stanmorecoal

Stanmore Coal Limited
and its controlled entities

ABN 27 131 920 968

Appendix 4D
&
Interim Financial Report
31 December 2018

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Corporate Information

DIRECTORS
Stewart Butel
Dan Clifford
Stephen Bizzell
Neal O'Connor

COMPANY SECRETARY
Ian Poole

REGISTERED OFFICE AND PRINCIPAL BUSINESS OFFICE
Level 8, 100 Edward Street
Brisbane QLD 4000
Phone: + 61 7 3238 1000
Fax: +61 7 3238 1098

COUNTRY OF INCORPORATION
Australia

SHARE REGISTRY
Link Market Services
Level 21, 10 Eagle St
Brisbane Qld 4000
Phone: 1300 554 474
Fax: +61 2 8280 7662

AUDITORS
BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane QLD 4000
Phone: +61 7 3237 5999
Fax: +61 7 3221 9227

STOCK EXCHANGE LISTING
Australian Securities Exchange
ASX Code : SMR

INTERNET ADDRESS
www.stanmorecoal.com.au

AUSTRALIAN BUSINESS NUMBER
ABN 27 131 920 968

Results for Announcement to Market

Appendix 4d – Half-year ended 31 December 2018

This document relates to Stanmore's half-year results for the half-year ended 31 December 2018

Reporting period	6 months ended 31 December 2018
Previous reporting period	6 months ended 31 December 2017 (consolidated statement of profit or loss and Other Comprehensive Income) Year ended 30 June 2018 (consolidated statement of financial position)

	31 December 2018 $M	31 December 2017 $M	Change %
Revenue from ordinary activities	148.284	82.772	79%
Profit/(loss) after tax from ordinary activities attributed to members	21.278	8.036	165%
Net Profit/(loss) attributable to members	21.278	8.036	165%

Dividends paid and proposed

Paid during the period

A final unfranked dividend relating to FY18 was paid on 23rd November 2018 of 2cps.

Declared after the period

The Directors have declared an interim H1 FY19 dividend of 3cps fully franked. The interim dividend is payable on 30 April 2019.

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

Refer to accompanying Directors' Report.

Rounding of amounts to the nearest thousand dollars

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

Net tangible assets per security

	31 December 2018 $	30 June 2018 $
Net tangible assets per security	0.1477	0.1708

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

There have been no entities in the period over which Stanmore has gained or lost control

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Directors' Report

Your Directors present their report on the consolidated entity consisting of Stanmore Coal Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2018 (referred to in this report as Stanmore Coal or the Company).

DIRECTORS

The directors of the Company during the half-year and up to the date of this report are:

Name	Position
Stewart Butel	Chairman, Non-Executive Director
Daniel Clifford	Managing Director
Stephen Bizzell	Non-Executive Director
Neal O'Connor	Non-Executive Director
Patrick O'Connor	Non-Executive Director (Resigned 28 September 2018)
Chris McAuliffe	Non-Executive Director (Resigned 7 December 2018)
Andrew Martin	Non-Executive Director (Appointed 26 October 2018 and Resigned 16 November 2018)

OPERATING AND FINANCIAL REVIEW

Highlights

Highlights for the half-year ending 31 December 2018 include:

- Half year net profit after tax of $21.278m
- Underlying EBITDA of $41.618m (non-IRFS measure)
- Coal sales of 882kt at an average sale price achieved of A$168/t
- Product coal production of 978kt, with the coal handling and processing plant (CHPP) delivering a total yield of 78%
- Total underlying Free-On-Board (FOB) cost of A$104/t (excluding state royalties) for an underlying margin of A$49/t sold during the period (non-IFRS measure)
- Dragline successfully relocated to Isaac Plains East from Isaac Plains on schedule
- Interim fully franked dividend declared of 3 cps payable on 30 April 2019
- Unsolicited on-market takeover bid for the company by Golden Investments (Australia) Pte. Ltd, which commenced on 19 November 2018 and expired on 22 January 2019
- Golden Investments (Australia) Pte Ltd had acquired 25.47% of the issued capital in the company on the expiry of the offer.

Financial Performance and Financial Position

	31 December 2018 $M	31 December 2017 $M
Revenue	148.284	82.772
Cost of sales	(102.145)	(61.165)
Gross profit/(loss)	**46.139**	**20.607**
Other income and expenses	(9.611)	(2.515)
Profit/(loss) before tax and net finance expenses	**36.528**	**19.092**
Net finance expenses	(5.785)	(5.148)
Profit/(loss) before tax	**30.743**	**13.944**
Income tax benefit /(expense)	(9.465)	(5.908)
Net profit/(loss) for the period	**21.278**	**8.036**

Underlying EBITDA result (non-IFRS measure)

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

	31 December 2018 $M	31 December 2017 $M
Profit/(loss) before tax and net finance expenses	**36.528**	**19.092**
Depreciation and amortisation	3.947	1.560
Earnings before interest, depreciation and amortisation (EBITDA)	**40.475**	**20.652**
Adjustments for Underlying EBITDA		
Takeover costs incurred	0.720	-
Remeasurement of rehabilitation provision	-	(1.246)
Remeasurement of onerous contracts	(3.328)	(0.858)
Fair value movement contingent consideration	3.751	0.210
Underlying EBITDA	**41.618**	**18.758**

The Underlying EBITDA of $41.618m was a $22.860m improvement compared to $18.758m for the same period last year. The improvement in EBITDA performance was driven by a 53% increase in Underlying margin to A$49/t from $32/t for H1 FY18 and the increased sales volumes of 48% from 594kt to 882kt as a result of the strong operational performance following commencement of mining at Isaac Plains East.

