Results for Announcement to Market

Appendix 4D – Half Year ended 30 June 2021

This document relates to Stanmore Resources results for the half year ended 30 June 2021.

Reporting period	6 months ended 30 June 2021
Previous reporting period	6 months ended 30 June 2020

	6 months to 30 June 2021	6 months to 30 June 2020	Change
	$'000	$'000	%
Revenue from ordinary activities	93,706	163,876	(57%)
Profit/(loss) after tax from ordinary activities attributable to members	(15,457)	7,981	(194%)
Net Profit/(loss) attributable to members	(15,457)	7,981	(194%)

Dividends paid and proposed

Paid during the period

No dividend was declared or paid during the period

Declared after the period

No further dividend has been declared for FY21.

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

Detailed commentary on the consolidated results and outlook are set out in the Operating and Financial Review section of the Directors' Report.

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

	30 June 2021	31 December 2020	Change
	$	$	%
Net tangible assets/(liabilities) per security	0.346	0.402	(14.0%)

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	30 June 2021	30 June 2020	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

The Consolidated Financial Statements upon which this Appendix 4D is based have been reviewed by Ernst & Young, the company's auditor.

Stanmore Resources Limited
ABN 27 131 920 968
Interim financial report - 30 June 2021

Contents

These financial statements are the consolidated financial statements of the consolidated entity consisting of Stanmore Resources Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Stanmore Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Stanmore Resources Limited
Level 15
133 Mary Street
Brisbane QLD 4000

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on page 2, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 12 August 2021. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.stanmore.net.au

Stanmore Resources Limited
Corporate directory

Directors	Mr Dwi Suseno Non-Executive Director and Chairman Mr Marcelo Matos Chief Executive Officer Mr Jimmy Lim Non-Executive Director Mr Mark Trevan Non-Executive Director Mr Richard Majlinder Non-Executive Director
Secretary	Mr Rees Fleming
Principal registered office in Australia	Level 15 133 Mary Street Brisbane QLD 4000 Australia +61 7 3238 1000
Share and debenture register	Link Market Services Level 21 10 Eagle Street Brisbane QLD 4000 1300 554 474
Auditor	Ernst & Young Level 51 111 Eagle Street Brisbane QLD 4000 07 3011 3333
Stock exchange listings	Australian Securities Exchange ASX Code: SMR
Website	www.stanmore.net.au

Directors' report

Your Directors present their report on the consolidated entity consisting of Stanmore Resources Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2021.

Directors

The following persons held office as Directors of Stanmore Resources Limited during the financial period:

Mr Dwi Suseno, Non-Executive Director and Chairman
Mr Marcelo Matos, Chief Executive Officer
Mr Jimmy Lim, Non-Executive Director
Mr Mark Trevan, Non-Executive Director
Mr Richard Majlinder, Non-Executive Director
Ms Mary Carroll, Non-Executive Director (resigned 2 July 2021)

Effective 22 July 2021, Mr Rees Fleming was appointed Company Secretary, following the resignation of Mr Tristan Garthe.

Principal activities

During the period the principal continuing activities of the group consisted of the exploration, development, production and sale of metallurgical coal in Queensland, Australia.

Operating and Financial Review

Highlights of the group's operations and results for the six-month period to 30 June 2021 are described below:

- Environmental approvals granted for Isaac Downs at both Queensland State and Commonwealth levels, followed by the subsequent granting of the mining lease on 27 July 2021 (after the reporting period), enabling construction and operations to commence
- Cash inflows from operations of $3.55m (30 June 2020: $12.47m outflow)
- Net profit/(loss) after tax of ($15.46)m (30 June 2020: $7.98m profit)
- Underlying EBITDA (a non-IFRS measure) of $14.17m loss (30 June 2020: positive $37.03m)
- Net cash of $16.02m as at 30 June 2021 (31 December 2020 $5.04m),
- Isaac Plains Complex operating segment profit/(loss) of ($6.60)m (30 June 2020: $41.93m)
- Prime overburden removal of 11.88m bcm (30 June 2020: 22.12m bcm)

Financial Performance

	30 June 2021 $'000	30 June 2020 $'000
Revenue from contracts with customers	**93,706**	163,876
Cost of sales of goods	**(103,552)**	(124,347)
Gross Profit/(Loss)	**(9,846)**	39,529
Other income and expenses	**(11,242)**	(19,911)
Profit/(loss) before income tax and net finance expenses	**(21,088)**	19,618
Finance income	**17**	157
Finance expenses	**(1,185)**	(4,331)
Net finance income/(expenses)	**(1,168)**	(4,174)
Profit/(loss) before income tax benefit/(expense)	**(22,256)**	15,444
Income tax benefit/(expense)	**6,799**	(7,463)
Profit/(loss) after income tax expense	**(15,457)**	7,981

Operating and Financial Review (continued)

Underlying EBITDA result (non-IFRS measure)

Underlying EBITDA (non-IFRS measure) reflects statutory EBITDA as adjusted to reflect the Director's assessment of the result for the ongoing business activities of the Consolidated Entity. The items adjusted are determined to be not in the ordinary course of business. The presentation of non-IFRS financial information provides stakeholders the ability to compare against prior periods in a consistent manner.

	Consolidated entity	
	30 June 2021 $'000	30 June 2020 $'000
Revenue	**100,330**	169,118
Expenses	**(121,418)**	(149,500)
Profit/(loss) before income tax and net finance expenses	**(21,088)**	19,618
Depreciation and amortisation	**11,901**	15,867
Earnings before interest, depreciation and amortisation (EBITDA) (Non-IFRS measure)	**(9,187)**	35,485
Remeasurement of onerous contracts	**(1,262)**	(77)
Remeasurement of rehabilitation provision	**(637)**	133
Fair value movement - contingent consideration	**(3,088)**	(2,934)
Takeover costs	**-**	4,419
Underlying EBITDA (Non-IFRS measure)	**(14,174)**	37,026

The Underlying EBITDA (non-IFRS measure) of $(14.174)m for the 6-month period to 30 June 2021 was a $51.199m decrease compared to $37.026m for the period to 30 June 2020. The reduction in EBITDA was primarily due to the combination of a 253kt reduction in sales volume, leading to higher take or pay logistics costs in the period, and a $38.4/t reduction in average realised sales prices. As a result the underlying margin reduced from $38.3/t at 30 June 2020 to a negative $16.1/t for the period to 30 June 2021.

Realised prices are in line with the reduction in Hard Coking Coal index price since 30 June 2020, and we expect to realise the more recent increases in prices in the second half of the financial year, given the lag effect between heading prices and our realised contract prices in the form of sales proceeds.

The average Hard Coking Coal index price was US$131.67/t for the 6 months to 30 June 2021 (closing June at US$196/t), US$110.28/t for the 6 months to 31 December 2020 (which generated an impact in the revenues in the 6 months period to 30 June 2021 given the lag effect of headline prices into our actual realised prices), and US$136.68/t for the period to 30 June 2020. See page 6 for additional pricing information. (Source - Platts Coal Trader International)".

