRANKING CREDITS

There were no dividends paid or recommended during the year.

There are no franking credits available to the shareholders of Stanmore Coal Limited.

NOTE 17: EARNINGS PER SHARE

	2018 $'000	2017 $'000
EARNINGS		
Profit/(loss) attributable to owners of Stanmore Coal Limited used to calculate basic and diluted earnings per share	5,966	12,035

	2018 Number '000	2017 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	251,801	237,638
ADJUSTMENTS FOR CALCULATION OF DILUTED EARNINGS PER SHARE:		
Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	251,801	237,638

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of Stanmore Coal Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

DILUTED EARNINGS PER SHARE

Earnings used to calculate diluted earnings per share are calculated by adjusting the amount used in determining basic earnings per share by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 18: ISSUED CAPITAL

	2018 $'000	2017 $'000
251,800,978 fully paid ordinary shares (2017: 251,800,978)	116,547	116,547
Share issue costs	(4,476)	(4,476)
Deferred tax recognised through equity	1,129	1,129
	113,200	**113,200**

A. ORDINARY SHARES

	2018 Number	2017 Number	2018 $'000	2017 $'000
ORDINARY SHARES				
At the beginning of the year	251,800,978	222,497,435	113,200	97,368
Issue of new ordinary shares	-	29,303,543	-	14,703
Deferred tax recognised through equity	-	-	-	1,129
At reporting date	**251,800,978**	**251,800,978**	**113,200**	**113,200**

Ordinary shares participate in dividends and the proceeds on winding up of the Consolidated Entity in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Ordinary shares have no par value and Stanmore Coal Limited does not have a limited amount of authorised capital.

B. OPTIONS AND RIGHTS

During the FY18, no options were held by or issued to employees of the Group.

During the FY18, no rights held by employees of the Group expired due to expiration of the rights in accordance with the terms, no rights were forfeited due to employment ceasing.

All Rights on issue at 30 June 2018 were as follows:

Number of rights	Exercise price	Expiry date	Conditions
626,482	Nil	30 June 2019	Share price targets based on Absolute Shareholder Total Return Compound Annual Growth Rates in FY19, if no vesting occurs at FY 19 then retested in FY20 see Remuneration Report
2,611,508	Nil	30 June 2020	Share price targets based on Absolute Shareholder Total Return Compound Annual Growth Rates in FY20, if no vesting occurs at FY 20 then retested in FY21 see Remuneration Report
100,000	Nil	30 June 2020	Targets relating to the approval and commencement of mining at The Range in the Surat Basin

C. CAPITAL MANAGEMENT

The capital of the Consolidated Entity is managed to provide capital growth to shareholders and ensure the Consolidated Entity can fund its operations and continue as a going concern.

The Consolidated Entity's capital comprises equity as shown in the Consolidated Statement of Financial Position. There are no externally imposed capital requirements.

Management oversees the Consolidated Entity's capital by assessing the financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of share issues and debt.

There have been no changes in the strategy adopted by management to control the capital of the Consolidated Entity since the prior year.

D. RECOGNITION AND MEASUREMENT

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

NOTE 19: FINANCIAL RISK MANAGEMENT

GENERAL OBJECTIVES, POLICIES AND PROCESSES

In common with all other businesses, the Consolidated Entity is exposed to risks that arise from its use of financial instruments. This note describes the Consolidated Entity's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements

There have been no substantive changes in the Consolidated Entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Consolidated Entity's financial instruments consist mainly of deposits with banks, trade and other receivables, security deposits, trade and other payables, borrowings and Vendor Royalty – Contingent Consideration.

The Board has overall responsibility for the determination of the Consolidated Entity's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Consolidated Entity's finance function. The Consolidated Entity's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Consolidated Entity where such impacts may be material.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Consolidated Entity's competitiveness and flexibility. Further details regarding these policies are set out below:

A. CREDIT RISK

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Consolidated Entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Consolidated Entity. The Consolidated Entity's objective is to minimise the risk of loss from credit risk exposure.

The Consolidated Entity's maximum exposure to credit risk at the end of the reporting year, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset at reporting date, is as follows:

	2018 $'000	2017 $'000
Cash and cash equivalents	19,817	27,515
Restricted cash	-	85
Receivables	22,427	16,641
Security deposits and debt service reserve	288	138
Credit risk exposure	**42,532**	**44,379**

Credit risk is reviewed regularly by the Board and the Audit and Risk Management Committee.

The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered by the Consolidated Entity. No receivables balances were past due or impaired at year end. The credit quality of receivables that are neither past due nor impaired is good. Bank deposits are held with National Australia Bank Limited and Westpac Banking Corporation.

B. LIQUIDITY RISK

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due. The object of managing liquidity risk is to ensure, as far as possible, that the Consolidated Entity will

always have sufficient liquidity to meets its liabilities when they fall due, under both normal and stressed conditions. Liquidity risk is reviewed regularly by the Board and the Audit and Risk Management Committee.

The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The Consolidated Entity's working capital, being current assets less current liabilities has decreased from $29.436 million in 2017 to $26.850 million in 2018.

MATURITY ANALYSIS – CONSOLIDATED 2018 – FINANCIAL LIABILITIES

2018	Carrying amount $'000	Contractual cash flows $'000	‹6 months $'000	6–12 months $'000	1–3 years $'000	›3 years $'000
FINANCIAL LIABILITIES						
Trade payables	2,197	2,197	2,197			
Working capital facility	-	-	-	-	-	-
Vendor royalty payment	32,694	32,694	3,663	3,223	14,024	11,784
Other payables	24,831	24,831	24,831	-	-	-
	59,722	**59,722**	**30,691**	**3,223**	**14,024**	**11,784**

MATURITY ANALYSIS – CONSOLIDATED 2017 – FINANCIAL LIABILITIES

2017	Carrying amount $'000	Contractual cash flows $'000	‹6 months $'000	6–12 months $'000	1–3 years $'000	›3 years $'000
FINANCIAL LIABILITIES						
Trade payables	1,254	1,254	1,254	-	-	-
Working capital facility	15,601	16,255	16,255	-	-	-
Vendor royalty payment	11,264	11,264	3,089	1,553	-	6,622
Other payables	21,028	21,028	21,028	-	-	-
	49,147	**38,537**	**38,537**	**1,533**	**-**	**6,622**

Further information regarding commitments is included in Note 21.