The primary drivers contributing to the NPAT result of $21.278m include: -

- Gross revenue from coal sales increased to $148.284m in H1 FY19 from $82.772m in H1 FY18. The increase was driven by a $37/t increase in the A$ realised price to an average of A$168/t from $131/t in H1 FY18 and an increase in sales of produced coal of 882kt in H1 FY19 from 594kt in H1 FY18.
- Change in the semi soft coking coal / thermal sales mix from 53:47 to 74:26.
- With the commencement of mining operations at Isaac Plains East, there has been an improvement in product mix compared to prior periods. H1 FY19 the product mix was 81:19 semi soft coking coal to thermal coal (H1 FY18 70:30).
- Underlying FOB costs were $104/t, excluding $15/t of state royalties which was in line with the underlying FOB costs of $105/t, excluding $13/t of state royalties, in H2 FY18 as mining continued at Isaac Plains with its high strip ratio and difficult geological conditions.
- FOR to FOB costs increased by $4/t as a result of demurrage due to shipping queues at DBCT and by $4/t from increasing state royalties payable due to the improved realised sales prices compared to H1 FY18.
- The company updated its Life of Mine (LOM) plan during the period
  - which resulted in a net benefit of $3.328m due to a remeasurement of the onerous contracts provision which are no longer onerous
  - which resulted in a benefit of $1.631m due to remeasurement of the Isaac Plains East and Isaac Plains deferred consideration previously brought to account
  - following the inclusion of the Isaac Downs project in the updated LOM plan the contingent

consideration payable to the previous owners was recognised. This resulted in the recognition of an additional $5.382m of contingent consideration payable. This consideration is a production-based royalty of $1/t when the hard-coking coal price index exceeds A$170/t (CPI indexed) up to a cap of A$10m.

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

	31 December 2018 $M	31 December 2017 $M
Underlying EBITDA	**41.618**	**18.758**
Net Financing costs	(1.059)	(4.122)
Settlement of onerous contracts	(1.056)	(1.258)
Completion of rehabilitation works	(1.860)	(1.296)
Settlement of vendor royalties - contingent consideration	(3.697)	(2.737)
Net movement in working capital	(6.467)	(1.153)
Cash flow from operations	**27.479**	**8.192**

Cashflow

In the half-year to 31 December 2018, a total net cash inflow of $12.474m was recorded. The net inflow from operating activities was positive with $27.479m. The investment outflow of $33.541m was related to Isaac Downs, including $10m paid to the previous owners, further investment in the capital program at Isaac Plains East and the scheduled maintenance shutdown of the CHPP. During the H1 FY19 the Group also called on $22.669m of its working capital facility, which was subsequently repaid in January 2019. The Group also paid a dividend of $4.133m (net of dividends invested under the DRP) as declared following the release of the FY18 results.

	31 December 2018 $M	31 December 2017 $M
Net cash at beginning of period	**19.817**	**27.515**
Net cash from operating activities	27.479	8.192
Net cash from investing activities	(33.541)	(5.921)
Net cash from financing activities	18.536	(12.632)
Net increase/(decrease) in cash held	**12.474**	**(10.361)**
Net cash at end of period	**32.291**	**17.154**

Capital Management

The Company implemented a Dividend Reinvestment Plan during the period which was approved by the Shareholders at the 2018 AGM. The company paid a 2cps dividend ($5.036 million) on the 23 November 2018 which was eligible for participation in the DRP with a 18% of shares on issue participating in the DRP resulting in an additional 1,026,540 ordinary shares being issued.

Operational Summary

Health, Safety Environment and Community Performance

The Group undertook or managed over 288,769 hours of coal mining, drilling and exploration activity directly and through its contractors during the 6-month period and reported 3 Lost Time Injuries and 5 Reportable Injuries. The Total Reportable Injury Frequency Rate for the half-year was 16.16 per million hours, with a rolling 12-month average of 14.21 per million hours. The Lost Time Injury Frequency Rate (LTIFR) for the half year was 9.7.