The primary drivers contributing to the Net Profit after Tax ("NPAT") result ($15.46)m include: -

- Gross revenue from coal sales decreased to $93.71m for the period to 30 June 2021 from $163.88m in period to 30 June 2020. The decrease was driven by a $38.4/t decrease in the A$ realised price to an average of A$115.2/t from A$153.6/t to 30 June 2020 and a decrease in sales of produced coal to 807kt in the period to 30 June 2021 from 1,161kt in the period to 30 June 2020, due to the downsizing of fleet size to control costs in light of the challenging prevailing market conditions.
- Underlying non-cash FOB costs of $131.1/t were $16.0/t higher than 30 June 2020 primarily as a result of the above-mentioned reduction in sales tonnes. Underlying FOB costs included $8.5/t of state royalties.
- Depreciation and amortisation costs decreased on a like for like basis, totaling $11.90m in line with reduced coal production levels compared to prior period.

The variance between Underlying EBITDA (non-IFRS measure) and cash flow from operations is primarily due to financing costs and working capital movements, as outlined in the table below.

Operating and Financial Review (continued)

Underlying EBITDA result (non-IFRS measure) (continued)

	Consolidated entity	
	30 June 2021 $'000	30 June 2020 $'000
Underlying EBITDA	**(14,174)**	37,026
Net financing costs	**(2,844)**	(210)
Settlement of onerous contracts	**(327)**	(391)
Completion of rehabilitation works	**(999)**	(3,118)
Settlement of vendor royalties - contingent consideration	**(1,105)**	(4,012)
Net movement in working capital	**22,997**	(41,765)
Cash flow from operations	**3,548**	(12,470)

In the period to 30 June 2021 working capital significantly improved, with a net inflow of $22.997m (30 June 2020 $(41.765)m), driven by a reduction in trade receivables ($12.080m) and an increase in trade payables due to longer credit period from contractors ($5.483m), offset by an increase in inventories of $4.637m at 30 June 2021. Financing outflows of $2.844m primarily relate to the changes in the borrowing facilities (see Note 14).

In the period to 30 June 2021 $0.999m (30 June 2020 $3.118m) was invested in rehabilitation at the Isaac Plains Complex. Stanmore Resources Limited integrates this core activity with operations to ensure timely, progressive and efficient performance of rehabilitation.

Overall operational cash flows have increased, despite reduced receipts from coal sales, driven by a continued cost control focus and working capital management.

Cash flow

In the period to 30 June 2021, total net cash inflows of $10.980m were recorded. The net cash inflow from operating activities was $3.548m. Cash flows from investing activities were $21.957m. Of this $5.781m related to sustaining capex for plant and equipment, and $13.926m relating to the continued investment in Isaac Downs, primarily for the bulk sample pit.

At the end of period, US$36m was drawn from the revolving facility with parent company, Golden Energy and Resources Limited, GEAR. The net inflow from financing activities includes $29.389m drawn down on the Group's various facilities, primarily offset by the cash outflows for the repayment of the short-term loan ($2.693m), repayment of insurance premium funding ($1.476m), and a further $1.119m paid in relation to the equipment loan to finance the CAT 6060 excavator.

	Consolidated entity	
	30 June 2021 $'000	30 June 2020 $'000
Net cash at beginning of period	**5,041**	71,379
Cash flows from operating activities	**3,548**	(12,469)
Cash flows from investing activities	**(21,957)**	(15,233)
Cash flows from financing activities	**29,389**	(11,433)
Net increase/(decrease) in cash held	**10,980**	(39,135)
Net cash at end of period	**16,021**	32,244

Operating and Financial Review (continued)

Operational Summary

Health, Safety, Environment and Community Performance

The Consolidated Entity continues to be committed to the current and future performance of the business for the health, safety and wellbeing of our people, the environment and the communities in which we operate.

The Consolidated Entity undertook or managed 343,309 hours (30 June 2020 454,427 hours) of coal mining, drilling, exploration, and mine development activities (directly and through its contractors) during the period and reported no lost time injuries (30 June 2020 - 0). The rolling 12 month Total Reportable Injury Frequency Rate is 5.4 per million hours (30 June 2020 - 3.4), with a rolling 12 month Lost Time Injury Frequency Rate of 0 per million hours (30 June 2020 - 0). The Consolidated Entity continues to implement safety initiatives where necessary to ensure the continued positive safety performance results.

Rehabilitation works continued in the period, with $1.0m spent on 28 hectares of recontouring with 8 hectares topsoiled.

The Consolidated Entity continue to support the communities in which our operations are located with a number of grants, sponsorships, important community initiatives and events undertaken as part of the Group's community grant program. In addition, significant 'in-kind' time was also dedicated to regional industry bodies and professional groups to enhance local industry and services in the region.

Operations

The Isaac Plains Complex mined 11,878kbcm of prime overburden, with reduced excavator capacity down to a single fleet utilised to lower operating cash costs compared to 30 June 2020. Mining was undertaken with lower cost fleet, driving reduced overburden removal costs per bcm. The continued focus on operating cash generation and preservation drove focus on reduced overburden in advance activities in Isaac Plains East for the period, along with planning for the transition to the Isaac Downs project. Coal mining operations delivered 1,110kt of ROM coal to the CHPP at a prime strip ratio of 10.7x, benefiting from the low strip ratios at the Isaac Downs Bulk Sample pit and reduced activity in the higher strip ratio areas at Isaac Plains East relatively to the previous reporting period to 30 June 2020.

Product coal production was 807kt, with the CHPP delivering a total yield of 76%. The production split of coking to thermal coal was 92% coking and 8% thermal.

As previously expected, mining moved into lower coal elevations at Isaac Plains East, resulting in strip ratio increases negatively impacting unit costs, although these have been partially offset by the commencement of mining at Isaac Downs bulk sample pit with much lower strip ratios. Underlying FOB costs for the period increased to $123/tonne excluding state royalties, or $131/tonne with royalties included, an increase from $102/tonne excluding state royalties to 30 June 2020.

The Consolidated Entity continues to place emphasis on linking pricing dynamics to premium hard coking coal indices and is focusing sales to customers on a term contract basis. Potential pricing volatility may result from the cyclical nature of the coal industry and the lingering impacts of COVID-19. With a large proportion of tonnage contracted into term customers, the Consolidated Entity expects its achieved prices to remain in line with industry forecasts.