C. CURRENCY RISK

The Australian dollar (AUD) is the functional currency of the Group and as a result currency exposure arising from the transactions and balances in currencies other than the AUD

The Group's potential currency exposures comprise:

Coal sales denominated in USD

Coal sales for export coal are denominated in USD. The Group is therefore exposed to volatility in the USD/AUD exchange rates, due to the recent stability in the exchange rate it remains the Group's policy not to hedge Foreign exchange risk relating to coal sales.

Bank guarantee line of credit facilities denominated in USD

The line of credit facility utilised by the Group is issued back to back with an Australian institution. This means that while utilised as a Financial Guarantee only facility there is no exchange risk and the USD amount varies while the AUD amount is fixed to the value of the guarantees issued. While this facility limits USD exposure in the event of default on a bank guarantee on issue of the funds by the respective banks the USD loan would crystallise and a USD exposure would eventuate. It is considered the risk of such an event is limited in the current environment. If these loans did crystallise the USD currency risk would be assessed at that time. As noted in below loans in USD currency supply a natural hedge to the USD denominated coal sales.

Working capital facility

The to the extent utilised the working capital facility result in exposure to USD/AUD currency fluctuations, noting that this facility is a natural partial hedge to the USD denominated coal sales, as fluctuations in the exchange rate result in opposing fluctuations to current and future outstanding sales. Derivative products are therefore currently not deemed necessary to reduce foreign exchange risk.

Expenses denominated in currencies other than AUD

Currently the exposure to such expenses is minimal, but it is noted that equipment purchases, equipment parts and other mine related expenditure can be in various foreign currencies. When entering major transactions in foreign currencies it is the policy of the Group to assess the currency risk of the transaction and review derivative products or other methods to offset this risk. Where appropriate these products would be used, but no such transactions occurred in the 30 June 2018 or 30 June 2017 financial years.

The Group generally aligns all semi-soft coking coal prices to relevant Newcastle semi-soft indexes. While Thermal coal sales are generally sold on the spot market via negotiation with relevant counter parties. The Group does not use any derivative products to mitigate fluctuations in the relevant coal price indexes.

D. MARKET RISK

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). The Consolidated Entity does not have any material exposure to market risk other than as set out below.

A. Foreign exchange risk

Foreign exchange risk (FX risk) arises principally from cash and cash equivalents. The objective of FX risk management is to manage and control FX risk exposures within acceptable parameters while optimising the return.

FX risk is naturally hedged when the Working Capital Loan facility is utilised as the movements in trade receivables and USD cash are offset by movements in loan.

The Group has an unsecured non-margined $30.000 million currency hedging facility which matures on 30 September 2018. The facility is used from time to time to transact spot and short-term forward USD currency contracts.

At 30 June 2018, the effect on profit and equity as a result of changes in the FX rate would be:

		Increase in FX rate by 5%		Decrease in FX rate by 5%	
2018	Carrying amount $'000	Profit $'000	Other comprehensive income $'000	Profit $'000	Other comprehensive income $'000
Cash and cash equivalents – USD	6,145	307	-	(307)	-
Trade receivables – USD	16,088	804	-	(804)	-
Working Capital Facility – USD	-	-	-	-	-
Tax charge of 30%	-	(92)	-	92	-
After tax increase/(decrease)	**-**	**1,019**	**-**	**(1,019)**	**-**
2017					
Cash and cash equivalents – USD	11,910	(737)	-	815	-
Trade receivables – USD	17,805	(1,102)	-	1,218	-
Working Capital Facility – USD	(15,601)	966	-	(1,067)	-
Tax charge of 30%	-	262	-	(290)	-
After tax increase/(decrease)	**-**	**(611)**	**-**	**676**	**-**

B. Interest rate risk

Interest rate risk arises principally from cash and cash equivalents. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

Interest rate risk is managed with a mixture of fixed and floating rate investments. For further details on interest rate risk refer to the tables below:

2018	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total carrying amount as per the consolidated statement of financial position $'000	Weighted average effective interest rate $'000
FINANCIAL ASSETS					
Cash and cash equivalents	19,817	-	-	19,817	1.53
Receivables	-	-	22,427	22,427	
Security deposits	-	-	288	288	
Total financial assets	**19,817**	**-**	**22,715**	**42,532**	
FINANCIAL LIABILITIES					
Trade payables	-	-	2,197	2,197	
Working capital facility	-	-	-	-	10.00
Other payables	-	-	24,831	24,831	
Total financial liabilities	**-**	**-**	**27,028**	**27,028**	

2017	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total carrying amount as per the consolidated statement of financial position $'000	Weighted average effective interest rate $'000
FINANCIAL ASSETS					
Cash and cash equivalents	27,515	–	–	27,515	1.53
Restricted cash	–	85	–	85	2.73
Receivables	–	–	16,641	16,641	-
Security deposits	–	–	138	138	-
Total financial assets	**27,515**	**85**	**16,779**	**44,379**	**-**
FINANCIAL LIABILITIES					
Trade payables	–	–	1,254	1,254	–
Working capital facility	–	15,601	–	15,601	10.00
Other payables	–	–	21,028	21,028	-
Total financial liabilities	**–**	**15,601**	**22,282**	**37,883**	**–**

The Consolidated Entity has performed a sensitivity analysis relating to its exposure to interest rate risk. This sensitivity demonstrates the effect on the current year results and equity which could result from a change in these risks.

At 30 June 2018, the effect on profit and equity as a result of changes in the interest rate would be as follows:

		Increase in interest rate by 1%		Decrease in interest rate by 1%	
2018	Carrying amount $'000	Profit $'000	Other comprehensive income $'000	Profit $'000	Other comprehensive income $'000
Cash and cash equivalents	19,817	198	198	(198)	(198)
Tax charge of 30%	-	(59)	(59)	59	59
After tax increase/(decrease)	**19,817**	**139**	**139**	**(139)**	**(139)**

		Increase in interest rate by 1%		Decrease in interest rate by 1%	
2017	Carrying amount $'000	Profit $'000	Other comprehensive income $'000	Profit $'000	Other comprehensive income $'000
Cash and cash equivalents	27,515	275	-	(275)	-
Tax charge of 30%	-	(83)	-	83	-
After tax increase/(decrease)	**27,515**	**192**	**-**	**(192)**	**-**

FAIR VALUES

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Stanmore Coal Limited has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of financial assets and financial liabilities must be estimated for recognition, measurement and disclosure purposes. Stanmore Coal Limited has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

1. quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

2. inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

3. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The entity completed a level 3 valuation on contingent consideration (Note 15). The carrying value of a significant portion of all financial assets and financial liabilities approximate their fair values due to their short-term nature. There were no transfers between the levels during the year.