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

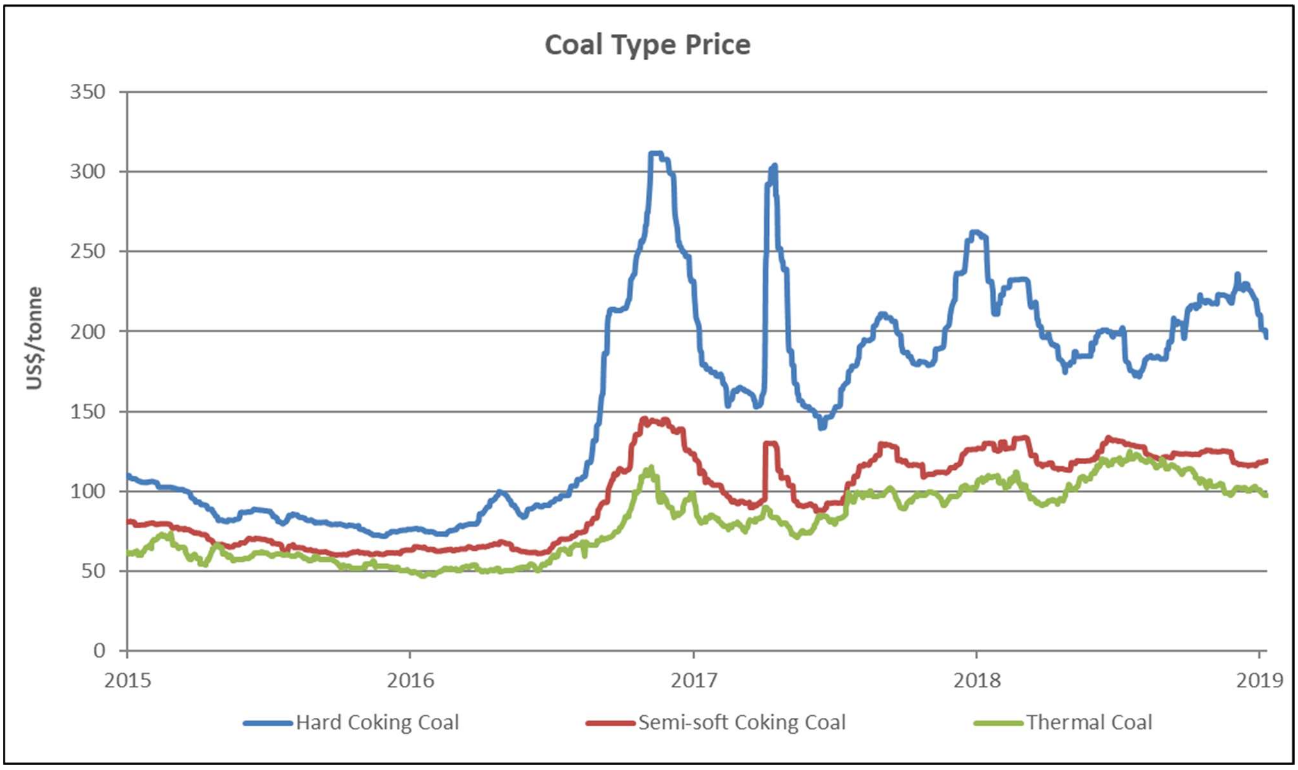
Operations

The Isaac Plains Complex delivered a total of 1,298kt of run of mine (ROM) coal to the coal handling and processing plant (CHPP) at a prime strip ratio of 9.8x. This performance was underpinned by an 82% increase in open-cut ROM performance compared to H1 FY18.

Product coal production was 978kt with the CHPP delivering a total yield of 78%. The H1 FY19 production split of semi soft coking and thermal coal was 81% semi-soft and 19% thermal. Following the dragline relocating to Isaac Plains East in December 2018 and the finalisation of mining at Isaac Plains, and Isaac Plains East becoming fully operational the Group is forecasting a more favourable product split of 90% semi soft and 10% thermal in the H2 FY19.

The Group completed a scheduled major maintenance shutdown for the CHPP, funded the Isaac Plains East development and the purchase of Isaac Downs reflecting the $33.541m cash outflow incurred on investing activities. These capital projects continue to be developed safely, on time and on budget.

The average sale price achieved for all coal during the year was A$168/t, driven by a strong market for premium hard coking coal. Semi soft and thermal prices also improved along with hard coking coal increases although not to the same extent. The Group expects these prices to remain stable throughout the remainder of FY19 in line with industry forecasts and well above the company’s cost of production.



Source: Platts – December 2018 Coal Trader International

In light of continued strong coal prices, the Group continues to accelerate production where it makes financial and commercial sense to do so. With the dragline successfully transitioning from Isaac Plains to Isaac Plains East in December 2018, the Group will realise a significant reduction in the cost of production as a result of low strip ratio pits and more favourable mining conditions generally, which will enable the Company to meet its full year underlying FOB cost guidance of $86/t (excluding State royalties).

	H1 FY19	H1 FY18
Prime Overburden (kbcm)	12,170	13,528
ROM coal produced - Open cut (kt)	1,298	714
ROM strip ratio (prime)	10	13
ROM coal stockpiles (kt)	171	54
Product Coal		
- *Metallurgical (kt)*	788	358
- *Thermal (kt)*	190	154
Total coal production (kt)	978	512
Coal product stockpiles (kt)	176	177
Coal sales		
- *Metallurgical (kt)*	652	316
- *Thermal (kt)*	229	278
Total coal sales (kt)	882	594
Unit costs of sales (A$/t sold) Underlying (non-IFRS Measure)		
Average sale price achieved	168	131
FOR cost	85	74
FOR to FOB cost	19	15
State royalties	15	10
Total FOB cost	119	99
Margin	49	32

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

	31 December 2018 $M	31 December 2017 $M
Coal sales (t'000)	882	594
Margin (A$/t)	49	32
Coal sales margin	**43.195**	**18.827**
Margin from toll loading 3rd party coal	1	1,114
Unallocated corporate overhead	(1.578)	(1.183)
Underlying EBITDA	**41.618**	**18.758**

Isaac Downs Project

On 31 July 2018, the agreement entered into with Peabody Australia for the purchase of Isaac Downs (formally Wotonga South) completed. The agreement to acquire MDL137 and EPC7282 from Millennium Coal Pty Ltd. Stanmore Coal agreed to acquire the coking coal deposit contained within MDL 137 and an additional exploration area (EPC 728) for $30 million cash (consisting of $6.0 million payable on completion in July 2018 followed by a series of deferred payments totalling a further $24 million payable over the following 12 months). $10 million was paid in H1 FY19.

Since the completion of this acquisition a number of significant milestones have been reached in order to realise the full value of this acquisition, including;

- Declaration in accordance with the JORC Code of maiden Coal Reserves on 21 December 2018
- Life of Mine plan developed and reviewed by a technical and an independent expert
- Exploration commenced to support environmental studies, baseline data collection and further define the coal resource.

Isaac Plains Underground Project

The Group continues to assess the potential Isaac Plains Underground Project. It is expected an investment decision will be made during FY19. The Bankable Feasibility Study (BFS) is undergoing final review by third party technical experts. The underground mine is targeting to produce over 1Mt of ROM coal per annum at an Underlying FOB cost of less than $100/t and is one of a number of options available to provide additional ROM coal to the CHPP.

