Results for Announcement to Market

Appendix 4E – Year ended 30 June 2020

This document relates to Stanmore Coal's results for the year ended 30 June 2020.

Reporting period	12 months ended 30 June 2020
Previous reporting period	12 months ended 30 June 2019

	2020 $'000	2019 $'000	Change %
Revenue from ordinary activities	364,485	403,059	(10%)
Profit/(loss) after tax from ordinary activities attributable to members	34,893	91,598	(62%)
Net Profit/(loss) attributable to members	34,893	91,598	(62%)

Dividends paid and proposed

Paid during the period

A final franked dividend relating to FY19 of 8 cps was paid on 31 October 2019.

An interim fully franked dividend relating to H1 FY20 of 3 cps was paid on 30 April 2020.

Declared after the period

No further dividend has been declared for FY20.

Explanation of key information and commentary on the results for the period

During the period the company recorded Underlying EBITDA (non IFRS measure) of $88.5 million. The Underlying EBITDA decreased against the FY19 result of $154.9 million. The reduction is due to a 42.4% reduction in underlying margin as a result of increased waste removal costs. These costs have increased due to changes in the current mine plan following geological challenges and differences in equipment mix to accommodate these challenges. A decrease of $14.33/t in the A$ realised price received from coal sales for FY20 also contributed to the reduction in Underlying EBITDA.

An unconditional on market takeover by Golden Investments (Australia) Pte. Ltd of $1.00 per share commenced on 2 April 2020. The offer period opened on 17 April 2020 and closed 18 May 2020. The offer closed with Golden Investments (Australia) Pte. Ltd shareholding of 75.33% in the company.

Additional information supporting the Appendix 4E disclosure requirements can be found in the 30 June 2020 financial statements and accompanying notes.

Rounding of amounts to the nearest thousand dollars

The company satisfies the requirements of the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the ASIC relating to "rounding off" of amounts in the financial statements to the nearest thousand dollars. Amounts have been rounded off in the financial statements in accordance with that ASIC Instrument.

Net tangible assets per security

	2020	2019	Change
	$	$	%
Net tangible assets/(liabilities) per security	0.355	0.306	16%

Details of entities over which control has been gained or lost during the year

The company did not gain or lose control of any entities during the year.

Details of farm in arrangements

Name of Entity	2020	2019	Change
	%	%	%
Clifford Joint Venture – EPC 1274 and EPC 1276	60%	60%	-
Lilyvale Joint Venture Agreement – EPC 1687 and EPC 2157	85%	85%	-
Mackenzie Joint Venture Agreement – EPC 2081	95%	95%	-

Compliance statement

This report is based on consolidated financial statements which are in the process of being audited.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020

	Note	2020 $'000	2019 $ '000
Revenue	1	364,485	403,059
Cost of sales	2	(267,514)	(238,285)
Gross Profit/(Loss)		**96,971**	**164,774**
Other income	1	5,604	9,937
Other expenses	2	(42,979)	(36,557)
Profit/(loss) before income tax and net finance expenses		**59,596**	**138,154**
Finance income	1	579	476
Financial expenses	2	(8,597)	(10,100)
Profit/(loss) before income tax expense		**51,578**	**128,530**
Income tax benefit/(expense)	3	(16,685)	(36,932)
Net profit/(loss) for the year		**34,893**	**91,598**
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year		**34,893**	**91,598**
Profit/(loss) for the year is attributable to:			
Owners of Stanmore Coal Limited		**34,893**	**91,598**
Total comprehensive income profit/(loss) for the year is attributable to:			
Owners of Stanmore Coal Limited		**34,893**	**91,598**

Earnings/(loss) per share attributable to the owners of Stanmore Coal Limited:		**Cents**	**Cents**
Basic earnings/(loss) per share (cents per share)	19	13.2	35.1
Diluted earnings/(loss) per share (cents per share)	19	13.2	35.6

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 2020

	Note	2020 $ '000	2019 $ '000
CURRENT ASSETS			
Cash and cash equivalents	4(a)	32,244	90,465
Trade and other receivables	6	4,715	20,802
Inventories	7	78,864	29,631
Other current assets		2,867	4,206
Total current assets		**118,690**	**145,104**
NON-CURRENT ASSETS			
Property, plant and equipment	8	62,891	45,592
Capitalised development costs	9a	314	-
Mine Properties	9b	24,946	34,808
Exploration and evaluation assets	10	80,970	75,496
Intangible assets	11	2,771	3,275
Other non-current assets		6,187	2,313
Total non-current assets		**178,079**	**161,484**
Total assets		**296,769**	**306,588**
CURRENT LIABILITIES			
Trade and other payables	12	33,146	50,756
Interest-bearing loans and borrowings	13	2,218	-
Lease Liability	14	57	-
Onerous contracts provision	15	842	867
Rehabilitation provision	16	3,072	4,700
Vendor royalties - contingent consideration	17	7,617	7,955
Income Tax Payable		160	25,309
Total current liabilities		**47,112**	**89,587**

Consolidated Statement of Financial Position (Cont.) as at 30 June 2020

NON-CURRENT LIABILITIES			
Provision for employee benefit		366	254
Interest-bearing loans and borrowings	13	10,251	-
Lease Liability	14	766	-
Onerous contracts provision	15	4,520	5,198
Rehabilitation provision	16	26,890	24,256
Vendor royalties - contingent consideration	17	15,033	24,598
Deferred tax liabilities	3	23,248	5,591
Total non-current liabilities		**81,074**	**59,897**
Total liabilities		**128,186**	**149,484**
Net assets		**168,583**	**157,104**
EQUITY			
Issued capital	20	121,725	117,613
Share based payment reserve		2,348	1,703
Retained earnings		44,510	37,788
Total equity attributable to the owners of Stanmore Coal Limited		**168,583**	**157,104**

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 2020

	Issued capital $ '000	Retained Earnings $ '000	Share based payment reserve $ '000	Total $ '000
At 1 July 2018	**113,200**	**(41,190)**	**1,152**	**73,162**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
Profit/(loss) for the year	-	91,598	-	91,598
Other comprehensive income	-	-	-	-
	-	**91,598**	**-**	**91,598**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Issue of Shares under DRP	4,458	-	-	4,458
Dividends paid	-	(12,620)	-	(12,620)
Share based payments	-	-	551	551
On market share buy-back	(45)	-	-	(45)
At 30 June 2019	**117,613**	**37,788**	**1,703**	**157,104**
At 1 July 2019	**117,613**	**37,788**	**1,703**	**157,104**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
Profit/(loss) for the year	-	34,893	-	34,893
Other comprehensive income	-	-	-	-
	-	**34,893**	**-**	**34,893**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Issue of Shares – Note 20	4,112	-	-	4,112
Dividends paid	-	(28,171)	-	(28,171)
Share based payments	-	-	645	645
At 30 June 2020	**121,725**	**44,510**	**2,348**	**168,583**

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 2020

	Note	2020 $ '000	2019 $ '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		383,636	405,644
GST refunds		33,633	22,950
Payments to suppliers and employees		(386,330)	(283,923)
Interest received		515	441
Interest and other finance costs paid		(834)	(1,709)
Income Tax paid		(24,178)	(3,360)
Net cash (outflow)/inflow from operating activities	5	**6,442**	**140,043**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(26,454)	(12,093)
Payments for exploration, evaluation assets		(9,829)	(31,103)
Payments for mine properties assets		(9,150)	(17,581)
Net cash (outflow)/inflow from investing activities		**(45,433)**	**(60,777)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	4(b)	9,402	43,263
Repayment of borrowings		-	(43,674)
Payments for dividends		(24,073)	(8,162)
Payments for vested LTIP Rights		(852)	-
Payments for on-market share buy-back		-	(45)
Payment for financial securities		(3,707)	-
Net cash (outflow)/inflow from financing activities		**(19,230)**	**(8,618)**
Net (decrease)/increase in cash held		**(58,221)**	**70,648**
Net cash at beginning of year		90,465	19,817
Net cash at end of year	4a	**32,244**	**90,465**

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

Notes to the Financial Statements

About this report

The financial statements of Stanmore Coal Limited for the year ended 30 June 2020 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 of 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 2020 was authorised for issue in accordance with a resolution of the directors on 31 August 2020. 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 / Director's 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 2019. Refer to Note 32 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 32: 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.

Notes to the financial statements (Cont.)

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:

Note 1: Revenue and other income	Page 12
Note 9(a): Capitalised development costs	Page 30
Note 9(b): Mine Properties	Page 32
Note 10: Exploration and Evaluation	Page 33
Note 15: Onerous contracts provision	Page 38
Note 16: Rehabilitation provision	Page 40
Note 17: Vendor royalties – contingent consideration	Page 42
Note 30: Share based-payments	Page 70

Notes to the financial statements (Cont.)

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.

Debt Facility

On 18 June 2020, the Consolidated Entity was given formal notice by its current financier that the working capital and bank guarantee facility would be cancelled from 16 September 2020. This was following the change of control of the Consolidated Entity, after completion of the on-market takeover by Golden Investments. Effective from this date, no further drawdowns were available, and the balance drawn under the bank guarantee facility was to be repaid by the cancellation date. As at 30 June, there were no drawdowns under the working capital facility and the bank guarantees provided by the Consolidated Entity's financier were in the process of being replaced with cash security.