FINANCIAL LIABILITIES

	Level 1 $'000	Level 2 $'000	Level 3 $'000
Vendor royalties contingent consideration held at fair value through profit or loss	–	–	32,694
Total financial liabilities	**-**	**-**	**32,694**

There were no other financial assets or liabilities valued at fair value in FY18.

NOTE 20: INTERESTS IN OTHER ENTITIES

A. SUBSIDIARIES

The Group's principal subsidiaries at 30 June 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Principal activities	Country of incorporation	Class of shares	Percentage owned	
				2018	2017
Mackenzie Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Comet Coal & Coke Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Belview Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Belview Expansion Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Brown River Project Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Emerald Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
New Cambria Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Kerlong Coking Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Stanmore Surat Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Theresa Creek Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Stanmore Wotonga Pty Ltd	Coal exploration & mining	Australia	Ordinary	100%	100%
Stanmore IP Coal Pty Ltd	Coal mining	Australia	Ordinary	100%	100%
Stanmore IP South Pty Ltd	Coal exploration	Australia	Ordinary	100%	0%
Stanmore Bowen Coal Pty Ltd	Coal exploration & mining	Australia	Ordinary	100%	100%
Isaac Plains Coal Management Pty Ltd	Coal exploration & mining	Australia	Ordinary	100%	100%
Isaac Plains Sales & Marketing Pty Ltd	Coal exploration & mining	Australia	Ordinary	100%	100%

B. JOINT VENTURE AND ASSOCIATES

Set out below are the significant associates and joint ventures of the Group as at 30 June 2018. The proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Principal activities	Place of business/ country of incorporation	Nature of relationship	Percentage interest	
				2018	2017
Clifford Joint Venture	Coal exploration	Australia	Joint Venture	60%	60%
Lillyvale Joint Venture	Coal exploration	Australia	Joint Venture	100%	100%
Mackenzie Joint Venture	Coal exploration	Australia	Joint Venture	100%	100%

NOTE 21: COMMITMENTS

A. EXPLORATION AND MINING

The commitments to be undertaken are as follows:

	2018 $'000	2017 $'000
PAYABLE		
Not later than 12 months	762	1,875
Between 12 months and 5 years	1,858	1,083
Greater than 5 years	689	-
	3,309	**2,958**

The Consolidated Entity has certain obligations to expend minimum amounts on exploration and mining tenement areas. These obligations are expected to be fulfilled in the normal course of operations.

B. OPERATING LEASES

The commitments to be undertaken are as follows:

	2018 $'000	2017 $'000
PAYABLE		
Not later than 12 months	52	63
Between 12 months and 5 years	134	-
Greater than 5 years	-	-
	186	**63**

The Consolidated Entity has an operating lease commitment in relation to the commercial office premises. The lease commenced on 1 December 2013 for a term of four years the lease has subsequently been extended for an additional three years. The Consolidated Entity has provided a bank guarantee of $68,153 as a security bond on the premises.

C. CAPITAL COMMITMENTS

The commitments to be undertaken are as follows:

	2018 $'000	2017 $'000
PAYABLE		
Not later than 12 months	8,518	-
Between 12 months and 5 years	27,700	3,700
Greater than 5 years	-	-
	36,218	**3,700**

LAND ACQUISITIONS

On 7 April 2011, the Consolidated Entity announced that it had completed an agreement for the right to purchase a key property at The Range thermal coal Project in the Surat Basin. This agreement gives the Group access to undertake evaluation and development work as the Project moves to coal production. The terms of the acquisition are within normal market expectations and involve staged payments over a number of years.

A completion payment of $3.100 million in cash is due the later of 30 days after the Mining Lease is granted by the Department of Mines and Energy or November 2016. An extension to the payment date from November 2014 to November 2016 was granted through an agreement with the landholder. An additional extension has been granted by the land holder to 29 November 2018 through this extension the purchase price was increased to $3.70 million. Option fees of $1.946 million has been paid to date.

ISAAC DOWNS ACQUISITION

On 12 June 2018, the Consolidated Entity announced it had executed definitive agreements with Peabody Australia to acquire MDL1371 and EPC7282 from Millennium Coal Pty Ltd. Stanmore Coal has agreed to acquire the coking coal deposit contained within MDL 137 and an additional exploration area (EPC 728) 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)

ISAAC PLAINS COMPLEX ROYALTY

On the 8 June 2018, the Group extended its financing facilities through Taurus agreed on the initial establishment of this facility a royalty is payable for:

- the saleable value of all product coal owned by the Group and processed through the Isaac Plains infrastructure.
- any processing or handing fees arising from the treatment of 3rd party coal processed through the Isaac Plains infrastructure.

On the completion of this extension it was agreed to increase the royalty from 0.8% to 1% on all future sales that meet the above criteria.

ISAAC PLAINS EAST ROYALTY

On 4 September 2015 the Group completed the acquisition of MDL 135 and (part) MDL 137 for an initial cash payment of $2m. The transaction terms include the following contingent consideration item:

- A royalty capped at $3m payable at $1 per tonne of production for coal that is mined within the new Mining Lease.

ISAAC PLAINS EAST LANDHOLDER AGREEMENT

On 20 July 2017 the Group completed a land holder compensation agreement for access to MLA 70016, MLA 70017, MLA 70018, and MLA 70019. The compensation agreement includes the following contingent consideration item:

- A royalty of $0.60/product tonne sold (increasing by 2.5% p.a.) from July 2017 when the published hard coking coal price for any quarter is greater than USD$200/t (increasing by 2.5% p.a.) from July 2017.