Outlook and developments

Operations

- The Group is currently on track to reach the FY19 production guidance of 2.15Mt. This represents a 90% increase over FY18 (1.128Mt)
- Underlying FOB Costs will improve to $86/t (excluding state royalties) in FY19 from $98/t in FY18. State royalties (variable dependent on coal price received) are estimated at $15/t in FY19, up from $12/t in FY18. The reduction in Underlying FOB cost per tonne is due to the migration of operations from Isaac Plains to Isaac Plains East which has lower strip ratio and more favourable geological conditions to Isaac Plains.
- Supported by strong coal prices and embedded cost discipline the Group is on track to deliver a significant EBITDA growth in FY19 and shareholder value.
- During H1 FY19 the Group also secured additional long-term port capacity through Dalrymple Bay Coal Terminal (DBCT). The additional long-term port capacity now provides further certainty to enable the company to consider various options to fill the CHPP to its nameplate capacity of 3.5Mtpa ROM. The company's tenure across two separate take or pay contracts of 5 and 10 years gives it flexibility to manage its exposure to long term obligations including those matched to its lowest cost production unit, the dragline.
- The Group also negotiated an extension of the Mining Services Agreement with Golding Contractors Pty Ltd for an additional 5-year[1] period commencing on 1 July 2019 to 30 June 2024. The contract provides the Group with flexibility to scale up and down production through a cost-effective structure to meet market conditions and manage the transition to Isaac Downs once environmental approvals are achieved.
- The Group will continue to pursue high value coal sales opportunities and has taken advantage of the planned increased production and coal quality from Isaac Plains East to expand its customer base as well as continuing to meet the requirements of its existing customers.

Exploration and development

In a release to the ASX on 27 July 2018, the Group announced in accordance with the JORC Code, total Coal Resources of 52Mt[2] within the Isaac South area. Exploration is planned for the tenement to further assess the opportunity to provide additional ROM feed for the Isaac Plains infrastructure.

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

Demand

During H1 FY19 the Group pursued and realised high value selling opportunities on the spot market, established new customers and continued meet the requirements of its existing customers. This is partly attributable to the improved quality of product from Isaac Plains East. The Group will continue to pursue these high value selling opportunities.

Industry forecasts are positive for coking coal demand which supports the Company's business model.

[1] Early termination available after 3 years
2 Represented by Indicated 14.5Mt, Measured 11.9Mt and Inferred 25Mt. Mr Mal Blaik, "Coal Resource Isaac South Project", ASX 27 July 2018.

Other

Unsolicited Off-market takeover

On the 19 November 2018 Golden Investments launched an unsolicited off-market takeover for the company, the offer expired on the 22 January 2019. After expiry of the Offer, Golden Investments had a relevant interest in 25.47% of Stanmore's shares on issue, which includes the 19.9% of the shares on issue acquired by a related entity of Golden Investments from Greatgroup Investments Limited immediately prior to the Offer and it also includes a further 2% from Greatgroup accepting for the balance of their holding into the Offer.

Competent Person Statement

The information in this report relating to coal reserves for Isaac Downs was announced on 21 December 2018, titled "First Supplementary Target Statement by Stanmore Coal Limited", and is based on information compiled by Mr Tony O'Connell who is an employee of Optimal Mining Solutions Pty Ltd. Mr O'Connell is a qualified mining engineer with a Bachelor of Mining Engineering from the University of Queensland. Tony has over 20 years' experience relevant to the design, operation and reporting of open cut coal mines throughout Australia and the world and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2012 Edition)".

Rounding

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

Events after reporting date

There have been no events since 31 December 2018 that impact upon the financial report as at 31 December 2018.

Auditor's Independence Declaration

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 12.

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

DClifford

Dan Clifford
Managing Director

Brisbane
Date: 11 February 2019

Auditor's Independence Declaration

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY R M SWABY TO THE DIRECTORS OF STANMORE COAL LIMITED

As lead auditor of Stanmore Coal Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

R M Swaby

Director

BDO Audit Pty Ltd

Brisbane, 11 February 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2018

	Note	31 December 2018 $'000	31 December 2017 $ '000
Revenue	1	148,284	82,772
Cost of sales	2	(102,145)	(61,165)
Gross Profit/(Loss)		**46,139**	**21,607**
Other income	1	3,351	2,204
Other expenses	2	(12,782)	(4,719)
Profit/(loss) before tax and net finance expenses		**36,528**	**19,092**
Finance income	1	135	155
Financial expenses	2	(5,920)	(5,303)
Profit/(loss) before tax		**30,743**	**13,944**
Income tax benefit/(expense)	3	(9,465)	(5,908)
Net profit/(loss) for the half-year		**21,278**	**8,036**
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the half-year		**21,278**	**8,036**
Profit/(loss) for the half-year is attributable to:			
Owners of Stanmore Coal Limited		**21,278**	**8,036**
Total comprehensive income profit/(loss) for the half-year is attributable to:			
Owners of Stanmore Coal Limited		**21,278**	**8,036**

Earnings/(loss) per share attributable to the owners of Stanmore Coal Limited:		Cents	Cents
Basic earnings per share (cents per share)	16	8.44	3.19
Diluted earnings per share (cents per share)	16	8.29	3.17