On 26 June 2020, the Consolidated Entity entered into a Short-term Financing Agreement with its parent entity, GEAR to cover the period up until the US$40 million finance facility is finalised and in place. The key terms of this short-term facility are:

- Facility is a AU$10m facility which expires on the earlier of 30 September 2020, or when the US$40m facility is finalised
- Interest rate is 8.0% per annum on drawn funds

As at 30 June 2020 there have been no draw downs under this facility, but this facility is available if required by the Consolidated Entity.

COVID-19

These impacts are not significant to the Consolidated Entity and will not negatively impact the financial statements or trigger any significant uncertainties with respect to events or conditions which may adversely impact the Consolidated Entity as at the reporting date or subsequently as a result of the Coronavirus (COVID -19) pandemic.

There is no impact on the going concern of the Consolidated Entity as a result of the above.

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.

Notes to the financial statements (Cont.)

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.

New standards, interpretations and amendments adopted by the Consolidated Entity

The accounting standards adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year. The Consolidated Entity has adopted IFRC23 Uncertainty over Income Tax Treatments with no impact on the Financial Statements. The Consolidated Entity has adopted AASB 16 Leases effective from 1 July 2019 using the modified retrospective method, where comparative amounts for the year prior to first adoption have not been restated.

AASB 16 supersedes AASB 117 and its associated interpretative guidance and provides a new lessee to recognise assets and liabilities for all leases with a term more than 12 months, unless the underlying asset is of low value. Under AASB 16, a lessee recognises at the commencement date of the lease, the present value of non-cancellable lease payments as a lease liability on the statement of financial position, with a corresponding right-of-use asset. The unwind of the financial charge on the lease liability and the amortisation of the leased asset are recognised in the Statement of Profit or Loss and Other Comprehensive Income based on the implied interest rate and contract term.

The operating lease commitments as at 30 June 2019 were $0.158 million. The Consolidated Entity did not recognise the right-of-use asset and lease liability as the amount was not considered material, and the Consolidated Entity was in the process of negotiating a new office lease. The new lease entered into has been recognised in accordance with AASB 16.

NOTE 1 REVENUE AND OTHER INCOME

	Note	2020 $ '000	2019 $ '000
REVENUE			
Revenue from contracts with customers		364,485	403,059
Total revenue		**364,485**	**403,059**
OTHER INCOME			
Fair value movement - vendor royalty - contingent consideration	17	4,387	-
Onerous contract re-measurement	15	150	9,428
Other income		1,067	509
Total other income		**5,604**	**9,937**
FINANCE INCOME			
Interest income		579	476
Total finance income		**579**	**476**

NOTE 1 REVENUE AND OTHER INCOME (CONT.)

DISAGGREGATION OF REVENUE FROM CONTRACTS 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.

2020	Timing of revenue recognition	South East Asia A$ '000	Europe A$ '000	Australia A$ '000	Total A$ '000
Sales - thermal coal	At point in time FOB contract	1,832	-	-	1,832
Sales - semi soft coking coal	At point in time FOB contract	331,612	25,222	5,819	362,653
Coal sales - Subtotal		**333,444**	**25,222**	**5,819**	**364,485**
Toll loading revenue	At a point in time	-	-	-	-
TOTAL		**333,444**	**25,222**	**5,819**	**364,485**

2019	Timing of revenue recognition	South East Asia A$ '000	Europe A$ '000	Australia A$ '000	Total A$ '000
Sales - thermal coal	At point in time FOB contract	39,218	-	-	39,218
Sales - semi soft coking coal	At point in time FOB contract	350,205	13,613	-	363,818
Coal sales - Subtotal		**389,423**	**13,613**	**-**	**403,036**
Toll loading revenue	At a point in time	-	-	23	23
TOTAL		**389,423**	**13,613**	**23**	**403,059**

RECOGNITION AND MEASUREMENT

Revenue is recognised when the control of the goods is passed to the customer. The amount of revenue recognised is the consideration the Consolidated Entity is entitled to receive in exchange for transferred goods to the customer.

NOTE 1 REVENUE AND OTHER INCOME (CONT.)

Contracts with customers – coal sales

General recognition

Revenue from the sale of coal is recognised in the profit or loss when control of the coal has been transferred from the Consolidated Entity to the customer. Typically, the transfer of control 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 control 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 2020 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 2020 have subsequently been receipted 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 weighted price would then be used rather than the quarterly index price which has not yet been agreed with the customer.

NOTE 1 REVENUE AND OTHER INCOME (CONT.)

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	2020 $ '000	2019 $ '000
COST OF SALES			
Mining costs		137,729	106,208
Processing costs		37,519	35,241
Transport and logistics		34,260	36,747
State royalties		31,602	36,825
Private royalties		4,955	6,832
Production overheads		15,002	14,203
Other production costs		6,447	2,203
Sub-total cost of sales		**267,514**	**238,259**
Toll loading costs		-	26
Total cost of sales		**267,514**	**238,285**

	Note	2020 $ '000	2019 $ '000
OTHER EXPENSES			
Other expenses[1]		41,903	22,914
Fair value movement - vendor royalty - contingent consideration	17	-	6,145
Movement in rehabilitation provision	16	1,076	3,134
Write-off non-current inventory		-	4,364
Total other expenses		**42,979**	**36,557**

[1] Refer to next page for details of Other expenses

	Note	2020 $ '000	2019 $ '000
FINANCIAL EXPENSES			
Interest paid – external parties		1,313	1,709
Interest amortisation unwinding	15,16,17	4,112	4,549
Interest charge – lease liability	14	11	-
Movement in foreign currency		824	(35)
Borrowing costs		2,337	3,877
Total financial expenses		**8,597**	**10,100**

NOTE 2 COST OF SALES AND OTHER EXPENSES (CONT.)

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 7.

Other expenses

Other expenses include the following specific items:

	Note	2020 $ '000	2019 $ '000
Depreciation and amortisation			
Depreciation - plant and equipment	8	10,832	2,945
Depreciation – right of use asset	8	24	-
Amortisation - mine properties	9b	15,556	7,935
Amortisation - intangibles	11	504	503
Sub-total depreciation and amortisation		**26,916**	**11,383**
EMPLOYEE EXPENSES			
Employee - salaries and wages		5,251	6,010
Employee superannuation		312	340
Share-based payments (rights)		1,662	551
Sub-total employee expenses		**7,225**	**6,901**
Other overhead expenses		3,134	3,329
Takeover costs		4,419	1,143
Short term lease payments		209	158
Sub-total other expenses		**7,762**	**4,630**
Total other expenses		**41,903**	**22,914**

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service 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.

NOTE 2 COST OF SALES AND OTHER EXPENSES (CONT.)

Leases

The leases recognised in Other Expenses relate to short term lease obligations where the entity has adopted the recognition exemption. Lease payments for short term leases are charged to profit or loss on a straight-line basis over the term of the lease, net of any incentives.

NOTE 3 INCOME TAX EXPENSE

	2020 $ '000	2019 $ '000
RECONCILIATION		
Current income tax benefit	(972)	28,669
Deferred income tax expense	17,657	8,263
Income tax expense/(benefit)	**16,685**	**36,932**

RECONCILIATION THROUGH EQUITY		
Opening balance	(1,129)	(1,129)
Prior year DTA not brought to account	-	-
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:

Prima facie tax expense (30%) on profit/(loss) before income tax	**15,473**	**38,559**
Add tax effect of:		
- Non-deductible expenses	431	51
- Other assessable income	-	225
- Prior period deferred taxes over/(under) recognised	781	(1,903)
Income tax expense/(benefit)	**16,685**	**36,932**

NOTE 3 INCOME TAX EXPENSE (CONT.)

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX ASSETS		
Deductible temporary differences	22,209	25,123
Sub-total deferred tax assets	**22,209**	**25,123**
DEFERRED TAX LIABILITIES		
Assessable temporary differences	(45,457)	(30,714)
Sub-total deferred tax liabilities	**(45,457)**	**(30,714)**
Deferred tax	**(23,248)**	**(5,591)**

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
- 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.

NOTE 3 INCOME TAX EXPENSE (CONT.)

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.

	Opening balance	Recognised in profit or loss	Closing balance	Deferred tax asset	Deferred tax liability
2020					
Provision for rehabilitation	8,687	302	8,989	8,989	-
Provision for onerous contracts	1,820	(211)	1,609	1,609	-
Property plant and equipment	(4,407)	(1,063)	(5,470)	-	(5,470)
Vendor private royalty	9,766	(2,971)	6,795	6,795	-
Exploration and development costs	(17,514)	(1,015)	(18,529)	-	(18,529)
Unrealised FX	97	329	426	426	-
Other	1,006	(3,632)	(2,626)	759	(3,385)
Vendor receivable	(2,753)	1,469	(1,284)	-	(1,284)
Provision for impairment - exploration and development	3,631	-	3,631	3,631	-
Rail loop benefit	(983)	151	(832)	-	(832)
Overburden in advance	(4,941)	(11,016)	(15,957)	-	(15,957)
Prior year tax losses	-	-	-	-	-
TOTAL	**(5,591)**	**(17,657)**	**(23,248)**	**22,209**	**(45,457)**

NOTE 3 INCOME TAX EXPENSE (CONT.)