ISAAC DOWNS ROYALTY

On 12 June 2018, the Consolidated Entity announced it had executed definitive agreements with Peabody Australia to acquire MDL1371 and EPC7282 from Millennium Coal Pty Ltd. At the date of signing this report all conditions had been met and initial payment completed. Subject to the development of these 2 tenements a royalty will be payable to Millennium Coal Pty under the following circumstances:

- Coal production is obtained from MDL1371 and EPC7282 or future associated Mining leases;
- Paid quarterly if the premium hard coking coal price index is over A$170/t (CPI Indexed)
- Royalty capped is at approximately $10.000m payable (indexed for CPI) at $1 per tonne of production for coal that is mined within the new Mining Lease.

NOTE 22: CONTINGENT ASSETS AND LIABILITIES

CONTINGENT ASSET – WICET LOAN

In the 2014 financial year the Group impaired the full balance of the loan provided to third party infrastructure providers. The loan related to the WEXP1 project in Gladstone and the Group's participation in the Capacity Commitment Deed (CCD) which provided certain future access rights in return for a funding commitment from the Group. The Group provided $8m in loans which were used to fund studies and complete initial dredging activities in respect of a future expansion to the port site. The CCD expired on 31 August 2014. The Group retains only those rights which relate to recoupment of loaned amounts as a result of a future port expansion, which may or may not occur. Based on a range of factors, a new expansion proponent who achieves financial close prior to 31 December 2020 will be required to reimburse the Group for a portion of the loaned amount which, in the opinion of an expert, provides a benefit to the proponents of that expansion. Until the timing of that future financing event is known, it is difficult to reliably estimate what portion of the Group's $8m loan would be repaid.

CONTINGENT LIABILITY – DEBT FINANCE FACILITY

In November 2015 (extended in June 2018), the Group signed a Finance Facility which provides credit support for certain bank guarantees issued to third parties related to the Isaac Plains Coal Mine, such as rehabilitation bonds and to support major infrastructure and transport contracts. Given the structure of the arrangement the facility is backed-to-back with a major financial institution which provides credit support on the Group's behalf. This arrangement, amongst other things, avoids foreign currency translation risk as the guarantees issued to third parties are denominated in Australian dollars. The letters of credit arrangement is off-consolidated statement of financial position except in circumstances where the Group is in default under the facility agreement or the underlying infrastructure contract. If a default were to occur then the debt would convert into a US dollar loan which would result in Consolidated Statement of Financial Position recognition. At the date of these financial statements there is no default occurring or subsisting.

NOTE 23: EVENTS AFTER REPORTING DATE

An unfranked dividend of 2 cents per share was declared on 25 August 2018. There have been no other events after reporting date.

NOTE 24: KEY MANAGEMENT PERSONNEL

TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION

	2018 $'000	2017 $'000
Short-term employee benefits	1,891,956	1,837,072
Post-employment benefits	87,139	80,262
Termination benefits	-	86,676
Share-based payments	378,000	(136,424)
Total	**2,357,095**	**1,867,586**

Further information regarding the identity of Key Management Personnel and their compensation can be found in the Audited Remuneration Report contained in the Directors' Report on pages 34–45 of this annual report.

NOTE 25: AUDITOR'S REMUNERATION

	2018 $'000	2017 $'000
AUDIT SERVICES		
Amounts paid/payable to BDO Audit Pty Ltd for audit or review of the financial statements for the entity or any entity in the Consolidated Entity	188,272	134,000
TAXATION SERVICES		
Amounts paid/payable to related entities of BDO Audit Pty Ltd for non-audit taxation services performed for the entity or any entity in the Consolidated Entity	116,273	102,424
Total	**304,545**	**236,424**

NOTE 26: PARENT ENTITY INFORMATION

The Corporations Act 2001 requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by the new regulation 2M.3.01 which requires the following limited disclosure in regard to the parent entity (Stanmore Coal Limited). The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the Group accounting policy. The financial information for the parent entity, Stanmore Coal Limited, has been prepared on the same basis as the consolidated financial statements, except as follows:

Investments in subsidiaries, associates and joint ventures are accounted for at cost.

Parent entity	2018 $'000	2017 $'000
Current assets	9,724	13,099
Non-current assets	64,417	79,882
Total assets	**74,141**	**92,981**
Current liabilities	1,422	731
Non-current liabilities	15,503	28,811
Total liabilities	**16,925**	**29,542**
Net assets	**57,216**	**63,439**
Issued capital	113,185	113,185
Share based payment reserve	1,152	774
Accumulated losses	(57,121)	(50,520)
Total shareholders equity	**57,216**	**63,439**
Profit/(loss) for the year	**(6,601)**	**2,672**
Total comprehensive income for the year	**-**	**-**

GUARANTEES

Under the terms of the Secured Financing Facility entered in November 2015, Stanmore Coal Limited has provided certain guarantees in relation to the arrangements between the Financier and the borrowing entity (Stanmore IP Coal Pty Ltd). These guarantees relate primarily to payment performance and maintaining the tenure of the Isaac Plains Coal Mine in good standing.

CONTINGENT LIABILITIES

The parent entity has no contingent liabilities.

CAPITAL COMMITMENTS

The parent entity has no capital commitments.

NOTE 27: OPERATING SEGMENTS

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers, "CODM") in assessing performance and determining the allocation of resources. The Consolidated Entity is managed primarily on a producing asset versus non-producing asset basis. Operating segments are determined on the basis of financial information reported to the Board which is at the Consolidated Entity level. All segments are located within Australia.

Accordingly, management currently identifies the Consolidated Entity as having two reportable segments, the first being the operation of the Isaac Plains Coal Mine (including the Isaac Plains East project) and the second being all other exploration and development coal assets and corporate.

ACCOUNTING POLICIES ADOPTED

Unless otherwise stated, all amounts reported to the Board of Directors, being the CODM with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Consolidated Entity.

INTER-SEGMENT TRANSACTIONS

An internally determined transfer price is set for all intersegment sales and services provided. All such transactions are eliminated on consolidation into the Consolidated Entity's financial statements.

SEGMENT ASSETS

Where an asset is used across multiple segments the asset is allocated to the segment that receives most of the economic value from the assets. In most instances, segment assets are clearly identifiable based on their nature and physical location.