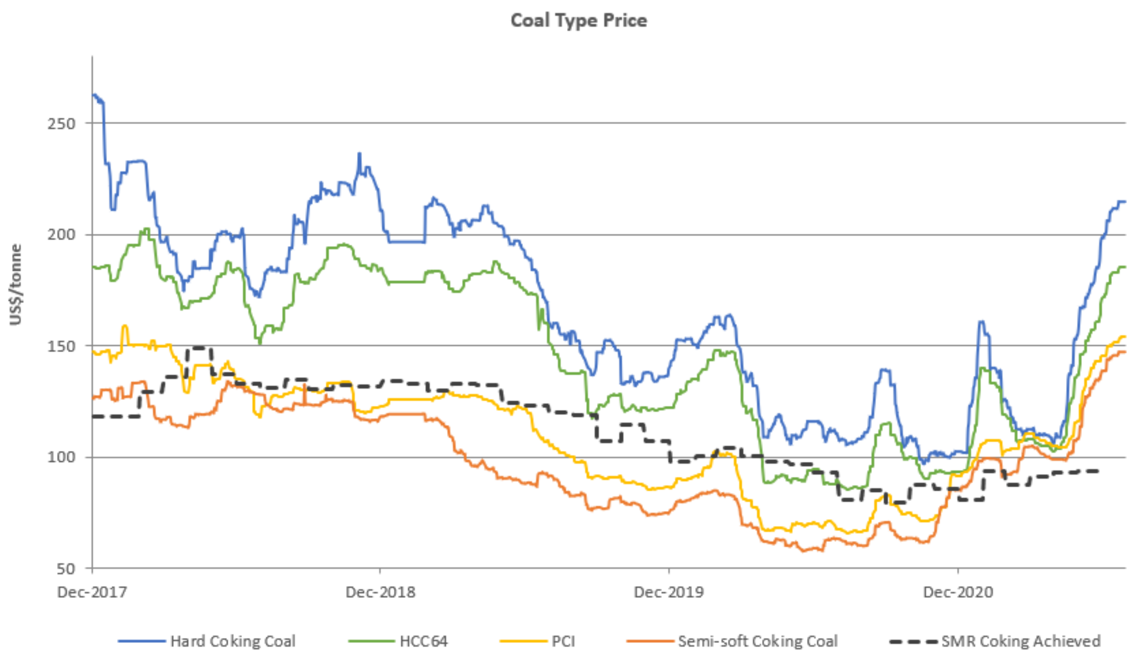
The average sale price achieved for all coal (both metallurgical and thermal) during the period was A$115/t, compared to 30 June 2020 of A$154/t. The reduction in price has been indirectly driven by continued Chinese trade restrictions on Australian coal. The Consolidated Entity notes that Stanmore has limited direct volume exposure to Chinese markets, with no coal sold into China during the period, although our term contract revenues are inevitably affected by the price impacts of the Chinese import restrictions to spot indices, and consequently to term contract price formulas.

The average Hard Coking Coal index price was US$131.67/t for the period compared to US$136.68/t in 30 June 2020. Pricing has improved during Q2, which will be realised by the Company in Q3 and Q4 due to the structure of its customer pricing agreements. See page 6 for additional pricing information.

Operating and Financial Review (continued)

Operational Summary (continued)

Operations (continued)



Source: Platts - July 2021 Coal Trader International.

	Consolidated entity	
	30 June 2021	30 June 2020
Physicals		
Prime overburden (kbcm)	**11,878**	22,124
ROM coal produced - Open cut (kt)	**1,110**	1,451
ROM strip ratio (prime)	**11**	15
CHPP feed (kt)	**1,070**	1,480
ROM stockpile (kt)	**125**	69
Saleable coal produced (kt)	**807**	1,161
Product Yield	**76**	78
Coal product stockpiles (kt)	**188**	276
Coal Sales		
- Metallurgical (kt)	**754**	1,067
- Thermal (kt)	**60**	-
Total gross coal sales (kt)	**814**	1,067
Average sale price achieved (A$/t)	**$115**	$154
FOR cost (A$/t sold)	**$100**	$86
FOR to FOB cost (ex. State royalty) (A$/t sold)	**$23**	$16
State royalty (A$/t sold)	**$9**	$13
FOB cost (A$/t sold)	**$131**	$115
Margin (A$/t sold)	**($16)**	$38

Operating and Financial Review (continued)

Operational Summary (continued)

Isaac Downs Project

Isaac Downs is located 10 kilometres south of the existing Isaac Plains operations. Isaac Downs will be operated as a satellite open cut mining operation which will utilise the existing Isaac Plains infrastructure with coal washing and train loading activities to be undertaken at the existing CHPP, ensuring a capital light approach is maintained.

During the period, the Company invested in the establishment of infrastructure (according to conditions established under the Mineral Resources Act for (MDL137) at Isaac Downs to undertake a bulk sample pit for testing of proposed product coal cargos with key international customers. A new access road has been constructed including a new intersection at the Peak Downs Highway, as well as the required infrastructure for environmental controls.

As announced on 27 July 2021, the main project has now received approval for the mining lease, environmental authority, and approval under the Environmental Protection and Biodiversity Conservation Act, enabling construction and operations to commence during the second half of the year. Production is expected to commence in early 2022.

Other activities

On 2 July 2021, the Consolidated Entity signed an amendment to increase the available facility under its existing finance facility with its parent company, GEAR, from US$40m to US$70m.

The increase in the facility is primarily to ensure the progression of the Isaac Downs project together with the Mavis and Millennium acquisition, as it substantially satisfies the Company's short to medium term debt requirements and allows a seamless transition from Isaac Plains East to Isaac Downs now the Mining Lease has been obtained.

Likely developments and expected results of operations

Operations

2021 continues to be a transformational year for the Company as it transitions mining operations from Isaac Plains to Isaac Downs.

The regulatory timelines for the Isaac Downs project have been met ahead of schedule, and planning is well underway for the required works to relocate the Dragline from Isaac Plains East to Isaac Downs during 1Q 2022. With the move to Isaac Downs, lower strip ratios and higher-ranking coking coals are forecast to improve margins.

Despite the lower volumes produced and sold in 1H 2021, the Company anticipates higher volumes in 2H 2021 back to the equivalent of previous annualised levels of 2.4mtpa of product coal sales given the ramp up of volumes in both Isaac Plains East and the bulk sample pit at Isaac Downs. These increased sales volumes are expected to be produced at lower strip ratios and therefore significantly lower unit costs when compared to volumes sold to the 6 months period ending 30 June 2021. Additionally, it is anticipated that these sales will benefit from improved market conditions leaving Stanmore well placed leading into 2022, and will lead to strong operational cash flow results in 2H 2021. Stanmore has introduced auger mining as a cost-effective mining method based on the forecast final highwall positions. It expects mining activities to cease at Isaac Plains and Isaac Plains East in early 2022.

The Consolidated Entity continues to pursue high value coal sales opportunities, to expand its customer base as well as continuing to meet the requirements of its existing customers, and is continuing to work on identifying new customers and markets where it makes financial sense to do so.