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 31 December 2018

	Note	31 December 2018 $ '000	30 June 2018 $ '000
CURRENT ASSETS			
Cash and cash equivalents	4	32,291	19,817
Trade and other receivables	5	30,012	22,427
Inventories	6	25,548	20,967
Other current assets		4,741	2,583
Total current assets		**92,592**	**65,794**
NON-CURRENT ASSETS			
Inventories	6	4,235	4,364
Property, plant and equipment	7	40,309	36,444
Exploration and evaluation assets	8a	72,339	39,393
Capitalised development costs	8b	30,997	13,410
Intangible assets	9	3,527	3,778
Deferred tax assets	3	-	2,672
Other non-current assets		2,311	2,234
Total non-current assets		**153,718**	**102,295**
Total assets		**246,310**	**168,089**
CURRENT LIABILITIES			
Trade and other payables	10	55,927	27,028
Interest-bearing loans and borrowings	11	22,669	-
Onerous contracts provision	12	1,641	1,790
Rehabilitation provision	13	1,682	3,160
Vendor Royalties - Contingent Consideration	14	10,178	6,966
Total current liabilities		**92,097**	**38,944**
NON-CURRENT LIABILITIES			
Trade and other payables		215	220
Onerous contracts provision	12	10,824	14,612
Rehabilitation provision	13	20,526	15,423
Vendor Royalties - Contingent Consideration	14	25,272	25,728
Deferred tax liabilities	3	6,793	-
Total non-current liabilities		**63,630**	**55,983**
Total liabilities		**155,727**	**94,927**
Net assets		**90,583**	**73,162**
EQUITY			
Issued capital	17	114,104	113,200
Share Based Payment Reserve		1,427	1,152
Accumulated Losses		(24,948)	(41,190)
Total equity attributable to the owners of Stanmore Coal Limited		**90,583**	**73,162**

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

Consolidated Statement of Changes in Equity for the half-year ended 31 December 2018

	Issued Capital $ '000	Accumulated Losses $ '000	Share Based Payment Reserve $ '000	Total $ '000
At 1 July 2017	**113,200**	**(47,156)**	**774**	**66,818**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				
Profit/(loss) for the period	-	8,036	-	8,036
Other comprehensive income	-	-	-	-
	-	**8,036**	**-**	**8,036**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Share based payments	-	-	318	318
Deferred Tax recognised directly in equity	-	-	-	-
At 31 December 2017	**113,200**	**(39,120)**	**1,092**	**75,172**
At 1 July 2018	**113,200**	**(41,190)**	**1,152**	**73,162**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				
Profit/(loss) for the period	-	21,278	-	21,278
Other comprehensive income	-	-	-	-
	-	**21,278**	**-**	**21,278**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Dividend Paid	-	(5,036)	-	(5,036)
Dividend Reinvestment Plan (DRP)	904	-	-	904
Share based payments reserve	-	-	275	275
At 31 December 2018	**114,104**	**(24,948)**	**1,427**	**90,583**

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

Consolidated Statement of Cash Flows for the half-year ended 31 December 2018

	Note	31 December 2018 $ '000	31 December 2017 $ '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		140,722	97,777
Payments to suppliers and employees (inclusive of GST)		(112,184)	(85,463)
Interest received		135	155
Interest and other finance costs paid		(1,194)	(4,277)
Net cash (outflow)/inflow from operating activities		**27,479**	**8,192**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(6,268)	(5,066)
Payments for exploration, evaluation and development assets		(27,273)	(1,833)
Receipts relating to vendor payments		-	978
Net cash (outflow)/inflow from investing activities		**(33,541)**	**(5,921)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(4,133)	-
Proceeds from borrowings		22,669	9,211
Repayment of borrowings		-	(21,843)
Net cash (outflow)/inflow from financing activities		**18,536**	**(12,632)**
Net increase/(decrease) in cash held		**12,474**	**(10,361)**
Net cash at beginning of period		19,817	27,515
Net cash at end of period	4	**32,291**	**17,154**

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

Notes to the Interim Financial Statements

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard (AASB) 134: Interim Financial Reporting. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investment Commission, relating to 'rounding-off'. Amounts in this financial report and the Director's Report have been rounded off in accordance with this ASIC Instrument to the nearest thousand dollars, unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for derivatives, and held-for-trading investments that have been measured at fair value.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Stanmore Coal Limited and its subsidiaries ("the Consolidated Entity"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year with the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2018, together with any public announcements made following half-year.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements except for the standard below.

AASB 9 Financial Instruments – See Note 22 Other Accounting Policies

These interim financial statements were authorised for issue on 11 February 2019.

NOTE 1 REVENUE AND OTHER INCOME

	Note	31 December 2018 $ '000	31 December 2017 $ '000
REVENUE			
Revenue from contracts with customers		148,284	82,772
Total revenue		**148,284**	**82,772**
OTHER INCOME			
Rehabilitation provision re-measurement	13	-	1,246
Onerous contract re-measurement	12	3,328	858
Other income		23	100
Total other income		**3,351**	**2,204**
FINANCE INCOME			
Interest income		135	155
Total finance income		**135**	**155**

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

31 December 2018	Timing of revenue recognition	South East Asia AUD '000	Europe AUD '000	Australia AUD '000	Total AUD '000
Sales - thermal coal	At point in time FOB contract	29,723	-	-	29,723
Sales - semi soft coking coal	At point in time FOB contract	118,561	-	-	118,561
Coal sales - Subtotal		**148,284**	**-**	**-**	**148,284**
Toll loading revenue	At a point in time	-	-	-	-
TOTAL		**148,284**	**-**	**-**	**148,284**

31 December 2017	Timing of revenue recognition	South East Asia AUD '000	Europe AUD '000	Australia AUD '000	Total AUD '000
Sales - thermal coal	At point in time FOB contract	28,696	-	-	28,696
Sales - semi soft coking coal	At point in time FOB contract	44,213	5,192	-	49,405
Coal sales - Subtotal		**72,909**	**5,192**	**-**	**78,101**
Toll loading revenue	At a point in time	-	-	4,671	4,671
TOTAL		**72,909**	**5,192**	**4,671**	**82,772**