SEGMENT LIABILITIES

Liabilities are allocated to segments where there is a direct nexus between the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the whole Consolidated Entity and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

UNALLOCATED ITEMS

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered core to the operation of any segment:

a) Corporate head office costs and salaries of non-site based staff.

MAJOR CUSTOMERS

Stanmore Coal has several customers to whom it sells export grade coal. Stanmore Coal supplies one such external customer who accounts for 33% of revenue. The next most significant customer accounts for 26% of revenue.

RECOGNITION AND MEASUREMENT

The Consolidated Entity applies AASB 8 Operating Segments which requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker (CODM), which has been identified by the Consolidated Entity as the Managing Director and other members of the Board of Directors.

SEGMENT PERFORMANCE

	2018			2017		
	Isaac Plains Complex $'000	Exploration and development $'000	Total $'000	Isaac Plains Complex $'000	Exploration and development $'000	Total $'000
SEGMENT REVENUE						
External sales	208,081	-	208,081	137,846	-	137,846
Intersegment sales	-	-	-	-	-	-
Total segment revenue	**208,081**	**-**	**208,081**	**137,846**	**-**	**137,846**
RECONCILIATION OF SEGMENT REVENUE TO CONSOLIDATED ENTITY REVENUE						
Other revenue	-	-	–	-	-	–
Intersegment elimination	-	-	–	-	-	–
Total Group revenue	**-**	**-**	**208,081**	**-**	**-**	**137,846**
Segment net profit/(loss) from continuing operations before tax	**16,250**	**(3,441)**	**12,809**	**3,692**	**(2,030)**	**1,662**
RECONCILIATION OF SEGMENT RESULT TO CONSOLIDATED ENTITY NET LOSS BEFORE TAX						
AMOUNTS NOT INCLUDED IN SEGMENT RESULT BUT REVIEWED BY THE BOARD:						
Impairment of exploration assets	-	(8)	(8)	-	(917)	(917)
Write back impairment of development assets	-	-	-	-	8,512	8,512
Unallocated			(2,761)			(2,839)
Net profit/(loss) before tax from continuing operations	**16,250**	**(3,449)**	**10,040**	**3,692**	**5,565**	**6,418**
Segment assets	**161,811**	**39,393**	**201,204**	**104.967**	**87,104**	**192,071**
RECONCILIATION OF SEGMENT ASSETS TO CONSOLIDATED ENTITY ASSETS						
Intersegment eliminations	-	-	(35,787)	-	-	(35,714)
Unallocated assets	-	-	2,672	-	-	6,746
Total Consolidated Entity assets	**-**	**-**	**168,089**	**-**	**-**	**163,103**
Segment liabilities	**93,577**	**26,119**	**119,696**	**95,869**	**25,040**	**120,909**
RECONCILIATION OF SEGMENT LIABILITIES TO CONSOLIDATED ENTITY ASSETS						
Intersegment eliminations			(25,275)			(25,202)
Unallocated liabilities			506			578
Total Consolidated Entity liabilities			**94,927**			**96,285**

NOTE 28: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2018.

SHARE-BASED PAYMENTS TO DIRECTORS, EXECUTIVES AND EMPLOYEES

SHARES

During the year ended 30 June 2018, no shares were granted to KMP as share-based payments.

OPTIONS

During the year ended 30 June 2018, no options were granted to KMP as share-based payments.

	2018		2017	
	No. of options	Weighted average exercise price $	No. of options	Weighted average exercise price $
Outstanding at beginning of year	-	-	2,766,000	0.22
Granted	-	-	-	-
Forfeited	-	-	(762,457)	0.22
Exercised	-	-	(2,003,543)	0.22
Expired	-	-	-	-
Outstanding at year-end	**-**	**-**	**-**	**-**
Exercisable at year-end	-	–	-	–

There were no outstanding options exercisable at 30 June 2018 or at 30 June 2017, no options were granted, exercised or forfeited during the year 30 June 2018.

Pursuant to the Consolidated Entity's Incentive Option Scheme, if an employee ceases to be employed by the Consolidated Entity then options will expire three months from the date employment ceases.

Historical volatility has been the basis for determining expected share price volatility.

The expected life of the options has been taken to be the full period of time from grant date to expiry date. The options pricing model assumes that options will be exercised on or immediately before the expiry date.

The settlement method for the above options is on a 1:1 basis. During the year ended 30 June 2018 no options we exercised options were exercised (2017: 2,003,543) resulting in the issue of no additional shares as a result of the exercise of options.

RIGHTS

The amount recognised as share-based payment expense in the Consolidated Statement of Profit and Other Comprehensive Income is as follows:

	2018 $'000	2017 $'000
Employee benefits expense	378	(134)
Administration and consulting expense	-	-
	378	**(134)**

These amounts have been recognised in equity in the Consolidated Statement of Financial Position as follows:

	2018 $'000	2017 $'000
Share capital	-	-
Share-based payment reserve	(378)	134
	(378)	**134**

RECOGNITION AND MEASUREMENT

The fair value of shares, options or rights granted to employees and consultants are recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees or consultants become unconditionally entitled to the instruments. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Stanmore Coal Limited (market conditions). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the Directors' best estimate of the number of instruments that will ultimately vest because of internal conditions of the instruments, such as the employees having to remain with the Consolidated Entity until vesting date, or such that employees are required to meet internal sales targets.

During the year ended 30 June 2018, Rights were granted to KMP as long-term incentive as outlined in the Remuneration report 2,611,508 FY18 Rights were granted and 531,497 FY17 rights were granted to Dan Clifford following their reapproval at the FY17 AGM. The terms and conditions of the grant are as follows:

Tranche	Grant date	Expiry date	Exercise price	Balance at start of year	Granted in year	Exercised in year	Lapsed during year	Balance at end of year	Vested and exercisable at end of year
1	12 Oct 2012	30 Jun 2020	$0.00	100,000	-	-	-	100,000	-
2	14 Nov 2016	30 Jun 2020	$0.00	94,985	-	-	-	94,985	-
3	29 Nov 2017*	30 Jun 2020	$0.00	-	531,497*			531,497	-
4	29 Nov 2017	30 Jun 2020	$0.00	-	2,611,508	-	-	2,611,508	-
Total				194,985	3,143,005	-	-	3,337,990	-

*531,497 FY17 rights issues to Dan Clifford during FY18 related to unissued rights noted in the FY17 financial statements.