	Opening balance	Recognised in profit or loss	Closing balance	Deferred tax asset	Deferred tax liability
2019					
Provision for rehabilitation	5,575	3,112	8,687	8,687	-
Provision for onerous contracts	4,921	(3,101)	1,820	1,820	-
Property, plant and Equipment	(7,060)	2,653	(4,407)	-	(4,407)
Vendor private royalty	9,808	(42)	9,766	9,766	-
Exploration and development costs	(16,860)	(654)	(17,514)	-	(17,514)
Unrealised FX	36	61	97	97	-
Other	946	60	1,006	1,122	(116)
Vendor receivable	(4,207)	1,454	(2,753)	-	(2,753)
Provision for impairment exploration and development	3,632	(1)	3,631	3,631	-
Rail loop benefit	(1,134)	151	(983)	-	(983)
Overburden in advance	(4,601)	(340)	(4,941)	-	(4,941)
Prior year tax losses	11,616	(11,616)	-	-	-
TOTAL	**2,672**	**(8,263)**	**(5,591)**	**25,123**	**(30,714)**

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

	2020 $ '000	2019 $ '000
Cash at bank and in hand	**32,244**	**90,465**
Cash at bank bear floating and fixed interest rates between 0.0% and 1.25% (2019: 0.85% and 2.23%).		

RECONCILIATION OF CASH

	2020 $ '000	2019 $ '000
The above figures are reconciled to the consolidated statement of cash flows as follows:		
Balances as above	32,244	90,465
Balances per consolidated statement of cash flows	32,244	90,465

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

	Opening 2019 $ '000	Cash Inflows	Cash Outflows	Non cash changes	Closing 2020 $ '000
Chattel Mortgage	-	10,994	(1,592)	3,067	12,469
Lease Liability	-	-	-	823	823

	Opening 2018 $ '000	Cash Inflows	Cash Outflows	Non cash changes	Closing 2019 $ '000
Borrowings	-	43,263	(43,263)	-	-

NOTE 5 CASH FLOW INFORMATION

	Note	2020 $ '000	2019 $ '000
Reconciliation of profit/(loss) after income tax to net cash flow from operating activities			
Profit/(Loss) for the year		**34,893**	**91,598**
Adjust for non-cash items:			
Depreciation, amortisation and disposal of fixed assets		26,916	11,383
Write-off non-current inventory		-	4,364
Unrealised gains/loss on foreign exchange		1,592	411
Non cash movement in provisions		5,142	4,400
Share-based payments expense		1,662	551
Change in operating assets and liabilities:			
- (Increase)/Decrease in trade and other receivables		16,117	2,484
- (Increase)/Decrease in inventory		(49,233)	(8,664)
- (Increase)/Decrease in other assets		(2,656)	(2,561)
- Increase/(Decrease) in trade and other payables		(5,869)	18,728
- Increase/(Decrease) in current tax payable		(25,149)	25,309
- Increase/(Decrease) in deferred taxes		17,657	8,263
- Increase/(Decrease) in provisions		112	34
- Increase/(Decrease) in provisions for onerous contracts		(866)	(1,849)
- Increase/(Decrease) in rehabilitation provisions		(4,896)	(4,848)
- Increase/(Decrease) in contingent consideration		(8,980)	(9,560)
Net cash flow from operating activities		**6,442**	**140,043**

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST components of cash flows arising from investing and financing activities are classified as operating cash flows.

Non-cash investing and financing activities disclosed in other notes are:

- Recognition of rehabilitation asset of $4.491m (FY19 $11.752m)
- Dividends satisfied by the issue of shares under the DRP – Note 18
- Interest bearing loans and borrowings – Note 13

NOTE 6 TRADE AND OTHER RECEIVABLES

	2020 $ '000	2019 $ '000
CURRENT		
GST receivable	2,558	2,529
Trade receivables	1,867	18,076
Other receivables	290	197
Total current trade and other receivables	**4,715**	**20,802**

RECOGNITION AND MEASUREMENT

Trade and other receivables are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the Statement of Profit or Loss and Comprehensive Income.

Impairment

The Consolidated Entity assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Management has determined that assessment of expected credit loss associated with trade receivables is immaterial.

NOTE 7 INVENTORIES

	2020 $ '000	2019 $ '000
CURRENT		
ROM coal stocks	3,236	3,703
Product coal stocks	22,438	9,459
Sub-total coal stock	**25,674**	**13,162**
Overburden in advance	53,190	16,469
Total inventories	**78,864**	**29,631**

NOTE 7 INVENTORIES (CONT.)

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:

- Overburden 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 allows overburden in advance to be capitalised separately as Inventory under AASB 102 to the extent the benefit from the stripping activity is realised in Inventory. 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.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

	2020 $ '000	2019 $ '000
Plant and equipment		
At cost	77,556	45,747
Accumulated depreciation	(22,580)	(11,227)
Sub-total plant and equipment	**54,976**	**34,520**
Buildings and improvements		
At cost	2,077	1,671
Accumulated depreciation	(494)	(414)
Sub-total buildings and improvements	**1,583**	**1,257**
Furniture and office equipment		
At cost	137	137
Accumulated depreciation	(122)	(119)
Sub-total furniture and office equipment	**15**	**18**
Right-of-use asset		
At cost	812	-
Accumulated depreciation	(24)	-
Sub-total right-of-use asset	**788**	**-**
Capital work in progress		
At cost	5,529	9,797
Accumulated Depreciation	-	-
Sub-total capital work in progress	**5,529**	**9,797**
Total property plant and equipment	**62,891**	**45,592**

RECOGNITION AND MEASUREMENT

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses, if any. 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.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT (CONT.)

Movements in carrying amounts

2020	Plant and equipment	Buildings and improvements	Furniture and office equipment	Right-of-use asset	Capital work in progress	Total
	$ '000	$ '000	$ '000	$'000	$'000	$ '000
Balance at the beginning of the year	34,520	1,257	18	-	9,797	**45,592**
Additions – through ordinary course	-	-	-	812	28,050	**28,862**
Capital WIP transfers	31,869	449	-	-	(32,318)	**-**
Net disposals	-	(29)	-	-	-	**(29)**
Transfers – through ordinary course[1]	(665)	(13)	-	-	-	**(678)**
Depreciation expense	(10,748)	(81)	(3)	(24)	-	**(10,856)**
Carrying amount at the end of the year	**54,976**	**1,583**	**15**	**788**	**5,529**	**62,891**

1 The transfer from Plant and equipment related to a transfer of an asset to Mine Properties

NOTE 8 PROPERTY, PLANT AND EQUIPMENT (CONT.)

2019	Plant and equipment $ '000	Buildings and improvements $ '000	Furniture and office equipment $ '000	Capital work in progress $'000	Total $ '000
Balance at the beginning of the year	32,141	1,036	20	3,247	**36,444**
Additions – through ordinary course	129	4	-	11,960	**12,093**
Capital WIP transfers	5,122	288	-	(5,410)	**-**
Net disposals	-	-	-	-	**-**
Depreciation expense	(2,872)	(71)	(2)	-	**(2,945)**
Carrying amount at the end of the year	**34,520**	**1,257**	**18**	**9,797**	**45,592**

NOTE 8 PROPERTY, PLANT AND EQUIPMENT (CONT.)

Depreciation

The carrying amount of all non-mining property fixed assets, except land 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 recoverable resources. The base for the units of production is drawn from the assets principal 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
Furniture and office equipment	5-25% straight line
Buildings and improvements	5-10% straight line
Right-of-use asset	18% straight line

Property, 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 property, 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 property, 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 are 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.

Right-of-use asset

At the inception of a contract, the Consolidated Entity assesses whether a contract contains a lease based on whether the contract conveys the right to use or control the use of an identified asset for a period of time in exchange for consideration.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT (CONT.)

At the commencement date of the lease, the Consolidated Entity recognises a lease liability and a corresponding right-of-use asset. The lease liability is initially recognised at present value of the non-cancellable lease payments, which are discounted using the interest rate determined using the Consolidated Entities incremental borrowing rate. The right-of-use asset is initially measured at cost which includes any direct costs.

The right-of-use asset is depreciated to the earlier of the useful life of the asset or the lease term using the straight line method and is recognised in the Statement of Profit or Loss and Comprehensive Income in Depreciation and Amortisation.

The unwind of the financial charge on the lease liability is recognised in the Statement of Profit or Loss and Comprehensive Income in financial expenses based on the Consolidated Entity's incremental borrowing rate.

NOTE 9 (a) CAPITALISED DEVELOPMENT COSTS

	2020 $ '000	2019 $ '000
NON-CURRENT		
Capitalised development costs	314	-

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	-	13,410
Transfers to Mine Properties	-	(13,410)
Other additions	314	-
Sub-total capitalised cost	**314**	**-**
Carrying amount at the end of the year	**314**	**-**

NOTE 9 (a) CAPITALISED DEVELOPMENT COSTS (CONT.)

MOVEMENTS IN PROVISION FOR IMPAIRMENT AMOUNTS		
Balance at the beginning of the year	-	(5,371)
Provision transferred to exploration and evaluation	-	5,371
Provision for impairment at the end of the year	**-**	**-**

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.
- the ability to measure reliability the expenditure during development.