NOTE 2 COST OF SALES AND OTHER EXPENSES

	Note	31 December 2018 $ '000	31 December 2017 $ '000
COST OF SALES			
Mining costs		51,344	28,752
Processing costs		14,100	8,088
Transport & logistics		14,426	8,153
State royalties		13,001	6,229
Private royalties		2,228	883
Production overheads		2,981	1,956
Other production costs		4,043	3,547
Sub-total cost of sales		**102,123**	**57,608**
Toll loading costs		22	3,557
Total cost of sales		**102,145**	**61,165**
OTHER EXPENSES			
Other expenses		9,211	4,509
Fair value movement - vendor royalty - contingent consideration	14	3,751	210
Total other expenses		**12,782**	**4,719**
FINANCIAL EXPENSES			
Interest paid – external parties		1,193	1,851
Interest amortisation unwinding	12,13,14	3,357	1,337
Movement in foreign currency		(283)	(9)
Borrowing costs		1,653	2,124
Total financial expenses		**5,920**	**5,303**

Other expenses include the following specific items:

	Note	31 December 2018 $ '000	31 December 2017 $ '000
Depreciation and amortisation			
Depreciation - plant & equipment	7	2,403	1,308
Amortisation – Capitalised Development costs	8b	1,293	-
Amortisation - intangibles	9	251	252
Sub-total Depreciation & amortisation		**3,947**	**1,560**
EMPLOYEE EXPENSES			
Employee - salaries and wages		2,219	1,165
Employee superannuation		166	108
Share-based payments (shares)		275	318
Sub-total employee expenses		**2,660**	**1,591**
Other overhead expenses		2,543	1,290
Minimum lease payments made under operating lease		61	68
Sub-total other expenses		**2,604**	**1,358**
Total other expenses		**9,211**	**4,509**

NOTE 3 INCOME TAX EXPENSE

	31 December 2018 $ '000	31 December 2017 $ '000
RECONCILIATION		
Current income tax expense /(benefit)	(1,162)	(19,858)
Deferred income tax expense	10,627	25,766
Income tax expense	**9,465**	**5,908**
RECONCILIATION THROUGH EQUITY		
Opening balance	**-**	**(1,129)**
Current year share issue expenses	-	-
Prior period DTA not brought to account	-	-
Income tax expense/(benefit) - equity	**-**	**(1,129)**

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

Prima facie tax benefit (30%) on profit/(loss) before tax	9,223	4,183
Add tax effect of:		
- Non-deductable expenses	1,916	1,725
- Deferred tax asset not recognised	-	-
- Prior period deferred under/over	(1,674)	-
Income tax expense	**9,465**	**5,908**

	31 December 2018 $ '000	30 June 2018 $ '000
RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES		
DEFERRED TAX ASSETS		
Unused tax losses	1,162	11,617
Deductible temporary differences	24,867	24,917
Sub-total deferred tax assets	**26,029**	**36,534**
DEFERRED TAX LIABILITIES		
Assessable temporary differences	(32,822)	(33,862)
Deferred tax	**(6,793)**	**2,672**

NOTE 4 CASH AND CASH EQUIVALENTS

	31 December 2018 $ '000	30 June 2018 $ '000
Cash at bank and in hand	**32,291**	**19,817**
Cash at bank bear floating and fixed interest rates between 1.5% and 1.75% (2017: 1.5% and 1.75%).		
RECONCILIATION OF CASH		
The above figures are reconciled to the consolidated statement of cash flows as follows:		
Balances as above	32,291	19,817
Balances per consolidated statement of cash flows	32,291	19,817

NOTE 5 TRADE AND OTHER RECEIVABLES

	31 December 2018 $ '000	30 June 2018 $ '000
CURRENT		
GST receivable	2,077	1,569
Trade receivables	27,623	20,559
Other receivables	312	299
Total current trade & other receivables	**30,012**	**22,427**

NOTE 6 INVENTORIES

	31 December 2018 $ '000	30 June 2018 $ '000
CURRENT		
ROM coal stocks	5,524	3,752
Product coal stocks	9,133	6,244
Sub-total coal stock	**14,657**	**9,996**
Overburden in advance	10,891	10,971
Total current inventories	**25,548**	**20,967**
NON-CURRENT		
Overburden in advance	4,235	4,364
Total non-current inventories	**4,235**	**4,364**
Total inventories	**29,783**	**25,331**

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

	31 December 2018 $ '000	30 June 2018 $ '000
Plant and equipment		
At cost	44,697	40,496
Accumulated depreciation	(10,709)	(8,355)
	33,988	**32,141**
Buildings and improvements		
At cost	1,508	1,379
Accumulated depreciation	(390)	(343)
	1,118	**1,036**
Furniture and office equipment		
At cost	137	137
Accumulated depreciation	(119)	(117)
	18	**20**
Capital work in progress		
At cost	5,185	3,247
Accumulated depreciation	-	-
	5,185	**3,247**
Total property plant and equipment	**40,309**	**36,444**

NOTE 7 PROPERTY, PLANT AND EQUIPMENT (cont.)