PERFORMANCE RIGHTS PRICING MODEL

The fair value of performance rights granted under the LTI program is based on the Absolute Shareholder Total Return (ASTR) is measured using a Monte Carlo Simulation model incorporating the probability of the performance hurdles being met. The fair value of performance rights. The following table lists the inputs to the models used for the years ended 30 June 2018 and 30 June 2017:

	FY18 Rights (issued in FY2018)	FY17 Rights (issued in FY2018)	FY17 Rights
Performance hurdle	ASTR	ASTR	ASTR
Grant date	29 Nov 2017	29 Nov 2017	14 Nov 2016
Vesting date	30 Jun 2020	30 Jun 2019	30 Jun 2019
Fair value at grant date	$0.32–$0.38 (SDR*)	$0.29	$0.17
Share price	$0.60	$0.60	$0.64
Exercise price	$0.00	$0.00	$0.00
Dividend yield	0%	0%	0%
Expected exercise period	30 Jun 2020 30 Jun 2021	30 Jun 2019 30 Jun 2020	30 Jun 2020
Risk free interest rate	2.40%	1.79%	1.79%
Expected volatility	75%	75%	75%

*Specified Disposal Restriction

Below is a summary of the conditions for vesting for FY18 rights granted:

Performance Level	ATSR[1] of SMR[2] CAGR[3]	% of Stretch/ Maximum Vesting	Jun 20 Share Price for vesting
Stretch	52.86%	100.00%	$1.25
Between target and stretch	›39.49%‹52.86%	Pro-rata	Pro-Rata
Target	39.49%	50.00%	$0.95
Between threshold and target	›22.92% ‹39.49%	Pro-Rata	Pro-Rata
Threshold	22.92%	0%	$0.65
Below Threshold[4]	‹22.92%	0%	$0.00

Below is a summary of the conditions for vesting for FY17 rights granted:

Performance Level	ATSR[1] of SMR[2] CAGR[3]	% of Stretch/ Maximum Vesting	Jun 20 Share Price for vesting
Stretch	58.74%	100.00%	$1.20
Between target and stretch	›44.22%,‹58.74%	Pro-rata	Pro-Rata
Target	44.22%	50.00%	$0.90
Between threshold and target	›25.99%‹44.22%	Pro-Rata	Pro-Rata
Threshold	25.99%	0%	$0.60
Below Threshold[5]	‹25.99%	0%	$0.00

1 Absolute Shareholder Return
2 Stanmore Coal Limited
3 Compound Annual Growth Rate (CAGR)
4 Subject to Retest in FY21 at CAGR
5 Subject to Retest in FY20 at CAGR

In relation to the FY18 and FY17 rights, one retest is available 12 months after the end of the measurement period only if no vesting occurred in relation to the first test following the completion of the measurement period in FY20 and FY19 respectively.

The Group does not intend to issue more than an aggregate of 5% of its share capital, from time to time, under the LTI plans.

It is a condition of the rights that the KMP must remain employed by Stanmore Coal for the rights to vest.

KEY ESTIMATES – SHARE-BASED PAYMENTS

The Consolidated Entity uses estimates to determine the fair value of equity instruments issued to Directors, executives and employees. The estimates include volatility, risk free rates and consideration of satisfaction of performance criteria for recipients of equity instruments. During the year, no shares or options were issued. Rights were issued as outlined above and the cost of these rights represents the valuation completed by an independent valuer and the accounting impact of prior issuances and determinations remains unchanged.

NOTE 29: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

A. PARENT ENTITY

The parent entity and ultimate controlling entity is Stanmore Coal Limited, which is incorporated in Australia.

B. SUBSIDIARIES

Interests in subsidiaries are disclosed in Note 20: Subsidiaries.

C. KEY MANAGEMENT PERSONNEL

Disclosures relating to KMP are set out in Note 24 and the Remuneration Report contained in the Directors' Report.

D. OTHER RELATED PARTY TRANSACTIONS

There were no transactions with other related parties during FY18 (FY17: nil).

NOTE 30: OTHER ACCOUNTING POLICIES

A. DERIVATIVE FINANCIAL LIABILITIES

Obligations to settle fees payable to financiers as either cash or shares are reflected as derivative financial liabilities with changes in fair value recognised directly through profit and loss.

B. PROVISIONS

Provisions for legal claims, service warranties and make good obligations are recognised when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, it is probable that that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated.

C. NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

New Accounting Standards and Interpretations not yet mandatory or early adopted Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting year ended 30 June 2018 (with the exception of AASB 15 Revenue from Contracts with Customers which has been early adopted on 1 July 2016). The Consolidated Entity's assessment of the

impact of these new or amended Australian Accounting Standards and Interpretations, most relevant to the Consolidated Entity, where assessed are set out below:

AASB 9 FINANCIAL INSTRUMENTS

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Consolidated Entity will adopt this standard from 1 July 2018 and the impact of its adoption has been assessed as not material.

AASB 16 LEASES

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, the Standard will replace current accounting requirements applicable to leases in AASB 117. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changed introduced by the new standard include: recognition of a right-to-use asset and liability for all leases; depreciation of right-to-use assets in line with AASB 116 in profit or loss and unwinding of the liability in principal and interest components; and additional disclosure requirements. The Consolidated Entity will adopt this standard from 1 January 2019 and the impact of its adoption has been assessed as not material.

D. NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Australian Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity, but listed below are the standards applied and any further information required under these standards.

DECLARATION BY DIRECTORS

The Directors of the Consolidated Entity declare that:

1. The Consolidated Financial Statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the year ended on that date.

2. The Consolidated Entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the Directors' opinion, there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

4. The remuneration disclosures included in pages 34 to 45 of the Directors' report (as part of audited Remuneration Report) for the year ended 30 June 2018, comply with section 300A of the Corporations Act 2001.

5. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the Directors.