Following recognition, the asset is carried at cost less any accumulated impairment losses. Once the development phase is complete and production begin, the costs are transferred from Capitalised Development Costs to Mine Properties where they are amortised over the life of the development project.

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 2020, the carrying amount of capitalised developments costs was $0.314 million (2019: $0). This balance relates to the Isaac Plains East extension which a mining extension from the Isaac Plains East pit. The Isaac Plains East extension is still awaiting final approvals from the State Government and will be transferred to Mine Properties once approvals are granted and mining commences.

NOTE 9 (b) MINE PROPERTIES

	2020 $ '000	2019 $ '000
NON-CURRENT		
Mine Properties	24,946	34,808
MOVEMENTS IN CARRYING AMOUNTS		
Balance at the beginning of the year	42,743	-
Transfers from capitalised development costs	-	13,410
Transfer from Property, Plant and Equipment	679	-
Other additions	5,015	29,333
Sub-total Mine Properties	**48,437**	**42,743**
ACCUMULATED DEPRECIATION		
Balance at the beginning of the year	(7,935)	-
Amortisation charge for the year	(15,556)	(7,935)
Sub-total accumulated amortisation	**(23,491)**	**(7,935)**
Carrying amount at the end of the year	**24,946**	**34,808**

RECOGNITION AND MEASUREMENT

Mining property assets include costs transferred from Capitalised Development following the start of production. Following transfer from Capitalised Development all development subsequent development costs are capitalised to the extent that commercial viability conditions continue to be satisfied.

The costs associated with mine properties are amortised based on a units of production method.

Key judgements – capitalisation and impairment assessment of mine properties

The Consolidated Entity assesses at the end of each period whether there are any impairment indicators in relation to Mine Property assets.

As a result of this impairment assessment, no impairment indicators were noted.

NOTE 10 EXPLORATION AND EVALUATION ASSETS

	2020 $ '000	2019 $ '000
NON-CURRENT		
Exploration and evaluation expenditure capitalised		
- exploration and evaluation phases	80,970	75,496

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	87,601	51,498
Additions and transfers from work in progress	5,474	5,042
Transferred to capitalised development	-	-
Acquisition costs	-	31,061
Transferred from capitalised development	-	-
Sub-total capitalised cost	**93,075**	**87,601**
Provision for impairment	(12,105)	(12,105)
Carrying amount at the end of the year	**80,970**	**75,496**

MOVEMENTS IN PROVISION FOR IMPAIRMENT AMOUNTS		
Balance at the beginning of the year	(12,105)	(12,105)
Provision for impairment at the end of the year	**(12,105)**	**(12,105)**

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.

NOTE 10 EXPLORATION AND EVALUATION ASSETS (CONT.)

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 – exploration and evaluation assets

The Consolidated Entity performs impairment testing on specific exploration assets as required in AASB 6 para 20. During FY20 no impairment indicator was noted. 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 $80.9 million (2019: $75.4 million). The main increase in this balance relates to the acquisition of Isaac Downs.

NOTE 11 INTANGIBLE ASSETS

	2020	2019
	$ '000	$ '000
INFRASTRUCTURE INTANGIBLE ASSET		
At cost	4,800	4,800
Accumulated amortisation	(2,029)	(1,525)
Carrying amount at the end of the year	**2,771**	**3,275**

MOVEMENTS IN CARRYING AMOUNTS

	2020	2019
	$ '000	$ '000
Balance at the beginning of the year	3,275	3,778
Amortisation expense	(504)	(503)
Carrying amount at the end of the year	**2,771**	**3,275**

NOTE 11 INTANGIBLE ASSETS (CONT.)

Impairment of 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 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 12 TRADE AND OTHER PAYABLES

	2020 $ '000	2019 $ '000
Current		
Trade and Other payables	32,524	49,903
Accrued expenses	-	24
Employee benefits	622	829
Total Current Trade and other payables	**33,146**	**50,756**

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 13 INTEREST BEARING LOANS AND BORROWINGS

	2020	2019	2020	2019
	$ '000	$ '000	US$ '000	US$ '000
TOTAL FACILITIES				
Facility A - bank guarantee facility				
Total available facility	17,485	41,352	12,000	29,000
Facility utilised	(15,568)	(15,310)	(10,685)	(10,737)
Available facility	**1,917**	**26,042**	**1,315**	**18,263**
Facility B - working capital facility				
Total available facility	40,798	31,370	28,000	22,000
Facility utilised	-	-	-	-
Available facility	**40,798**	**31,370**	**28,000**	**22,000**

	2020
	$ '000
Facility C – Chattel Mortgage	
Total loan amount	13,684
Loan balance outstanding	12,469
Comprised of:	
Current liability	2,218
Non-current liability	10,251
Total facility	**12,469**

	2020
	$ '000
Facility D – Short-term facility	
Total available facility	10,000
Facility utilised	-
Available facility	**10,000**

NOTE 13 INTEREST BEARING LOANS AND BORROWINGS (CONT.)

RECOGNITION AND MEASUREMENT

Interest bearing liabilities are initially recognised at fair value, net of any transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method.

The Consolidated Entity pays a 2% pa facility fee for all undrawn funds in both the working capital and bank guarantee facilities, once utilised the funds attract an 8% fixed interest rate. The current working capital facility is denominated in US$ and therefore when drawn exposes the group to US$ fluctuations these fluctuations are accounted for as outlined in Note 21.

On 2 July 2019, the Consolidated Entity entered into a binding agreement with Hasting Deering (Australia) Limited to acquire a 600-tonne excavator (CAT 6060) for the Isaac Plains East mine. The CAT 6060 will join the current operations at Isaac Plains East and will be supported by a trucking fleet supplied by the existing contractor, Golding (ASX: NWH). The purchase of the CAT 6060 was financed through an equipment loan facility with Caterpillar Financial Australia Limited, who are a lender associated with Hasting Deering. The term of the loan facility is 5 years.

The Consolidated Entity pays 4.46% pa fixed interest rate on the Chattel Mortgage facility to Caterpillar Financial Australia Limited. The Chattel Mortgage facility is denominated in AU$.

On 18 June 2020, the Consolidated Entity was given formal notice by its current financier that the working capital and bank guarantee facility would be cancelled from 16 September 2020. This was following the change of control of the Consolidated Entity, after completion of the on-market takeover by Golden Investments. Effective from this date, no further drawdowns were available, and the balance drawn under the bank guarantee facility was to be repaid by the cancellation date. As at 30 June, there were no drawdowns under the working capital facility and the bank guarantees provided by the Consolidated Entity's financier were in the process of being replaced.

On 26 June 2020, the Consolidated Entity entered into a Short-term Financing Agreement with its parent entity, GEAR. The key terms of this short-term facility are:

- Facility is a AU$10m facility which expires on the earlier of 30 September 2020, or when the US$40m facility is finalised
- Interest rate is 8.0% per annum on drawn funds

As at 30 June 2020, there were no draw downs under this facility.

NOTE 14 LEASE LIABILITY

	2020 $ '000	2019 $ '000
CURRENT		
Current lease liability	57	-
NON-CURRENT		
Non-current lease liability	766	-
Total Lease liability	**823**	**-**
RECONCILIATION OF MOVEMENTS		
Opening balance	812	-
Depletions through settlement	-	-
Unwinding of discount	11	-
Closing balance	**823**	**-**

RECOGNITION AND MEASUREMENT

The lease liability recognised is the result of adopting AASB 16 Leases. Refer to Note 8 for the recognition and measurement policy for lease liabilities.

NOTE 15 ONEROUS CONTRACTS PROVISION

	2020 $ '000	2019 $ '000
CURRENT		
Current onerous contract provision	842	867
NON-CURRENT		
Non-current onerous contract provision	4,520	5,198
Total onerous contracts provision	**5,362**	**6,065**

NOTE 15 ONEROUS CONTRACTS PROVISION (CONT.)

RECONCILIATION OF MOVEMENTS

Opening balance	6,065	16,402
Depletions through settlement	(866)	(1,849)
Adjustment - through re-measurement	(150)	(9,428)
Unwinding of discount – via profit and loss	313	940
Closing balance	**5,362**	**6,065**

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 Consolidated Entity 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 $9.2 million (undiscounted) (2019: $27.7 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 2020, a number of onerous contracts have been settled through the ordinary course of business. The onerous provision at 30 June 2020 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 and Isaac Downs reserves. During the year, a contract was entered into with a third party to supply them with some water from our existing long-term contract. This allocation has been included in the calculation of the onerous contract to reduce total onerous contract obligation.

NOTE 15 ONEROUS CONTRACTS PROVISION (CONT.)

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 FY20 year a total of $0.866 million of onerous contracts were settled through payment, with the unwinding of the discount being $0.313 million and $0.150 million taken through consolidated Statement of Profit or Loss and Other Comprehensive Income for re-measurement.