MetRes Pty Limited is working to restart auger and open cut mining activities at Millennium and Mavis Downs, expected to commence during 2H 2021.

Likely developments and expected results of operations (continued)

Exploration and development

On 26 February 2021, the Consolidated Entity announced an increase to the coal resources and reserves under the relevant Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code). The total Recoverable Coal Reserves across all tenements formally declared and published are 165.8Mt, and total Marketable Coal Reserves are 130.5Mt.

The Consolidated Entity will continue to monitor and assess the opportunities to develop or monetise its existing portfolio of assets in the Bowen Basin and explore acquisition opportunities where it makes financial and commercial sense to do so.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Rounding of amounts

The company is of a kind referred to ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

This report is made in accordance with a resolution of Directors.

Mr Marcelo Matos
Director

Brisbane
12 August 2021

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Auditor's Independence Declaration to the Directors of Stanmore Resources Limited

As lead auditor for the review of Stanmore Resources Limited for the half-year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Stanmore Resources Limited and the entities it controlled during the financial period.

Ernst & Young

Tom du Preez
Partner
Brisbane
12 August 2021

Condensed consolidated statement of profit or loss

	Notes	Consolidated entity Half-year 30 June 2021 $'000	30 June 2020 $'000
Continuing operations			
Revenue	2	**93,706**	163,876
Cost of sales of goods	3(b)	**(103,552)**	(124,347)
Gross (loss)/profit		**(9,846)**	39,529
Other income	3(a)	**6,624**	5,242
Other expenses	3(b)	**(17,866)**	(25,153)
Operating (loss)/profit		**(21,088)**	19,618
Finance income	3(c)	**17**	157
Finance costs	3(c)	**(1,185)**	(4,331)
Finance costs - net		**(1,168)**	(4,174)
(Loss)/profit before income tax		**(22,256)**	15,444
Income tax (expense)/benefit	4	**6,799**	(7,463)
(Loss)/profit for the half-year		**(15,457)**	7,981
(Loss)/profit is attributable to:			
Owners of Stanmore Resources Limited		**(15,457)**	7,981
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share		**(5.7)**	3.0
Diluted earnings per share		**(5.7)**	3.0
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		**(5.7)**	3.0
Diluted earnings per share		**(5.7)**	3.0

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Condensed consolidated statement of comprehensive income

	Consolidated entity	
	Half-year	
	30 June 2021 $'000	30 June 2020 $'000
(Loss)/profit for the half-year	**(15,457)**	7,981
Other comprehensive income		
Other comprehensive income for the half-year, net of tax	**-**	-
Total comprehensive income for the half-year	**(15,457)**	7,981
Total comprehensive income for the half-year is attributable to:		
Owners of Stanmore Resources Limited	**(15,457)**	7,981
Total comprehensive income for the period attributable to owners of Stanmore Resources Limited arises from:		
Continuing operations	**(15,457)**	7,981

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed consolidated balance sheet

	Notes	Consolidated entity 30 June 2021 $'000	31 December 2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents (excluding bank overdrafts)	5	**16,021**	5,041
Trade and other receivables	6	**10,053**	21,264
Inventories	7	**67,093**	67,184
Other current assets		**1,862**	5,599
Current tax receivables		**-**	5,520
Total current assets		**95,029**	104,608
Non-current assets			
Property, plant and equipment	8	**64,526**	64,819
Capitalised development costs	9	**60,255**	44,336
Exploration and evaluation	9	**41,164**	41,141
Mine properties	9	**21,951**	17,297
Intangible assets	10	**2,267**	2,519
Investments accounted for using the equity method	11	**1,750**	-
Other assets		**20,206**	20,048
Total non-current assets		**212,119**	190,160
Total assets		**307,148**	294,768
LIABILITIES			
Current liabilities			
Trade and other payables	12	**46,175**	40,692
Borrowings	14	**50,221**	19,421
Lease liabilities		**127**	117
Employee benefit obligations		**540**	811
Provisions	13	**4,764**	9,497
Total current liabilities		**101,827**	70,538
Non-current liabilities			
Borrowings	14	**7,918**	9,104
Lease liabilities		**536**	612
Deferred tax liabilities	4	**20,102**	27,786
Employee benefit obligations		**288**	60
Provisions	15	**39,486**	34,231
Total non-current liabilities		**68,330**	71,793
Total liabilities		**170,157**	142,331
Net assets		**136,991**	152,437
EQUITY			
Share capital	18	**121,725**	121,725
Other reserves		**2,334**	2,323
Retained earnings		**12,932**	28,389
Total equity		**136,991**	152,437

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity

Consolidated entity	Notes	Share capital and premium $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Total equity $'000
		Attributable to owners of Stanmore Resources Limited				
Balance at 1 January 2020		117,613	660	44,210	162,483	162,483
Profit for the half-year		-	-	7,981	7,981	7,981
Total comprehensive income for the half-year		**-**	**-**	**7,981**	**7,981**	**7,981**
Transactions with owners in their capacity as owners:						
Share based payment		-	1,688	-	1,688	1,688
Issue of shares under DRP		4,098	-	-	4,098	4,098
Dividends provided for or paid	16	-	-	(7,682)	(7,682)	(7,682)
Employee share schemes - value of employee services		14	-	-	14	14
		4,112	1,688	(7,682)	(1,882)	(1,882)
Balance at 30 June 2020		**121,725**	**2,348**	**44,509**	**168,582**	**168,582**

Consolidated entity	Share capital and premium $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Total equity $'000
	Attributable to owners of Stanmore Resources Limited				
Balance at 1 January 2021	121,725	2,323	28,389	152,437	152,437
Profit for the half-year	-	-	(15,457)	(15,457)	(15,457)
Total comprehensive income for the half-year	**-**	**-**	**(15,457)**	**(15,457)**	**(15,457)**
Transactions with owners in their capacity as owners:					
Share based payment	-	11	-	11	11
Balance at 30 June 2021	**121,725**	**2,334**	**12,932**	**136,991**	**136,991**

Condensed consolidated statement of cash flows

	Notes	Consolidated entity Half-year 30 June 2021 $'000	30 June 2020 $'000
Cash flows from operating activities			
Receipts from customers		**107,417**	183,894
GST refunds		**11,161**	10,683
Payments to suppliers and employees		**(116,926)**	(182,658)
Interest received		**17**	93
Interest and other finance costs paid		**(2,861)**	(303)
Income tax received/(paid)		**4,740**	(24,178)
Net cash inflow/(outflow) from operating activities		**3,548**	(12,469)
Cash flows from investing activities			
Payments for property, plant and equipment	8	**(5,781)**	(7,557)
Payments for capitalised development and exploration assets		**(11,576)**	(2,778)
Payment for acquisition of Joint Venture		**(1,750)**	-
Payments for mine property assets		**(2,350)**	(4,898)
Loans to related parties		**(500)**	-
Net cash outflow from investing activities		**(21,957)**	(15,233)
Cash flows from financing activities			
Proceeds from borrowings	14	**34,901**	-
Repayment of borrowings		**(5,287)**	(4,141)
Principal elements of lease payments		**(66)**	-
Dividends paid to company's shareholders	16	**-**	(3,585)
Payments for financial securities		**(159)**	(3,707)
Net cash inflow/(outflow) from financing activities		**29,389**	(11,433)
Net increase/(decrease) in cash and cash equivalents		**10,980**	(39,135)
Cash and cash equivalents at the beginning of the half-year		**5,041**	71,379
Cash and cash equivalents at end of the half-year		**16,021**	32,244

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2021 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by Stanmore Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below.