31 December 2018	Land deposit $ '000	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 period	-	32,141	1,036	20	3,247	**36,444**
Additions – through ordinary course	-		-	-	6,268	**6,268**
Capital WIP transfers	-	4,201	129	-	(4,330)	**-**
Net disposals	-	-	-	-	-	**-**
Transfers – through ordinary course	-	-	-	-	-	**-**
Depreciation expense	-	(2,354)	(47)	(2)	-	**(2,403)**
Carrying amount at the end of the period	**-**	**33,988**	**1,118**	**18**	**5,185**	**40,309**

30 June 2018	Land deposit $ '000	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 period	1,946	27,374	1,160	22	4,747	**35,249**
Additions – through ordinary course	-	21	-	-	7,823	**7,844**
Capital WIP transfers	-	9,323	-	-	(9,323)	**-**
Net disposals	-	-	-	-	-	**-**
Transfers – through ordinary course	(1,946)	-	-	-	-	**(1,946)**
Depreciation expense	-	(4,577)	(124)	(2)	-	**(4,703)**
Carrying amount at the end of the period	**-**	**32,141**	**1,036**	**20**	**3,247**	**36,444**

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

NOTE 8 (a) EXPLORATION AND EVALUATION ASSETS

	31 December 2018 $ '000	30 June 2018 $ '000
NON-CURRENT		
Exploration and evaluation expenditure capitalised		
- exploration and evaluation phases	72,339	39,393

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 period	51,498	33,734
Additions and transfers from work in progress	32,946	2,859
Transferred to capitalised development	-	(6,167)
Transferred from capitalised development	-	21,072
Written-off	-	-
Sub-total capitalised cost	**84,444**	**51,498**
Provision for impairment	(12,105)	(12,105)
Carrying amount at the end of the period	**72,339**	**39,393**

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

NOTE 8 (b) CAPITALISED DEVELOPMENT COSTS

	31 December 2018 $ '000	30 June 2018 $ '000
NON-CURRENT		
Capitalised development costs	30,997	13,410

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 period	13,410	21,071
Transfers from exploration and evaluation	-	6,167
Transfers to exploration and evaluation	-	(21,072)
Other additions	18,880	7,244
Amortisation	(1,293)	-
Sub-total capitalised cost	**30,997**	**13,410**
Provision for impairment	-	-
Carrying amount at the end of the period	**30,997**	**13,410**

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

NOTE 8 (b) CAPITALISED DEVELOPMENT COSTS (cont.)

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 31 December 2018, the carrying amount of capitalised developments costs was $31.0 million (30 June 2018: $13.4 million).

NOTE 9 INTANGIBLE ASSETS

	31 December 2018 $ '000	30 June 2018 $ '000
INFRASTRUCTURE INTANGIBLE ASSET		
At cost	4,800	4,800
Accumulated amortisation	(1,273)	(1,022)
	3,527	**3,778**

MOVEMENTS IN CARRYING AMOUNTS

	31 December 2018 $ '000	30 June 2018 $ '000
Balance at the beginning of the period	3,778	4,282
Amortisation expense	(251)	(504)
Carrying amount at the end of the period	**3,527**	**3,778**

Intangible assets

The infrastructure intangible asset relates to future rebates on the cost of coal railings based on an agreement with the below rail infrastructure owner. The asset was recognised upon acquisition of the Isaac Plains Coal Mine. Receipts of coal railing rebates are recognised in profit or loss. 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 10 TRADE AND OTHER PAYABLES

	31 December 2018 $ '000	30 June 2018 $ '000
Current		
Trade and other payables	2,191	2,197
Sundry payables and accrued expenses	33,133	24,325
Deferred acquisition payments – Isaac Downs	20,000	-
Employee benefits	603	506
Total Current Trade and other payables	**55,927**	**27,028**

Deferred acquisition payments relate to the purchase of Isaac Downs from Peabody Australia. The agreement to purchase Isaac Downs completed on 31 July 2018. The consideration was $30 million and is payable over a series of instalments, with $10 million already paid during the half year. The last instalment is due in July 2019.

NOTE 11 INTEREST BEARING LOANS AND BORROWINGS

	31 December 2018 $ '000	30 June 2018 $ '000	31 December 2018 USD '000	30 June 2018 USD '000
INTEREST BEARING LOANS AND BORROWINGS				
Facility B - working capital facility	22,669	-	USD 16,000	USD -
Total Interest-bearing loans and borrowings	**22,669**	**-**	**USD 16,000**	**USD -**

	31 December 2018 $ '000	30 June 2018 $ '000	31 December 2018 USD '000	30 June 2018 USD '000
TOTAL FACILITIES				
Facility A - bank guarantee facility				
Total available facility	41,088	39,237	USD 29,000	USD 29,000
Facility utilised	24,819	31,094	USD 17,517	USD 22,982
Available facility	**16,269**	**8,143**	**USD 11,483**	**USD 6,018**
Facility A is a contingent liability (refer note 20)				
Facility B - working capital facility				
Total available facility	31,170	29,766	USD 22,000	USD 22,000
Facility utilised	22,669	-	USD 16,000	USD -
Available facility	**8,501**	**29,766**	**USD 6,000**	**USD 22,000**

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

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

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

- Bonding/bank guarantee facility increased to USD29.0m (unchanged)
- Revolving working capital facility of USD22.0m (unchanged)
- Interest rate on utilised funds of 10.0% (unchanged)
- Interest rate on available facility of 2.0% (unchanged)
- Royalty payable of 1.0% on proceeds from Isaac Plains Complex (unchanged)
- Taurus has a security charge over the operating entities which own Isaac Plains East and Isaac Downs

Refer to *Note 20 Contingent Assets and Liabilities* for further discussion on the debt financing arrangements.