NOTE 16 REHABILITIATION PROVISION

	2020 $ '000	2019 $ '000
CURRENT		
Current rehabilitation provision	3,072	4,700
NON-CURRENT		
Non-current rehabilitation provision	26,890	24,256
Total rehabilitation liability	**29,962**	**28,956**

RECONCILIATION OF MOVEMENTS		
Opening balance	28,956	18,583
Additions – current year disturbance	4,491	11,752
Depletion - rehabilitation works completed	(4,896)	(4,848)
Depletion - re-measurement	1,076	3,134
Unwinding of discount – via profit and loss	335	335
Closing balance	**29,962**	**28,956**

NOTE 16 REHABILITIATION PROVISION (CONT.)

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 FY20 a decrease in the rehabilitation provision of $4.8 million was recognised due to the rehabilitation works completed at Isaac Plains. In addition, a rehabilitation liability was recognised with regard to disturbance of Isaac Plains East. Clearing has continued in line with mining operations of $4.4 million. A corresponding asset is recognised in Mine Properties.

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 discounted cash outflows.

NOTE 17 VENDOR ROYALTIES – CONTINGENT CONSIDERATION

	2020 $ '000	2019 $ '000
CURRENT		
Current vendor royalties - contingent consideration	7,617	7,955
NON-CURRENT		
Non-current vendor royalties - contingent consideration	15,033	24,598
Total vendor private royalty	**22,650**	**32,553**

RECONCILIATION OF MOVEMENTS		
Opening balance - vendor royalties - contingent consideration at fair value	32,553	32,694
Fair value adjustments taken to profit and loss in other expenses	(4,387)	6,145
Depletions through settlement	(8,980)	(9,560)
Unwinding of discount – via profit and loss	3,464	3,274
Total vendor royalties - contingent consideration at fair value	**22,650**	**32,553**

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 FY20 to the vendors and as a result the remaining cap is $21.2 million (2020 dollars).

During FY19, Stanmore completed the acquisition of Isaac Downs (formerly Wotonga South). This transaction included a royalty stream payable to the vendor at $1 per tonne of product coal when the premium hard coking coal benchmark is over A$170 per tonne (indexed for CPI) capped at $10.0m. The fair value of this royalty has been recognised during FY19 and carried forward into FY20 and recognised as a non-current liability.

NOTE 17 VENDOR ROYALTIES – CONTINGENT CONSIDERATION (CONT.)

This valuation has been performed using a discounted cash flow methodology which was consistent with that used in FY19. 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
- A$/US$ Foreign exchange forward curve estimates are based on market consensus curves
- 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), the Isaac Downs Mine (unapproved) 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 US$/A$ foreign exchange rate. As the coal commodity is currently traded in US$ 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 A$/US$ 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%	22.650	21.506	19.893	12.089	11.441
	+5%	24.057	22.650	21.506	19.893	12.089
	Current	24.057	24.057	22.650	21.506	19.893
	(5%)	24.057	24.057	24.057	22.650	21.506
	(10%)	24.057	24.057	24.057	24.057	22.650

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%	-	(5.1%)	(12.2%)	(46.6%)	(49.5%)
	+5%	-	-	(5.1%)	(12.2%)	(46.6%)
	Current	-	-	-	(5.1%)	(12.2%)
	-5%	-	-	-	-	(5.1%)
	-10%	-	-	-	-	-

NOTE 17 VENDOR ROYALTIES – CONTINGENT CONSIDERATION (CONT.)

The below shows changes in Valuation due to changes to Isaac Plains 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)	22.379	(0.271)	(1.2%)
Isaac Downs (not approved)	15.828	(6.822)	(30.1%)
Remaining Isaac Plains complex reduced by 20% product	21.044	(1.606)	(7.1%)
Remaining Isaac Plains complex increased by 20% product	24.136	1.486	6.6%

As at 30 June 2020 the fair value was assessed at $22.650 million; this calculation reaches the cap of the agreements relating to Isaac Plains East and Isaac Downs.

NOTE 18 DIVIDENDS AND FRANKING CREDITS

ORDINARY SHARES	2020 $ '000	2019 $ '000
Final franked dividend for the year ended 30 June 2019 of 8 cps (30 June 2018 of 2 cps unfranked)	20,488	5,037
Interim fully franked dividend for the half year ended 31 December 2019 of 3 cps (31 December 2018 3 cps fully franked)	7,683	7,583
Total dividends provided for or paid	**28,171**	**12,620**

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:

Paid in cash	24,073	8,162
Satisfied by issue of shares	4,098	4,458
Total dividends provided for or paid	**28,171**	**12,620**

NOTE 18 DIVIDENDS AND FRANKING CREDITS (CONT.)

	2020	2019
DIVIDENDS NOT RECOGNISED AT THE END OF THE REPORTING PERIOD	**$ '000**	**$ '000**
No dividend proposed for 30 June 2020		
(30 June 2019 8 cps fully franked)	-	20,488
Proposed dividends on ordinary shares	**-**	**20,488**

	2020	2019
	$ '000	**$ '000**
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2019 - 30%)	7,539	25,419
	7,539	**25,419**

NOTE 19 EARNINGS PER SHARE

	2020	2019
	$ '000	**$ '000**
EARNINGS		
Profit/(Loss) attributable to owners of Stanmore Coal Limited used to calculate basic and diluted earnings per share	**34,893**	**91,598**

	2020	2019
	Number '000	**Number '000**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	265,053	260,748
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**265,322**	**265,337**

NOTE 19 EARNINGS PER SHARE (CONT.)

	2020 $ '000	2019 $ '000
RECONCILIATION OF MOVEMENTS		
Opening balance	256,094	251,801
Bonus share issue	7,789	7,789
Weighted average of issued shares (DRP)	720	1,168
Weighted average of issued shares (LTIP)	444	-
Weighted average of employee shares issued	6	-
Weighted average shares purchased on-market	-	(10)
Weighted average number of ordinary shares used in calculating basic earnings per share	**265,053**	**260,748**
Weighted average number of Long-term Incentive Rights issued	269	4,589
Weighted average number of ordinary shares and potential ordinary shares issued used to calculate diluted earnings per share	**265,322**	**265,337**
Basic earnings per share (cents per share)	13.2	35.1
Diluted earnings per share (cents per share)	13.2	35.6

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.

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 20 ISSUED CAPITAL

	2020 $ '000	2019 $ '000
270,417,381 fully paid ordinary shares (2019: 256,094,238)	125,072	120,960
Share issue costs	(4,476)	(4,476)
Deferred tax recognised through equity	1,129	1,129
Total issued capital	**121,725**	**117,613**

A. ORDINARY SHARES

	2020 Number	2019 Number	2020 $ '000	2019 $ '000
ORDINARY SHARES				
At the beginning of the year	256,094,238	251,800,978	117,613	113,200
Issue of Shares under DRP	4,325,518	4,332,625	4,098	4,458
LTIP Rights vested	2,193,969	-	-	-
Bonus share issue	7,788,662	-	-	-
Employee shares issued	14,994	-	14	-
On market share buy-back	-	(39,365)	-	(45)
At reporting date	**270,417,381**	**256,094,238**	**121,725**	**117,613**

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.

The shares issued as part of the Employee shares issued are subject to a trading lock of 3 years, or until such time as the employee resigns from the Consolidated Entity, these are referred to as deferred shares. As at 30 June 2020, 13,248 deferred shares were still subject to trading lock. Excluding the 13,248 deferred shares, there are 270,404,133 tradable shares. The difference between the original issued shares under the Employee shares relates to employees that have left the Consolidated Entity and had the holding lock removed from their shares.

NOTE 20 ISSUED CAPITAL (CONT.)

B. OPTIONS AND RIGHTS

As at 30 June 2020 no options were held by or issued to employees of the Consolidated Entity (FY19 nil).

All Rights on issue at 30 June 2020 were as follows:

Number of Rights	Exercise Price	End of measurement period	Conditions
219,066	Nil	30 June 2021	Share price targets based on Absolute Shareholder Total Return Compound Annual Growth Rates in FY20, if no vesting occurs at FY 21 then retested in FY22 see Note 30 for further details
89,905	Nil	30 June 2022	Share price targets based on Absolute Shareholder Total Return Compound Annual Growth Rates in FY21, if no vesting occurs at FY 22 then retested in FY23 see Note 30 for further details

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.

NOTE 20 ISSUED CAPITAL (CONT.)

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 21 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.

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.

NOTE 21 FINANCIAL RISK MANAGEMENT (CONT.)

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:

	Note	2020	2019
		$ '000	$ '000
Cash and cash equivalents	4a	32,244	90,465
Restricted cash		407	245
Receivables	6	4,715	20,803
Security deposits and debt service reserve		3,833	113
Credit risk exposure		**41,199**	**111,626**

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

The Consolidated Entity's credit risk exposure is influenced mainly by the individual characteristics of each customer. Given the Consolidated Entity trades predominately with recognised, credit worthy third parties, the credit risk is determined to be low. There is no expected credit loss on outstanding receivables. Bank deposits are held with National Australia Bank Limited. National Australia Bank have a long-term credit rating with rating agency S&P of AA-.

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 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 increased from $55.517 million in 2019 to $71.578 million in 2020.

NOTE 21 FINANCIAL RISK MANAGEMENT (CONT.)