Going concern

As disclosed in the Directors report, the Group is in the process of transitioning its core mining operations from Isaac Plains and Isaac Plains East over the next 12 months to Isaac Downs. Approval for the Isaac Downs Project was received in July 2021.

That being said, the Directors have considered projected cash flow information for the 12 months from the date of the approval of these financial statements under multiple scenarios (which includes the ability to slow or defer spending), including conservative pricing forecasts and the Group's access to undrawn working capital facilities as disclosed in Note 14.

Based on these scenarios the Group is expected to continue to operate within the available cash levels. The Company is also in the process of assessing raising further debt to assist with future capital development, has capacity under the ASX Listing Rules to raise further funds through the issue or placement of securities and ongoing financial support from its parent entity if required.

Accordingly, 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.

(a) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The Group has chosen to early adopt AASB 2020-3: Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments, in relation to changes made to AASB 116. As a result, discreet revenues and operating costs of the Isaac Downs Bulk Sample Pit are to be recognised within the consolidated statement of profit or loss.

2 Revenue

The group derives the following types of revenue:

	Consolidated entity	
	30 June 2021 $'000	30 June 2020 $'000
Revenue from contracts with customers	**93,706**	163,876
Total revenue from continuing operations	**93,706**	163,876

2 Revenue (continued)

(a) Segment revenue

The revenue from external parties is measured in the same way as in the condensed consolidated statement of profit or loss. The Group recognises revenue from the transfer of goods at a point in time in the following major product lines and geographical regions.

	Consolidated entity	
	30 June 2021 Revenue from external customers $'000	30 June 2020 Revenue from external customers $'000
Metallurgical coal/Asia	**80,375**	146,187
Metallurgical coal/Europe	**7,183**	11,870
Metallurgical coal/Australia	**-**	5,819
Thermal coal/Asia	**6,148**	-
Total segment revenue	**93,706**	163,876

The group recognises revenue from the transfers of goods at a point in time, when control of the coal has been transferred from the Consolidated entity to the customer. Typically, the transfer of control and the recognition of the sale occurs when the coal passes the ship rail when loading at the port.

3 Other income and expense items

(a) Other income

	Consolidated entity	
	30 June 2021 $'000	30 June 2020 $'000
Rehabilitation provision remeasurement	**637**	-
Fair value movement - contingent consideration	**4,350**	4,175
Other items	**1,637**	1,067
	6,624	5,242

(b) Breakdown of cost of sales and other expenses

	30 June 2021 $'000	30 June 2020 $'000
Mining costs	**54,629**	64,107
Processing costs	**13,501**	18,102
Transport and logistics	**17,732**	16,066
State royalties	**6,885**	13,690
Private royalties	**1,014**	1,746
Production overheads	**6,370**	6,682
Other production costs	**3,421**	3,954
Total cost of sales	**103,552**	124,347

3 Other income and expense items (continued)

(b) Breakdown of cost of sales and other expenses (continued)

	30 June 2021 $'000	30 June 2020 $'000
Profit before income tax includes the following specific expenses:		
Employee benefits expenses		
Salaries and wages	**3,268**	2,814
Employee superannuation	**187**	157
Share-based payments	**11**	1,708
Total employee benefits expenses	**3,466**	4,679

	30 June 2021 $'000	30 June 2020 $'000
Depreciation and amortisation		
Plant and equipment	**6,850**	8,676
Mine properties	**4,723**	6,915
Intangibles	**252**	252
Right of use asset	**76**	24
Total depreciation and amortisation	**11,901**	15,867

(c) Finance income and costs

	Consolidated entity	
	30 June 2021 $'000	30 June 2020 $'000
Finance income		
Interest from financial assets not at fair value through profit or loss	**17**	157
Finance income	**17**	157
Finance costs		
Interest and finance charges paid	**1,369**	799
Provisions: unwinding of discount	**906**	2,004
Net exchange (gains)/losses on foreign currency	**(1,571)**	519
Borrowing costs	**481**	1,009
Finance costs expensed	**1,185**	4,331
Net finance costs	**1,168**	4,174

4 Income tax expense

(a) Income tax expense

	Consolidated entity	
	30 June 2021 $'000	30 June 2020 $'000
Current tax		
Current tax on profits for the year	**(13,205)**	(8,114)
Total current tax expense/(benefit)	**(13,205)**	(8,114)
Deferred income tax		
(Decrease)/increase in deferred tax liabilities	**6,406**	15,577
Total deferred tax expense/(benefit)	**6,406**	15,577
Income tax expense/(benefit)	**(6,799)**	7,463
Income tax expense/(benefit) is attributable to:		
Profit from continuing operations	**(6,799)**	7,463

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated entity	
	30 June 2021 $'000	30 June 2020 $'000
Profit from continuing operations before income tax expense	**(22,256)**	15,444
Tax at the Australian tax rate of 30.0% (2020 - 30.0%)	**(6,677)**	4,633
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	**-**	427
Deferred taxes recognised	**(122)**	2,403
Income tax expense/(benefit)	**(6,799)**	7,463

(c) Deferred tax balances

(i) Recognised deferred tax assets and liabilities

	Consolidated entity	
	30 June 2021 $'000	31 December 2020 $'000
The balance comprises temporary differences attributable to:		
Deductible temporary differences - Deferred tax assets	**28,957**	17,981
Assessable temporary differences - Deferred tax liabilities	**(49,059)**	(45,767)
Total deferred tax liabilities	**(20,102)**	(27,786)

5 Cash and cash equivalents

	Consolidated entity	
	30 June 2021 $'000	31 December 2020 $'000
Current assets		
Cash at bank and in hand	**16,021**	5,041

(i) Reconciliation to cash at the end of the year

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial period as follows:

	Consolidated entity	
	30 June 2021 $'000	31 December 2020 $'000
Balances as above	**16,021**	5,041
Balances per condensed consolidated statement of cash flows	**16,021**	5,041

6 Trade and other receivables

	Consolidated entity	
	30 June 2021 Current $'000	31 December 2020 Current $'000
Trade receivables	**6,950**	19,030
Loans to related parties	**500**	-
GST receivable	**2,386**	1,957
Other receivables	**217**	277
	10,053	21,264

During the period, the Company has provided MetRes Pty Ltd, a 50% owned Joint Venture (see note 11) with a total finance facility up to A$30 million, including a working capital debt facility of A$15 million to the joint venture to cover initial working capital requirements, and an additional A$15 million debt facility to support rehabilitation surety obligations if required.