Daniel Clifford
Managing Director

Brisbane
Date: 27 August 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of Stanmore Coal Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Stanmore Coal Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the Directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO

Vendor Royalty- Contingent consideration

Key audit matter	How the matter was addressed in our audit
Refer to Note 15 in the financial report. The company has recognised a liability for contingent consideration as at 30 June 2018. The contingent consideration relates to the acquisition of the Isaac Plains mine and requires payment of a royalty to each of the vendors should the benchmark Hard Coking Coal price exceed certain levels. The amount payable is capped at the level of cash received from each of the vendors under the sale and purchase agreement. The contingent consideration was a key audit matter due to the size of this liability and the judgement involved in estimating expected selling prices in future periods.	The valuation of the contingent consideration is based on forecasts and assumptions within a model developed by management. We evaluated and tested key assumptions in this model by performing, amongst others, the following procedures: • Providing the model to our auditor experts to assess the reasonableness of the methodology and assumptions applied in the model in particular long term hard coking coal price forecasts and evaluating the results of their work • Checking the mathematical accuracy of the model and agreeing the underlying inputs used within the model to external market data were available • Examining the cash flow forecasts provided by management and challenging the assumptions therein by ensuring consistency with the stated business and operational objectives

Transfer of The Range Project to exploration and evaluation assets

Key audit matter	How the matter was addressed in our audit
Refer to Note 9(a) and 9(b) in the financial report. During the year, The Range Project was reclassified from capitalised development costs to exploration and evaluation assets. The reclassification occurred given there was no significant development activities planned. The Australian accounting standards *AASB 6 Exploration for and Evaluation of Mineral Resources* and *AASB 138 Intangible Assets* do not specifically contemplate the reclassification of development assets to exploration and evaluation assets, therefore management relied on the application of accounting principles. This reclassification of The Range Project was a key audit matter due to the significant judgement applied by management.	We obtained and evaluated management's position paper to assess the facts and circumstances that support the reclassification of The Range Project. Our audit procedures included, amongst others: • Consulting with auditor experts to evaluate management's assessment for the reclassification of the Project • Reviewing ASX announcements and reviewing Directors' minutes to ensure that there had been no significant development activities on The Range Project, and that no future significant development activities are planned. • Checking that an impairment assessment has been performed under *AASB 136 Impairment of Assets* before the reclassification of The Range Project.

BDO

Carrying value of exploration and evaluation assets

Key audit matter	How the matter was addressed in our audit
Refer to Note 9(b) in the financial report. The Group carries exploration and evaluation assets as at 30 June 2018 in relation to the application of the Group's accounting policy for exploration and evaluation assets. The recoverability of exploration and evaluation asset is a key audit matter due to the significance of the total balance and the level of procedures undertaken to evaluate management's application of the requirements of *AASB 6 Exploration for and Evaluation of Mineral Resources* in light of any indicators of impairment that may be present.	Our procedures included, but were not limited to the following: • Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as license agreements and also considering whether the Group maintains the tenements in good standing • Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest • Enquiring of management, reviewing ASX announcements and reviewing Directors' minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment.

Other information

The Directors are responsible for the other information. The other information comprises the information contained in Directors' report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Group's annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 36 to 47 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Stanmore Coal Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

Tim Kendall

T J Kendall
Director

Brisbane, 27 August 2018

SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 21 August 2018.

DISTRIBUTION OF EQUITY SECURITIES

The number of Ordinary Shares by size of holding is:

	Securities	%	No. of holders	%
100,001 and over	230,463,887	91.53	140	10.39
50,001 to 100,000	7,304,625	2.90	97	7.20
10,001 to 50,000	11,720,745	4.66	473	35.09
5,001 to 10,000	1,443,874	0.57	181	13.43
1,001 to 5,000	814,750	0.32	280	20.77
1 to 1,000	53,097	0.02	177	13.13
Total	**251,800,978**	**100.00**	**1,348**	**100.00**

The number of shareholders holding less than a marketable parcel is 125 (9483 ordinary shares).

The number of Unlisted Rights by size of holding is:

	Securities	%	No. of holders	%
100,001 and over	3,237,990	0.97	4	0.29
50,001 to 100,000	100,000	0.03	1	0.07
10,001 to 50,000	-	-	-	-
5,001 to 10,000	-	-	-	-
1,001 to 5,000	-	-	-	-
1 to 1,000	-	-	-	-
Total	**3,337,990**	**1.00**	**5**	**0.37**

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders are shown in shareholder notices received by Stanmore Coal Limited as at 21 August 2018 are:

Name of shareholder	Number of shares
GREATGROUP INVESTMENTS LTD	54,938,795
3RD WAVE INVESTORS LTD	37,311,833
BRAZIL FARMING PTY LTD	19,592,240
COMMONWEALTH BANK OF AUSTRALIA	15,180,611
ST LUCIA RESOURCES	13,078,270
PARADICE INVESTMENT MANAGEMENT PTY LTD	13,000,000

RESTRICTED SECURITIES

There are no restricted securities on issue.

20 LARGEST HOLDERS

The names of the 20 largest holders, in each class of quoted security are:

ORDINARY SHARES

Name of shareholder	Number of shares	% of total shares
GREATGROUP INVESTMENTS LTD	54,938,795	21.82
3RD WAVE INVESTORS LTD	35,500,000	14.10
CITICORP NOMINEES PTY LTD	24,481,682	9.72
BRAZIL FARMING PTY LTD	19,334,720	7.68
ST LUCIA RESOURCES	13,078,270	5.19
LATIMORE FAMILY PTY LTD	8,675,800	3.45
ONE MANAGED INVT FUNDS LTD	4,915,000	1.95
MR PETER LIONEL BRIGER JR	4,534,136	1.80
NATIONAL NOMINEES LIMITED	4,200,800	1.67
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,960,364	1.57
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,571,555	1.42
NATIONAL NOMINEES LIMITED	3,206,254	1.27
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,190,148	1.27
MRS NADEZDA KOVIJANIC	2,750,002	1.09
BNP PARIBAS NOMS PTY LTD	2,681,863	1.07
COMMON SENSE PTY LTD	2,613,270	1.04
NERO RESOURCE FUND PTY LTD	2,320,018	0.92
M RESOURCES PTY LTD	1,883,402	0.75
KABILA INVESTMENTS PTY LTD	1,842,502	0.73
INVIA CUSTODIAN PTY LIMITED	1,205,000	0.48
TOTAL OF 20 LARGEST HOLDERS	**194,778,168**	**77.35**
TOTAL ORDINARY SHARES	**251,800,978**	**100.00**

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

Options and performance rights do not carry voting rights.