MATURITY ANALYSIS – CONSOLIDATED – 2020 - FINANCIAL LIABILITIES

Maturity analysis - consolidated 2020	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	32,524	32,524	32,524	-	-	-
- Equipment finance loan	12,469	13,934	1,365	1,365	8,419	2,785
- Vendor Royalties Payable	22,650	24,593	2,750	5,366	4,852	11,625
- Lease Liability	823	937	28	85	554	270
- Other payables	622	622	622	-	-	-
	69,088	**72,610**	**37,289**	**6,816**	**13,825**	**14,680**

MATURITY ANALYSIS – CONSOLIDATED – 2019 - FINANCIAL LIABILITIES

Maturity analysis - consolidated 2019	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	50,307	50,307	50,307	-	-	-
- Vendor Royalties Payable	32,553	41,276	5,653	4,434	19,628	11,561
- Other payables	853	853	853	-	-	-
	83,713	**92,436**	**56,813**	**4,434**	**19,628**	**11,561**

Further information regarding commitments is included in Note 23.

C. CURRENCY RISK

The Australian dollar (A$) is the functional currency of the Consolidated Entity and as a result, currency exposure arises from transactions and balances in currencies other than the A$.

The Consolidated Entity's potential currency exposures comprise:

NOTE 21 FINANCIAL RISK MANAGEMENT (CONT.)

COAL SALES DENOMINATED IN US$

Coal sales for export coal are denominated in US$. The Consolidated Entity is therefore exposed to volatility in the US$: A$ exchange rates. Historically, due to the stability in the exchange rate it remains the Consolidated Entity's policy not to hedge Foreign exchange risk relating to coal sales. This may change in the future if the Consolidated Entity believe there may be a benefit to hedge foreign currency risk in relation to its coal sales.

The Consolidated Entity 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 Consolidated Entity does not use any derivative products to mitigate fluctuations in the relevant coal price indexes.

BANK GUARANTEE LINE OF CREDIT FACILITIES DENOMINATED IN US$

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 US$ amount varies while the A$ amount is fixed to the value of the guarantees issued. While this facility limits US$ exposure in the event of default on a bank guarantee on issue of the funds by the respective banks the US$ loan would crystallise, and a US$ exposure would eventuate. It is considered the risk of such an event is limited in the current environment. If these loans did crystallise the US$ currency risk would be assessed at that time. As noted in below loans in US$ currency supply a natural hedge to the US$ denominated coal sales.

As this facility is provided by the Consolidated Entity's existing financier, once this facility has been cancelled and the bank guarantees replaced by the Consolidated Entity with cash deposits, this risk will no longer be present.

WORKING CAPITAL FACILITY

The current working capital facility which will be cancelled on 16 September 2020 can no longer be utilised by the Consolidated Entity therefore there is no longer an exposure to foreign currency fluctuations.

The short term finance facility currently in place is denominated in AU$ and available to the Consolidated Entity with 5 days-notice required for draw downs. See Note 13 for details of the short term facility.

Derivative products are therefore currently not deemed necessary to reduce foreign exchange risk in relation to the working capital facilities.

NOTE 21 FINANCIAL RISK MANAGEMENT (CONT.)

EXPENSES DENOMINATED IN CURRENCIES OTHER THAN A$

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 Consolidated Entity 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 2020 or 30 June 2019 financial years.

D. MARKET RISK

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is a 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 (another price risk). The Consolidated Entity does not have any material exposure to market risk.

At 30 June 2020, the effect on profit as a result of changes in the FX rate would be:

		Increase in FX rate by 5%	**Decrease in FX rate by 5%**
	Carrying amount	**Profit or loss**	**Profit or loss**
2020	**$ '000**	**$ '000**	**$ '000**
Cash and cash equivalents - US$	7,915	396	(396)
Trade receivables - US$	2,403	120	(120)
Tax charge of 30%	-	(155)	155
After tax increase/ (decrease)	**-**	**361**	**(361)**
2019			
Cash and cash equivalents - US$	28,790	1,439	(1,439)
Trade receivables - US$	12,123	606	(606)
Tax charge of 30%	-	(614)	614
After tax increase/ (decrease)	**-**	**1,431**	**(1,431)**

NOTE 21 FINANCIAL RISK MANAGEMENT (CONT.)

a. 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:

2020	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 %
FINANCIAL ASSETS					
Cash and cash equivalents	32,244	-	-	32,244	0.25%
Restricted cash	-	407	-	407	0.82%
Receivables	-	-	4,714	4,714	
Security deposits	-	-	115	115	
Total financial assets	**32,244**	**407**	**4,829**	**37,480**	
FINANCIAL LIABILITIES					
Trade payables	-	-	32,524	32,524	
Equipment finance lease	-	12,469	-	12,469	4.47%
Vendor Royalties Payable	-	-	22,650	22,650	
Lease Liability	-	823	-	823	8.0%
Other payables	-	-	622	622	
Total financial liabilities	**-**	**13,377**	**55,796**	**68,579**	

NOTE 21 FINANCIAL RISK MANAGEMENT (CONT.)

2019	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 %
FINANCIAL ASSETS					
Cash and cash equivalents	90,465	-	-	90,465	1.13%
Restricted cash	-	245	-	245	2.23%
Receivables	-	-	20,803	20,803	
Security deposits	-	-	113	113	
Total financial assets	**90,465**	**245**	**20,916**	**111,626**	
FINANCIAL LIABILITIES					
Trade payables	-	-	50,307	50,307	
Working Capital Facility	-	-	-	-	10.00%
Vendor Royalties Payable	-	-	32,553	32,553	
Other payables	-	-	853	853	
Total financial liabilities	**-**	**-**	**83,713**	**83,713**	

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.

NOTE 21 FINANCIAL RISK MANAGEMENT (CONT.)

At 30 June 2020, 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%	
	Carrying Amount	Profit or loss	Equity	Profit or loss	Equity
2020	$ '000	$ '000	$ '000	$ '000	$
Cash and cash equivalents	32,244	322	322	(322)	(322)
Tax charge of 30%	-	(97)	(97)	97	97
After tax increase/ (decrease)	**-**	**225**	**225**	**(225)**	**(225)**
2019					
Cash and cash equivalents	90,465	905	905	(905)	(905)
Tax charge of 30%	-	(271)	(271)	271	271
After tax increase/ (decrease)	**-**	**634**	**634**	**(634)**	**(634)**

FAIR VALUES

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Consolidated Entity has adopted the amendment to AASB 9 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

NOTE 21 FINANCIAL RISK MANAGEMENT (CONT.)

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 Consolidated Entity completed a level 3 valuation on contingent consideration (Note 17). 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	Level 2	Level 3
2020	**$ '000**	**$ '000**	**$ '000**
Vendor royalties contingent consideration held at fair value through profit or loss	-	-	22,650
Total Financial Liabilities	**-**	**-**	**22,650**
2019			
Vendor royalties contingent consideration held at fair value through profit or loss	-	-	32,553
Total Financial Liabilities	**-**	**-**	**32,553**

There were no other financial assets or liabilities carried at fair value in FY20.

NOTE 22 INTERESTS IN OTHER ENTITIES

Subsidiaries

The Consolidated Entity's principal subsidiaries at 30 June 2020 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	Principle activities	Country of incorporation	Class of shares	Percentage owned 2020	Percentage owned 2019
Mackenzie Coal Pty Limited	Coal exploration	Australia	Ordinary	100%	100%
Comet Coal & Coke Pty Limited	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%
Stanmore Coal Custodians Pty Ltd[1]	Trustee of Stanmore Employee Share Trust	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%	100%
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%

[1] Previously Brown River Coal Pty Ltd

NOTE 22 INTERESTS IN OTHER ENTITIES (CONT.)

Details of farm in arrangements

Set out below are the significant farm in arrangements of the group as at 30 June 2020. The proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Principle activities	Place of business/Country of incorporation	Nature of relationship	Percentage interest	
				2020	2019
Clifford Joint Venture	Coal exploration	Australia	Farm in arrangement	60%	60%
Lilyvale Joint Venture	Coal exploration	Australia	Farm in arrangement	85%	85%
Mackenzie Joint Venture	Coal exploration	Australia	Farm in arrangement	95%	95%

NOTE 23 COMMITMENTS

EXPLORATION AND MINING

The commitments to be undertaken are as follows:

	Note	2020 $ '000	2019 $ '000
Payable			
- not later than 12 months		652	1,191
- between 12 months and 5 years		1,675	2,066
- greater than 5 years		474	474
		2,801	**3,731**

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.

SHORT TERM LEASES

The commitments to be undertaken are as follows:

	Note	2020 $ '000	2019 $ '000
Payable			
- not later than 12 months		3	130
- between 12 months and 5 years		17	52
		20	**182**

The Consolidated Entity has a short term lease commitment in relation to the leased office equipment. The commercial office lease commitment is recognised in Note 14 following the adoption of AASB 16 Leases.

NOTE 23 COMMITMENTS (CONT.)