7 Inventories

	Consolidated entity	
	30 June 2021 $'000	31 December 2020 $'000
Current assets		
ROM coal inventories	**4,846**	3,546
Product coal stocks	**18,750**	14,385
Overburden in advance	**43,497**	49,253
	67,093	67,184

8 Property, plant and equipment

	Consolidated entity 30 June 2021 $'000	31 December 2020 $'000
Plant and equipment		
Gross value	**92,757**	89,790
Accumulated depreciation	**(35,744)**	(29,022)
	57,013	60,768
Buildings and improvements		
Gross value	**2,522**	2,366
Accumulated depreciation	**(714)**	(587)
	1,808	1,779
Furniture and office equipment		
Gross value	**132**	137
Accumulated depreciation	**(120)**	(123)
	12	14
Right of use asset		
Gross value	**718**	718
Accumulated depreciation	**(163)**	(87)
	555	631
Capital work in progress		
Capital work in progress	**5,138**	1,627
	5,138	1,627
	64,526	64,819

Consolidated entity	**Plant and equipment $'000**	**Buildings and improvements $'000**	**Furniture and office equipment $'000**	**Right of use asset $'000**	**Capital work in progress $'000**	**Total $'000**
Period ended 30 June 2021						
Opening net book amount	60,768	1,779	14	631	1,627	64,819
Additions	-	-	-	-	6,565	6,565
Transfers	2,892	162	-	-	(3,054)	-
Depreciation charge	(6,647)	(133)	(2)	(76)	-	(6,858)
Closing net book amount	57,013	1,808	12	555	5,138	64,526

8 Property, plant and equipment (continued)

Consolidated entity	Plant and equipment $'000	Buildings and improvements $'000	Furniture and office equipment $'000	Right of use asset $'000	Capital work in progress $'000	Total $'000
Period ended 31 December 2020						
Opening net book amount	54,976	1,583	15	788	5,529	62,891
Additions	-	-	-	-	8,614	8,614
Disposals	-	-	-	(94)	-	(94)
Transfers	12,227	289	-	-	(12,516)	-
Depreciation charge	(6,435)	(93)	(1)	(63)	-	(6,592)
Closing net book amount	60,768	1,779	14	631	1,627	64,819

9 Non-current assets - Capitalised Development and Exploration

	Consolidated entity 30 June 2021 $'000	31 December 2020 $'000
Capitalised development	**60,255**	44,336
Exploration and evaluation assets	**41,164**	41,141
Mine properties	**21,951**	17,297
	123,370	102,774

Consolidated entity	Capitalised development costs $'000	Exploration and evaluation $'000	Mine properties $'000	Total $'000
At 1 January 2020				
Cost or fair value	314	93,075	48,437	141,826
Accumulated depreciation	-	-	(23,492)	(23,492)
Provision for impairment	-	(12,105)	-	(12,105)
Net book amount	314	80,970	24,945	106,229
Year ended 31 December 2020				
Opening net book amount	314	80,970	24,945	106,229
Transfers	43,550	(43,550)	-	-
Additions	472	3,721	190	4,383
Depreciation charge	-	-	(7,838)	(7,838)
Closing net book amount	44,336	41,141	17,297	102,774
At 31 December 2020				
Cost or fair value	44,336	53,246	48,627	146,209
Accumulated depreciation	-	-	(31,330)	(31,330)
Provision for impairment	-	(12,105)	-	(12,105)
Net book amount	44,336	41,141	17,297	102,774

9 Non-current assets - Capitalised Development and Exploration (continued)

Consolidated entity	Capitalised development costs $'000	Exploration and evaluation $'000	Mine properties $'000	Total $'000
Period ended 30 June 2021				
Opening net book amount	44,336	41,141	17,297	102,774
Additions	15,919	23	9,377	25,319
Depreciation charge	-	-	(4,723)	(4,723)
Closing net book amount	60,255	41,164	21,951	123,370
At 30 June 2021				
Cost	60,255	53,269	58,004	171,528
Accumulated depreciation	-	-	(36,053)	(36,053)
Provision for impairment	-	(12,105)	-	(12,105)
Net book amount	60,255	41,164	21,951	123,370

10 Intangible assets

	Consolidated entity **30 June 2021 $'000**	31 December 2020 $'000
Infrastructure intangible asset		
Gross value	**2,267**	2,519
	2,267	2,519

Consolidated entity	Infrastructure $'000	Total $'000
Year ended 30 June 2021		
Opening net book amount	2,519	2,519
Amortisation charge	(252)	(252)
Closing net book amount	2,267	2,267

Consolidated entity	Infrastructure $'000	Total $'000
Year ended 31 December 2020		
Opening net book amount	2,771	2,771
Amortisation charge	(252)	(252)
Closing net book amount	2,519	2,519

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 estimates 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.

11 Interests in joint ventures

(a) Joint ventures

During the period group purchased 50% of the issued shares in an incorporated joint venture, MetRes Pty Ltd (the JV), totalling $1.75 million as at 30 June 2021.

MetRes Pty Ltd is deemed to be a joint venture under relevant accounting standards, and will be consolidated via the equity method in the group's accounts.

12 Trade and other payables

	Consolidated entity	
	30 June 2021 $'000	31 December 2020 $'000
Current liabilities		
Trade payables	**17,910**	1,536
Accrued expenses	**28,160**	39,052
Payroll tax and other statutory liabilities	**105**	104
	46,175	40,692

13 Current provisions

	Consolidated entity	
	30 June 2021 $'000	31 December 2020 $'000
Onerous contracts provision	**381**	615
Rehabilitation provision	**869**	1,868
Vendor Royalties - Contingent consideration	**3,514**	7,014
	4,764	9,497

Consolidated entity	**Onerous contracts provision $'000**	**Rehabilitation provision $'000**	**Vendor Royalties $'000**	**Total $'000**
Carrying amount at 1 January 2021	615	1,868	7,014	9,497
Charged/(credited) to profit or loss	-	-	(3,088)	(3,088)
Transfer from non-current provisions	93	-	693	786
Amounts used during the half-year	(327)	(999)	(1,105)	(2,431)
Carrying amount at 30 June 2021	381	869	3,514	4,764

13 Current provisions (continued)

Consolidated entity 2020	Onerous contracts provision $'000	Rehabilitation provision $'000	Vendor Royalties $'000	Total $'000
Carrying amount at start of year	842	3,072	7,617	11,531
Transfer from non-current provisions	249	2,647	(319)	2,577
Amounts used	(476)	(3,851)	(284)	(4,611)
Carrying amount at end of period	615	1,868	7,014	9,497