OTHER INFORMATION

MARKETABLE RESERVES NOTE

The Isaac Plains Complex Marketable Coal Reserve of 20.9 Mt is derived from a run of mine (ROM) Coal Reserve of 27.8 Mt that is JORC compliant based with a predicted overall yield of 75.2%. The 20.9 Mt Marketable Reserve is included in the 157 Mt JORC Resource (65.7 Mt Measured + 48.2 Mt Indicated + 43 Mt Inferred Resource).

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 24 August 2018 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 24 August 2018 continue to apply and have not materially changed.

COMPETENT PERSONS STATEMENT

The information in this report relating to open cut coal reserves for the Isaac Plains and Isaac Plains East was announced on 24 August 2018, titled "2018 Annual Coal Resource & Reserves Summary", and is based on information compiled by Mr Gary Benson who is a full-time employee of Measured Group. Mr Benson who is a Principal Mining Engineer at Measured Group, is degree qualified in Engineering (Mining) and has the relevant experience (35+ 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 24 August 2018 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 24 August 2018 continue to apply and have not materially changed.

The information in this report relating to coal reserves for the Isaac Plains Underground was announced on 24 August 2018, titled "2018 Annual Coal Resource & Reserves Summary", and is based on information compiled by Mr Mark McKew who is an employee of Geostudy Pty Ltd. Mr McKew is a qualified mining engineer and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking, to qualify as 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 24 August 2018 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 24 August 2018 continue to apply and have not materially changed.

The information in this report relating to coal reserves for the The Range was included in the announcement on 24 August 2018, titled "2018 Annual Coal Resource & Reserves Summary", and is based on information compiled by Mr Richard Hoskings who is a Director of Minserve. Mr Hoskings is a qualified mining engineer and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking, to qualify as 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 24 August 2018 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 24 August 2018 continue to apply and have not materially changed.

The information in this report relating to coal resources for the Isaac Plains, Isaac Plains East and Isaac Plains Undergournd was included in the announcement on 24 August 2018, titled "2018 Annual Coal Resource & Reserves Summary", and is based on information compiled by Mr Troy Turner who is a member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and has sufficient experience which 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 2012 Edition of 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 24 August 2018 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 24 August 2018 continue to apply and have not materially changed.

The information in this report relating to coal resources for the Isaac Downs (Wotonga) was included in the

announcement on 24 August 2018, titled "2018 Annual Coal Resource & Reserves Summary", and is based on information compiled by Mr Kane Maxwell. Mr Maxwell is an employee of Peabody Energy Australia. Mr Maxwell has sufficient experience which 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 2012 Edition of 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 24 August 2018 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 24 August 2018 continue to apply and have not materially changed.

The information in this report relating to coal resources for the Isaac South was included in the announcement on 24 August 2018, titled "2018 Annual Coal Resource & Reserves Summary", and is based on information compiled by Mr Mal Blaik. Mr Blaik is Principal Geologist at JB Mining Services Pty Ltd. Mr Blaik has over 30 years experience which 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 2012 Edition of 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 24 August 2018 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 24 August 2018 continue to apply and have not materially changed.

The information in this report relating to the Clifford Project exploration results and coal resources is based on information compiled by Mr Oystein Naess who is a member of the Australian Institute of Mining and Metallurgy and is a full-time employee of Xenith Consulting Pty Ltd. Mr Naess is a qualified geologist and has sufficient experience which 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 2012 Edition of 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 announcements and that all material assumptions and technical parameters underpinning the estimates in the announcements continue to apply and have not materially changed.

The information in this report relating to coal resources for all other projects was compiled on the dates noted in the table within the Directors' Report, 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 deposits 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 announcements and that all material assumptions and technical parameters underpinning the estimates in the announcements continue to apply and have not materially changed.

STANMORE'S FIVE-YEAR FINANCIAL HISTORY

All figures in $M unless shown otherwise	FY18	FY17	FY16	FY15	FY14
SUMMARISED FINANCIAL STATEMENTS					
Sales revenue	208,081	137,846	12,700	859	749
Operating profit before depreciation and amortisation, finance costs and income tax	24,033	19,075	(15,658)	(12,108)	(11,259)
Underlying EBITDA (non-IFRS measure)	45,548	26,756	(22,219)	(3,478)	(975)
Depreciation and amortisation	(5,207)	(3,332)	(1,306)	(32)	(81)
EBIT	18,826	15,743	(16,964)	(12,140)	(11,340)
Finance costs	(8,786)	(9,325)	(2,782)	(8)	(524)
Income tax (expense)/benefit	(4,074)	5,617	0	0	0
Operating profit after income tax attributable to members of Stanmore Coal Limited	5,966	12,035	(19,746)	(12,148)	(11,864)
CAPITAL AND DIVIDENDS					
Ordinary shares on issue (number) 000's as at 30 June	251,801	251,801	222,497	222,497	209,124
Paid up ordinary capital as at 30 June	113,200	113,200	97,368	97,368	88,359
Dividend per ordinary share declared (cents)	2	-	-	-	-
FINANCIAL PERFORMANCE					
Share price at year end ($/sh)	0.87	0.34	0.28	0.06	0.11
Earnings per share (weighted average) (cents)	2.4	5.1	(8.9)	(5.8)	(5.7)
Return on average ordinary shareholders' equity	9%	23%	(40%)	(19%)	(16%)
FINANCIAL POSITION AS AT 30 JUNE					
Total assets	168,089	163,103	112,274	59,303	71,274
Total liabilities	94,927	96,285	73,189	545	556
Net assets	73,162	66,818	39,085	58,758	70,718
Net tangible asset backing per ordinary share	$0.65	$0.63	$0.48	$0.27	$0.34
Net debt/(cash) to equity	(27%)	(18%)	(31%)	(26%)	(25%)
Total liabilities/total assets	56%	59%	65%	1%	1%
Stock market capitalisation as at 30 June	**219,067**	**85,612**	**62,299**	**13,350**	**23,004**

NOTES

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