CAPITAL COMMITMENTS

The commitments to be undertaken are as follows:

	Note	2020	2019
		$ '000	$ '000
Payable			
- not later than 12 months		780	7,675
- between 12 months and 5 years		3,700	3,700
		4,480	**11,375**

Land acquisitions

On 7 April 2011, the Consolidated Entity announced that it had completed an agreement for the right to purchase The Range thermal Coal Project in the Surat Basin. Variations to this agreement have been negotiated such that final payment and transfer of title is due 30 days after the Mining Lease is granted by the Department of Natural Resources, Mines and Energy, or an earlier date by agreement. The final payment is indexed to land valuation movements with reference to comparable properties, with a reference price of $3.7 million based at 2014. The agreement gives the Group access to undertake evaluation and development work as the Project moves through the approval process and ultimate development and production. The terms of the acquisition are within normal market expectations.

Isaac Plains Complex Royalty

On 26 November 2015 the Consolidated Entity established a finance facility with Taurus to fund the acquisition of and re-start of mining at the Isaac Plains Complex and agreed to a 0.8% royalty payable on:

- the saleable value of all product coal owned by the Group at that time 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 8 June 2018, the Consolidated Entity extended its financing facilities through Taurus 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.

This Royalty stream will stay on foot following cancellation of the finance facility.

Isaac Plains East landholder agreement

On 20 July 2017 the Consolidated Entity 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 2018 when the published Hard Coking Coal Price for any quarter is greater than US$200/t (increasing by 2.5% p.a.) from July 2017.

NOTE 24 CONTINGENT ASSETS AND LIABILITIES

CONTINGENT ASSETS

WICET Loan

In the 2014 financial year the Consolidated Entity 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 Consolidated Entity. The Consolidated Entity 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 Consolidated Entity's $8m loan would be repaid.

CONTINGENT LIABILITIES

Debt finance facility

In November 2015 (extended in June 2019), the Consolidated Entity signed a Finance Facility which provides credit support for certain bank guarantees issued to third parties related to the Isaac Plains Coal Mine, 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 Consolidated Entity'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 are off-consolidated statement of financial position except in circumstances where the Consolidated Entity 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.

Through this facility, the following bank guarantees are provided to third parties:

	2020	2019
Rail capacity providers	6,222	6,222
Port capacity providers	4,335	4,335
Electricity network access supplier	-	1,247
Other	3,661	3,506
	14,218	**15,310**

NOTE 24 CONTINGENT ASSETS AND LIABILITIES (CONT.)

During FY20, this Finance Facility provided to the Consolidated Entity was cancelled as a result of the change of control of the Consolidated Entity. The Consolidated Entity is in the process of replacing the bank guarantees provided under the current Finance Facility and will have all the bank guarantees replaced by the cancellation date of the facility. See Note 13 for more details about the current and proposed finance facilities.

Surety Bond facility

On June 2019 the Consolidated Entity signed a Surety Bond Facility which provides performance bonds. The surety bonds are off-consolidated statement of financial position except in circumstances where the Consolidated Entity is in default under the facility letter. If a default were to occur, then the debt would be realised which would result in Consolidated Statement of Financial Position recognition. At the date of these financial statements there is no default occurring or subsisting.

Through this facility, the following surety is provided to a third party:

	2020	2019
Government departments as a condition of mining licences	17,480	17,480
	17,480	**17,480**

In light of the Queensland Government changes to the provision of financial security for mining rehabilitation obligations, the Consolidated Entity is reviewing its options in relation to this surety facility. If there is opportunity for the Consolidated Entity to join the Queensland Government State pool in relation to its current rehabilitation obligations this would be considered.

As at 30 June 2020 this surety facility is still required, and the Consolidated Entity had not yet been approved to be part of the State pool.

NOTE 25 EVENTS AFTER REPORTING DATE

On 27 July 2020 the Consolidated Entity announced that it has entered into a marketing services agreement with M Resources Trading Pty Ltd (M Resources). M Resources will exclusively manage the Consolidated Entity's global sales contracts and customer relationships, as well securing additional sales to customers. M Resources will be managing sales for all of the Consolidated Entity's coal output, including for the Isaac Downs project.

The key terms of the agreement are;

- initial contract term is for 3 years with an option to extend for an additional 12 months if agreed by both parties
- the contract is a fixed base fee contract with an additional performance based variable fee linked to agreed performance-based targets

NOTE 25 EVENTS AFTER REPORTING DATE (CONT.)

M Resources is an independent Brisbane based marketing services and trading company supported by an experienced team with a long track record in market development, technical marketing, sales, processing and logistics management. M Resources and its owner, Matt Latimore are substantial shareholders of the Consolidated Entity, creating a strategic alignment towards shareholder goals.

No other events or circumstances have arisen since the end of the financial year.

NOTE 26 KEY MANAGEMENT PERSONNEL

Total key management personnel compensation

	2020 $	2019 $
Short-term employee benefits	2,700,511	2,601,810
Post-employment benefits	130,803	105,264
Termination benefits	15,957	-
Share-based payments	1,661,954	549,700
	4,509,225	**3,256,774**

NOTE 27 AUDITOR'S REMUNERATION

	Note	2020 $	2019 $
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		181,863	149,800
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		60,225	106,449
CORPORATE FINANCE SERVICES			
Amounts paid/payable to related entities of BDO Audit Pty Ltd for the non-audit takeover defence services performed for the entity or any entity in the Consolidated Entity		101,989	135,202
		344,077	**391,451**

NOTE 28 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 Consolidated Entity's 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.

NOTE 28 PARENT ENTITY INFORMATION (CONT.)

Parent Entity	2020 $ '000	2019 $ '000
Current assets	15,290	4,705
Non-current assets	73,931	92,916
Total assets	**89,221**	**97,621**
Current liabilities	2,185	27,124
Non-current liabilities	23,815	5,845
Total liabilities	**26,000**	**32,969**
Net assets	**63,221**	**64,652**
Issued capital	121,725	117,613
Share Based Payment Reserve	2,348	1,703
Accumulated losses	(60,852)	(54,664)
Total shareholder's equity	**63,221**	**64,652**
Profit / (loss) for the year	**21,983**	**16,185**
Total comprehensive income for the year	**21,983**	**16,185**

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 29 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.

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

Coal trading, corporate, marketing and infrastructure functions which are managed on a group basis are not allocated to an operating segment.

The Consolidated Entity's financing (including finance costs and finance income), depreciation and income taxes are managed on a group basis and are not allocated to reportable segments.

Major customers

The Consolidated Entity has several customers to whom it sells export grade coal. The Consolidated Entity supplies one such external customer who accounts for 29% of revenue. The next most significant customer accounts for 15% of revenue.

NOTE 29 OPERATING SEGMENTS (CONT.)

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

	Isaac Plains Complex	Exploration and Development	Unallocated Operations	Adjustments and Eliminations	Total
2020	**$ '000s**	**$ '000s**	**$ '000s**	**$ '000s**	**$ '000s**
SEGMENT REVENUE					
External sales	364,485	-	-	-	364,485
Total segment revenue	364,485	-	-	-	364,485
Total revenue per consolidated Statement of Profit or Loss and other Comprehensive Income					**364,485**
RESULT					
Segment result	95,291	-	(8,779)	-	86,512
Depreciation and amortisation	-	-	-	-	(26,916)
Income tax expense	-	-	-	-	(16,685)
Net finance expense	-	-	-	-	(8,018)
Net profit after tax per consolidation Statement of Profit or Loss and other Comprehensive Income				**-**	**34,893**
Total Assets	**137,408**	**80,970**	**66,521**	**11,870**	**296,769**
Total Liabilities	**18,971**	**23,058**	**63,775**	**22,382**	**128,186**

NOTE 29 OPERATING SEGMENTS (CONT.)

2019	Isaac Plains Complex $ '000s	Exploration and Development $ '000s	Unallocated Operations $ '000s	Adjustments and Eliminations $ '000s	Total $ '000s
SEGMENT REVENUE					
External sales	403,059	-	-	-	403,059
Total segment revenue	403,059	-	-	-	403,059
Total revenue per consolidated Statement of Profit or Loss and other Comprehensive Income					**403,059**
RESULT					
Segment result	148,317	-	1,220	-	149,537
Depreciation and amortisation	-	-	-	-	(11,383)
Income tax expense	-	-	-	-	(36,932)
Net finance expense	-	-	-	-	(9,624)
Net profit after tax per consolidation Statement of Profit or Loss and other Comprehensive Income					**91,598**
Total Assets	**273,491**	**75,496**	**4,963**	**(46,958)**	**306,992**
Total Liabilities	**149,808**	**5,597**	**30,900**	**(36,417)**	**149,888**

NOTE 30 SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2020.

Share-based payments to Directors, executives and employees.

SHARES

During the year ended 30 June 2020, shares were granted to eligible employees up to the value of $1,000 per employee. At a total cost to the Consolidated Entity of $14,000.

OPTIONS

During the year ended 30 June 2020, no options were granted to KMP as share-based payments.

RIGHTS

The amount recognised as share-based payment expense in the consolidated Statement of Profit or Loss and other Comprehensive Income is as follows:

	2020 $ '000	2019 $ '000
Employee benefits expense	1,662	551
	1,662	**551**

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

	2020 $ '000	2019 $ '000
Share Based Payment Reserve	(645)	(551)
	(645)	**(551)**

NOTE 30 SHARE-BASED PAYMENTS (CONT.)