Further information regarding these provisions can be found within Note 15

14 Borrowings

		Consolidated entity					
		30 June 2021			31 December 2020		
	Notes	**Current $'000**	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured							
Other loans		**2,336**	**7,918**	**10,254**	2,268	9,104	11,372
Total secured borrowings		**2,336**	**7,918**	**10,254**	2,268	9,104	11,372
Unsecured							
Loans from related parties		**47,885**	**-**	**47,885**	15,677	-	15,677
Other Loans		**-**	**-**	**-**	1,476	-	1,476
Total unsecured borrowings		**47,885**	**-**	**47,885**	17,153	-	17,153
Total borrowings		**50,221**	**7,918**	**58,139**	19,421	9,104	28,525

Financing arrangements

The following table details the group's financing facilities, available and used:

	Consolidated entity	
	30 June 2021 $'000	31 December 2020 $'000
Facility A - Bank guarantee facility - NAB		
Total available facility	**5,284**	5,284
Facility utilised	**(3,588)**	(3,588)
Available facility	**1,696**	1,696
Facility B - Revolving facility - GEAR		
Total available facility	**53,206**	51,935
Facility utilised	**(47,885)**	(12,983)
Available facility	**5,321**	38,952

14 Borrowings (continued)

Financing arrangements (continued)

	Consolidated entity	
	30 June 2021 $'000	31 December 2020 $'000
Facility C - Chattel mortgage - 6060		
Total loan amount	**13,684**	13,684
Loan balance outstanding	**10,254**	11,373
Total loan	**10,254**	11,373
Facility D - Short term loan		
Total loan amount	**-**	2,693
Loan balance outstanding	**-**	2,693
Total loan	**-**	2,693
Facility E - Insurance premium funding		
Total funding amount	**-**	3,727
Funding balance outstanding utilised	**-**	1,476
Total funding	**-**	1,476

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 has an arrangement for a $5m bank guarantee facility with its existing financial services provider (Facility A).

The Consolidated Entity has a finance facility (Facility B) with GEAR in respect to a US$40m secured loan facility.

The key terms of the US$40m facility are:
• 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

As at 30 June 2021, US$36m (A$47.885m) has been drawn down under this facility (31 December 2020: US$10m, A$12.983m)

In 2019, the Consolidated Entity entered into a equipment loan facility (Facility C) with Caterpillar Financial Australia Limited to acquire a 600-tonne excavator (CAT 6060) from Hastings Deering (Australia) Limited.
The term of the loan facility is 5 years. The Consolidated Entity pays 4.55% pa fixed interest rate on the Chattel Mortgage facility to Caterpillar Financial Australia Limited, who subsequently hold security over the excavator. The Chattel Mortgage facility is denominated in A$.

During the prior period, the Consolidated Entity entered into a short-term loan agreement for $2.693m (Facility D) with a related party. The loan was undertaken under market conditions and was repaid in full on 4 January 2021.

During the prior period, the Consolidated Entity entered into a short-term agreement to access financing for its annual insurance premiums for the period (Facility E), which has been fully repaid during the current reporting period.

15 Non-current provisions

	Consolidated entity 30 June 2021 $'000	Consolidated entity 31 December 2020 $'000
Onerous contracts provision	**1,445**	2,676
Rehabilitation provision	**31,346**	24,711
Vendor Royalties - Contingent consideration	**6,695**	6,844
	39,486	34,231

(a) Movements in provisions

Movements in each class of provision during the financial period, other than employee benefits, are set out below:

Consolidated entity 2021	**Onerous contracts provisions $'000**	**Rehabilitation provision $'000**	**Vendor Royalties $'000**	**Total $'000**
Carrying amount at start of year	2,676	24,711	6,844	34,231
- unwinding of discount	124	239	544	907
Additional provision charged to mine properties	-	7,033	-	7,033
Adjustment - through re-measurement	(1,262)	(637)	-	(1,899)
Transfer (to)/from current	(93)	-	(693)	(786)
Carrying amount at end of period	1,445	31,346	6,695	39,486

Consolidated entity 2020	**Onerous contracts provisions $'000**	**Rehabilitation provision $'000**	**Vendor Royalties $'000**	**Total $'000**
Carrying amount at start of year	4,520	26,890	15,033	46,443
- unwinding of discount	298	242	1,157	1,697
Additional provision charged to mine properties	-	190	-	190
Adjustment - through re-measurement	(1,893)	36	(9,665)	(11,522)
Transfer (to)/from current	(249)	(2,647)	319	(2,577)
Carrying amount at end of period	2,676	24,711	6,844	34,231

(b) Onerous contracts provision

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 period to 30 June 2021, a total of $0.327m of onerous contracts were settled through payment (31 December 2020: $0.476m), with the unwinding of the discount being $0.124m (31 December 2020: $0.298m) and $1.262m taken through consolidated Statement of Profit or Loss and Other Comprehensive Income for re-measurement (31 December 2020: $1.893m)

15 Non-current provisions (continued)

(c) Rehabilitation provision

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.

During the period to 30 June 2021, a decrease in the rehabilitation provision of $1.0m was recognised due to the rehabilitation works completed at the Isaac Plains Complex (31 December 2020: $3.9m decrease). Clearing has increased due to the infrastructure works at the Isaac Downs project, along with existing mining operations, totalling $7.0m (31 December 2020 $0.2m). A corresponding asset is recognised in Mine Properties.

The discount rate used in the calculation of the provisions at 30 June 2021 equalled 1.52% (31 December 2020: 0.98%).

(d) Vendor royalties - Contingent consideration

Key estimates - vendor royalties

During the business combination of Isaac Plains in 2015, AASB 3 Business Combinations required the recognition of Contingent Consideration. The Contingent Consideration relates to a royalty stream payable to the vendors of Isaac Plains in the event that benchmark Hard Coking Coal prices are above an Australian Dollar equivalent of 160 (adjusted for CPI) and coal is produced and sold from either Isaac Plains or Isaac Plains East. Each royalty is capped at predetermined amounts for each vendor. Once the price threshold and production requirements are met, the royalty is payable at $2 per product tonne (2015 dollars) to each of the two vendors of Isaac Plains. Royalties were paid during the period to the vendors and as a result the remaining cap is $19.7m.

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 was recognised at the point of acquisition and is carried forward and recognised as a non-current liability.

		Hard Coking Coal Index curve				
		+10%	+5%	Current	(5%)	(10%)
FX Index curve	+10%	10.209	7.747	3.514	1.385	0.000
	+5%	11.482	10.209	7.433	2.989	1.385
	Current	11.580	11.580	10.209	7.433	2.121
	(5%)	11.580	11.580	11.580	10.209	7.100
	(10%)	11.580	11.580	11.580	11.580	10.209

Below shows the previous matrix as a percentage change in value.