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 2020, Rights were granted to employees as long-term incentive as outlined in the Remuneration report, 509,192 Rights were granted. The terms and conditions of the grant are as follows:

Tranche	Grant date	Measurement date	Exercise price	Balance at start of year	Granted in year	Exercised in year	Lapsed during year	Balance at end of year
	12 Oct 2012	30 Jun 2020	$0.00	100,000	-	100,000	-	-
1	14 Nov 2016	30 Jun 2019[a]	$0.00	94,985	-	94,985	-	-
1	29 Nov 2017	30 Jun 2019[a]	$0.00	531,497	-	531,497	-	-
2	29 Nov 2017	30 Jun 2020[b]	$0.00	2,611,508	-	1,506,488	1,105,020	-
3	5 Nov 2018	30 Jun 2021[c]	$0.00	1,251,497	-	332,884	699,547	219,066
4	24 Oct 2019	30 Jun 2022[d]	$0.00	-	509,192	254,596	164,691	89,905
TOTAL				4,589,487	509,192	2,820,450	1,969,258	308,971

(a) Vested on 31 July 2019 as determined by the Board and cash settled
(b) These Rights were modified and vested on 2 April 2020, refer to 'Modification of performance rights' on page 73
(c) These Rights were modified and vested on 2 April 2020, refer to 'Modification of performance rights' on page 73
(d) These Rights were modified and vested on 2 April 2020, refer to 'Modification of performance rights' on page 73

NOTE 30 SHARE-BASED PAYMENTS (CONT.)

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 following table lists the inputs to the models used for the years ended 30 June 2020, 30 June 2019 and 30 June 2018, prior to the modification following the change of control:

	Tranche 2 (issued in FY2018)	Tranche 3 (issued in FY2019)	Tranche 4 (issued in FY2020)
Performance hurdle	ASTR	ASTR	ASTR
Grant date	29 Nov 2017	5 Nov 2018	24 Oct 2019
Vesting date	31 Jul 2020	31 Jul 2021	31 Jul 2022
Fair value at grant date	$0.32- $0.38 (SDR[1])	$0.45	$0.37
Share price	$0.60	$0.94	$1.13
Exercise price	$0.00	$0.00	$0.00
Dividend yield	0%	0%	4.47%
Expected measurement period	30 Jun 2020 30 Jun 2021	30 Jun 2021 30 Jun 2022	30 Jun 2022 30 Jun 2023
Risk free interest rate	2.40%	2.09%	0.73%
Expected volatility	75%	60%	50%

[1] *Specified Disposal Restriction*

Modification of Rights

As a result of the Board exercising its discretion in relation to the Rights outstanding on 1 April 2020, the day immediately before the change of control, a modification under AASB 2 *Share Based Payments* was triggered. This modification required the Rights that vested as a result of the change in control to be revalued immediately before the change of control and any value increase between the revalued amount and the share price on the day of modification be recognised in the Statement of Profit or Loss and other Comprehensive Income. The below is the impact on the Statement of Profit or Loss and other Comprehensive Income:

NOTE 30 SHARE-BASED PAYMENTS (CONT.)

Tranche	Exercise Price	Vesting	No.of rights	Modification	Fair Value[1]	Share price[2]	Impact on profit and loss
FY18	$0.00	2-Apr-20	1,506,488[3]	100% of the rights vested	0.28	0.96	1,024,412
FY19	$0.00	2-Apr-20	332,884[3]	50% of the rights vested	0.15	0.96	269,636
FY19	$0.00	31-Jul-21	332,883	50% of the Rights did not vest and continue on original terms	N/A	N/A	-
FY20	$0.00	2-Apr-20	254,596[3]	50% of the rights vested	0.13	0.96	211,315
FY20	$0.00	-	127,298	25% of the rights lapsed	N/A	N/A	-
FY20	$0.00	31-Jul-22	127,298	25% of the Rights that did not vest and continue on original terms	N/A	N/A	-
			2,681,447				**1,505,363**

[1] The fair value is the accounting valuation of the Rights on the day immediately before change of control occurred

[2] The closing share price following change of control

[3] The additional expense recognised as a result of vesting earlier than original conditions in line with the modification was $0.262m.

The Fair Value of the performance Rights granted under the LTI program which vested on 2 April 2020 was based on the existing performance conditions, see page 75 for details. These conditions are measured using a Monte Carlo Simulation model incorporating the probability of the performance hurdles being met. The following table lists the inputs to the models used for the years ended 30 June 2020, 30 June 2019 and 30 June 2018 following the modification:

	Tranche 2 (issued in FY2018)	Tranche 3 (issued in FY2019)	Tranche 4 (issued in FY2020)
Performance hurdle	ASTR	ASTR	ASTR
Grant date	1 April 2020	1 April 2020	1 April 2020
Vesting date	31 Jul 2020	31 Jul 2021	31 Jul 2022
Fair value at grant date	$0.23- $0.28 (SDR[1])	$0.15	$0.13
Share price	$0.80	$0.80	$0.80
Exercise price	$0.00	$0.00	$0.00
Dividend yield	5.0%	7.5%	10.7%
Expected measurement period	30 Jun 2020 30 Jun 2021	30 Jun 2021 30 Jun 2022	30 Jun 2022 30 Jun 2023
Risk free interest rate	0.21%	0.21%	0.29%
Expected volatility	50%	50%	50%

[1] *Specified Disposal Restriction*

NOTE 30 SHARE-BASED PAYMENTS (CONT.)

Below is a summary of the performance conditions for vesting for Tranche 2 (FY18 rights) granted:

Performance Level	ATSR [(a)] of SMR [(b)] CAGR [(c)]	% 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[(d)]	<22.92%	0%	$0.00

[(a)] **Absolute Shareholder Return**

[(b)] **Stanmore Coal Limited**

[(c)] **Compound Annual Growth Rate (CAGR)**

[(d)] **subject to Retest in FY21 at CAGR**

Below is a summary of the performance conditions of vesting for Tranche 3 (FY19 rights) granted:

Performance Level	ATSR [(a)] of SMR [(b)] CAGR [(c)]	% of Stretch / Maximum Vesting	Jun 21 Share Price for vesting
Stretch	36.24%	100.00%	$2.20
Between Target and stretch	>26.23%<36.24%	Pro-rata	Pro-Rata
Target	26.23%	50.00%	$1.75
Between Threshold and Target	>14.33% <26.23%	Pro-Rata	Pro-Rata
Threshold	14.33%	0%	$1.30
Below Threshold[(d)]	<14.33%	0%	$0.00

[(a)] **Absolute Shareholder Return**

[(b)] **Stanmore Coal Limited**

[(c)] **Compound Annual Growth Rate (CAGR)**

[(d)] **subject to Retest in FY22 at CAGR**

NOTE 30 SHARE-BASED PAYMENTS (CONT.)

Below is a summary of the performance conditions for vesting for Tranche 4 (FY20) Rights granted:

Performance Level	ATSR [(a)] of SMR [(b)] CAGR [(c)]	% of Stretch / Maximum Vesting	Jun 22 Share Price for vesting
Stretch	20.00%	100.00%	$2.46
Between Target and stretch	>15.00%<20.00%	Pro-rata	Pro-Rata
Target	15.00%	50.00%	$2.17
Between Threshold and Target	>10.00%<15.00%	Pro-Rata	Pro-Rata
Threshold	10.00%	0%	$1.90
Below Threshold[(d)]	<10.00%	0%	$0.00

[(a)] **Absolute Shareholder Return**

[(b)] **Stanmore Coal Limited**

[(c)] **Compound Annual Growth Rate (CAGR)**

[(d)] **subject to Retest in FY23 at CAGR**

In relation to the 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.

The Consolidated Entity 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. As a result of the change of control that occurred on 2 April 2020, there was a modification to the valuation immediately prior to the change of control. See details on page 73 for information on the modification and the impact to the Statement of Profit or Loss and other Comprehensive Income.

NOTE 31 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.

PARENT ENTITY

The parent entity is Stanmore Coal Limited, a company incorporated in Australia. The ultimate parent company of the Consolidated Entity is PT Sinarindo Gerbangmas.

SUBSIDIARIES

Interests in subsidiaries are disclosed in Note 22.

KEY MANAGEMENT PERSONNEL

Disclosures relating to KMP are set out in Note 26.

OTHER RELATED PARTY TRANSACTIONS

On 18 June, the Consolidated Entity has also signed a non-binding term sheet with its parent entity, Golden Energy and Resources Limited (GEAR) in respect to a new financing facility. The terms of this facility are similar to the terms provided by the previous financier. The Consolidated Entity is progressing this facility.

The key terms of the proposed facility are:

- Facility will be a US$40m facility until 30 June 2022
- Upfront commitment fee of 2.0%
- Interest rate on drawn funds of 8.0% per annum
- Interest rate on undrawn funds 2.0% per annum

On 26 June, the Consolidated Entity entered into a Short-term Financing Agreement with its parent entity, GEAR to cover the period up until the US$40 million finance facility is finalised and in place. The key terms of this short-term facility are:

- Facility is an AU$10m facility which expires on the earlier of 30 September 2020, or when the US$40m facility is finalised
- Interest rate is 8.0% per annum on draw funds

NOTE 32 OTHER ACCOUNTING POLICIES

A. 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.

B. 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 2020.

There are no such statements or interpretations that are expected to have a material impact on the Consolidated Entity.