		Hard Coking Coal Index curve				
		+10%	+5%	Current	(5%)	(10%)
FX Index curve	+10%	-	(24.1%)	(65.6%)	(86.4%)	(100.0%)
	+5%	12.5%	-	(27.2%)	(70.7%)	(86.4%)
	Current	13.4%	13.4%	-	(27.2%)	(79.2%)
	-5%	13.4%	13.4%	13.4%	-	(30.5%)
	-10%	13.4%	13.4%	13.4%	13.4%	-

16 Dividends

(a) Ordinary shares

	Consolidated entity	
	Half-year	
	30 June 2021 $'000	30 June 2020 $'000
Dividends provided for or paid during the half-year	**-**	7,683
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the periods ended 30 June 2021 and 2020 were as follows:		
Paid in cash	**-**	3,585
Satisfied by issue of shares	**-**	4,098
	-	7,683

(b) Franked credits

	Consolidated entity	
	30 June 2021 $'000	30 June 2020 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2020 - 30.0%)	**-**	7,539

17 Earnings per share

(a) Basic earnings per share

	Consolidated entity	
	30 June 2021 Cents	30 June 2020 Cents
Basic earnings per share (cents)	**(5.7)**	3.0

Basic earnings per share is calculated by dividing the profit attributable to owners of Stanmore Resources Limited by the weighted average number of ordinary shares outstanding during the financial period.

(b) Diluted earnings per share

	Consolidated entity	
	30 June 2021 Cents	30 June 2020 Cents
Diluted earnings per share (cents)	**(5.7)**	3.0

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.

17 Earnings per share (continued)

(c) Weighted average number of shares used as denominator

	Consolidated entity	
	2021 Number	2020 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**270,417,381**	263,255,809
Adjustments for calculation of diluted earnings per share:		
Weighted average number of long-term incentive rights issued	**-**	1,560,000
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**270,417,381**	264,815,809

18 Equity securities issued

Consolidated entity	**30 June 2021 Shares**	31 December 2020 Shares	**30 June 2021 $'000**	31 December 2020 $'000
Issues of ordinary shares during the half-year				
Fully paid	**270,417,381**	270,417,381	**121,725**	121,725
	270,417,381	270,417,381	**121,725**	121,725

(i) Movements in ordinary shares:

Details	**Notes**	**Number of shares (thousands)**	**Total $'000**
Opening balance 1 July 2020		270,417	121,725
Balance 31 December 2020		270,417	121,725
		270,417	121,725
Balance 30 June 2021		270,417	121,725

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 Resources Limited does not have a limited amount of authorised capital.

19 Events occurring after the reporting period

(a) MetRes Pty Ltd acquisition of Millenium and Mavis Downs Mine

On 13 July 2021, MetRes Pty Ltd, a 50% incorporate Joint Venture of Stanmore Resources Limited, completed the acquisition of the Millenium and Mavis Downs Mine and associated assets from Peabody Energy Australia for an upfront cash consideration of $1.25m and royalty agreement.

19 Events occurring after the reporting period (continued)

(b) Refinancing of borrowing

On 2 July 2021, the Consolidated Entity signed an amendment to increase the available facility under its existing finance facility with its parent company, GEAR, from US$40m to US$70m.

The increase in the facility is primarily to ensure the progression of the Isaac Downs project together with the Millennium and Mavis Downs acquisition, as it substantially satisfies the Company's short to medium term debt requirements and allows a seamless transition from Isaac Plains East to Isaac Downs after the Mining Lease is obtained.

(c) Isaac Downs Mining Lease

On 27 July 2021, the Isaac Downs mining lease was granted by the Queensland Government. This is the last significant approval required to enable construction and operations to commence during the second half of the year, with production expected to commence in early 2022.

20 Segment and revenue information

(a) Description of 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 Complex (including the Isaac Plains East project and Isaac Downs bulk sample pit) 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.

20 Segment and revenue information (continued)

(a) Description of segments (continued)

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 33% of revenue. The next most significant customer accounts for 16% of revenue.

(b) Segment results

The segment information provided to the strategic steering committee for the reportable segments for the half-year 30 June 2021 is as follows:

Consolidated entity 2021	**Isaac Plains Complex** $'000	**Exploration and Development** $'000	**Unallocated operations** $'000	**Adjustments and eliminations** $'000	**Total** $'000
Total segment revenue	93,706	-	-	-	93,706
Segment result	**(6,601)**	**-**	**(2,584)**	**-**	**(9,185)**
Depreciation and amortisation	-	-	(11,902)	-	(11,902)
Income tax expense	-	-	6,799	-	6,799
Net finance expense	-	-	(1,168)	-	(1,168)
Net profit/(loss) after tax	(6,601)	-	(8,855)	-	(15,456)
Total segment assets	275,178	41,164	15,978	3,790	336,110
Total segment liabilities	176,262	-	8,551	14,302	199,115

The segment information provided to the strategic steering committee for the reportable segments for the half-year 30 June 2020 is as follows:

Consolidated entity 2020	**Isaac Plains Complex** $'000	**Exploration and Development** $'000	**Unallocated operations** $'000	**Adjustments and eliminations** $'000	**Total** $'000
Total segment revenue	163,879	-	-	-	163,879
Segment result	**41,931**	**-**	**(6,128)**	**-**	**35,803**
Depreciation and amortisation	-	-	(15,868)	-	(15,868)
Income tax expense	-	-	(7,462)	-	(7,462)
Net finance expense	-	-	(4,490)	-	(4,490)
Net profit/(loss) after tax	41,931	-	(33,948)	-	7,983
Total segment assets	137,408	80,970	66,521	11,870	296,769
Total segment liabilities	18,971	23,058	63,775	22,382	128,186

21 Fair value measurements of financial instruments

This note provides an update on the judgements and estimates made by the group in determining the fair values of the financial instruments since the last annual financial report.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2021 and 31 December 2020 on a recurring basis:

Consolidated entity - At 30 June 2021	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial Liabilities				
Vendor royalties contingent consideration held at fair value through profit or loss	**-**	**-**	**10,209**	**10,209**
Total financial liabilities	**-**	**-**	**10,209**	**10,209**

Consolidated entity - At 31 December 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial Liabilities				
Vendor royalties contingent consideration held at fair value through profit or loss	-	-	13,858	13,858
Total financial liabilities	**-**	**-**	**13,858**	**13,858**

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 2 to 32 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half-year ended on that date and

(b) there are reasonable grounds to believe that Stanmore Resources Limited will be able to pay its debts as and when they become due and payable.

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

Mr Marcelo Matos
Director

Brisbane
12 August 2021

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Independent Auditor's Review Report to the Members of Stanmore Resources Limited

Conclusion

We have reviewed the accompanying half-year financial report of Stanmore Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed consolidated balance sheet as at 30 June 2021, the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Tom du Preez
Partner
Brisbane
12 August 2021