NOTE 12 ONEROUS CONTRACTS PROVISION

	31 December 2018 $ '000	30 June 2018 $ '000
CURRENT		
Current onerous contract provision	1,641	1,790
NON-CURRENT		
Non-current onerous contract provision	10,824	14,612
Total onerous contracts provision	**12,465**	**16,402**
RECONCILIATION OF MOVEMENTS		
Opening balance	16,402	22,260
Depletions through settlement	(1,056)	(2,652)
Adjustment - through re-measurement	(3,328)	(4,040)
Unwinding of discount	447	834
Closing balance	**12,465**	**16,402**

Key estimates – Onerous Contracts

The Group assesses onerous contracts at each reporting date by evaluating conditions specific to each contract and the then current business plan, which was updated during the half year, and approved by the Board. 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 FY19 year a total of $1.1 million of onerous contracts were settled through payment, with the unwinding of the discount being $0.4 million and $3.3 million taken through consolidated statement of profit or loss for re-measurement.

NOTE 13 REHABILITIATION PROVISION

	31 December 2018 $ '000	30 June 2018 $ '000
CURRENT		
Current rehabilitation provision	1,682	3,160
NON-CURRENT		
Non-current rehabilitation provision	20,526	15,423
Total rehabilitation liability	**22,208**	**18,583**
RECONCILIATION OF MOVEMENTS		
Opening balance	18,583	24,878
Additions - current year disturbance	5,277	-
Depletion - rehabilitation works completed	(1,860)	(6,705)
Depletion - re-measurement	-	(281)
Unwinding of discount	208	691
Closing balance	**22,208**	**18,583**

NOTE 13 REHABILITIATION PROVISION (cont.)

Key estimates – rehabilitation provision

The Group 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 half year a decrease in the rehabilitation provision of $1.7 million was recognised due to the rehabilitation works completed. In addition, a rehabilitation liability was recognised with regard to disturbance of Isaac Plains East.

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

NOTE 14 VENDOR ROYALTIES – CONTINGENT CONSIDERATION

	31 December 2018 $ '000	30 June 2018 $ '000
CURRENT		
Current vendor royalties - contingent consideration	10,178	6,966
NON-CURRENT		
Non-current vendor royalties - contingent consideration	25,272	25,728
Total vendor private royalty	**35,450**	**32,694**
RECONCILIATION OF MOVEMENTS		
Opening balance - vendor royalties - contingent consideration at fair value	32,694	11,264
Fair value adjustments taken to profit and loss in other expenses	3,751	25,828
Depletions through settlement	(3,697)	(5,550)
Unwinding of discount	2,702	1,152
Total vendor royalties - contingent consideration at fair value	**35,450**	**32,694**

Vendor Private Royalty - Isaac Plains contingent consideration

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 H1 FY19 to the vendors and as a result the remaining cap is $36.175 million (2019 dollars).

During H1Y F19, Stanmore completed the acquisition of Isaac Downs (formerly Wotonga South), from Peabody. This transaction included a royalty stream payable to Peabody 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 $10.000m. The fair value of this royalty has been recognised during H1 FY19.

This valuation has been performed using a discounted cash flow methodology which was consistent with that used in FY18. The method used is classed as a level 3 valuation under AASB 13 the following key unobservable inputs are used in its calculation:

- Hard Coking Coal forward price curve based on a compilation of short term (12 months) prices from Isaac Plains coal marketing consultants Square Trading Pty Ltd and long-term estimates completed by Wood McKenzie;
- AUD/USD Foreign exchange forward curve estimates are based on market consensus curves; and

NOTE 14 VENDOR ROYALTIES – CONTINGENT CONSIDERATION (cont.)

- 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 Plains Underground (unapproved) and the Isaac Downs mine (unapproved).

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

A matrix is shown below of changes in the Hard-Coking Coal index and the AUD/USD exchange rate. The numbers are shown in millions and the highlighted number in blue is the current valuation.

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

		Hard Coking Coal Index curve				
		+10%	+5%	Current	(5%)	(10%)
FX Index curve	+10%	30.067	25.964	23.804	13.763	5.453
	+5%	31.343	31.343	27.240	25.080	15.038
	Current	35.450	35.450	35.450	31.346	28.789
	(5%)	35.450	35.450	35.450	35.450	31.346
	(10%)	35.450	35.450	35.450	35.450	35.450

		Hard Coking Coal Index curve				
		+10%	+5%	Current	(5%)	(10%)
FX Index curve	+10%	(15.2%)	(26.8%)	(32.9%)	(61.2%)	(84.6%)
	+5%	(11.6%)	(11.6%)	(23.2%)	(29.3%)	(57.6%)
	Current	-	-	-	(11.6%)	(18.8%)
	-5%	-	-	-	-	(11.6%)
	-10%	-	-	-	-	-

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	32.799	(2.651)	(7.5%)
Isaac Downs not approved	30.068	(5.382)	(15.2%)
Remaining Isaac Plains complex reduced by 20% product	27.304	(8.146)	(23.0%)
Remaining Isaac Plains complex increased by 20% product	35.450	0.000	-

NOTE 15 DIVIDENDS AND FRANKING CREDITS

The final unfranked dividend of $5.036 million for FY18 was paid on 23 November 2018.

Following the closure of the half year accounts, the Directors' have declared a fully franked interim dividend for H1 FY19 of 3 cps payable on the 30 April 2019.

NOTE 16 EARNINGS PER SHARE

	31 December 2018 $ '000	31 December 2017 $ '000
EARNINGS		
Profit/(Loss) attributable to owners of Stanmore Coal Limited used to calculate basic and diluted earnings per share	**21,278**	**8,036**

	31 December 2018 Number '000	31 December 2017 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	252,014	251,801
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**256,604**	**253,844**

	31 December 2018 $ '000	31 December 2017 $ '000
RECONCILIATION OF MOVEMENTS		
Opening balance	251,801	251,801
Weighted average of issued shares (DRP)	213	-
Weighted average number of ordinary shares used in calculating basic earnings per share	**252,014**	**251,801**
Weighted average number of Long-term Incentive Rights issued	4,590	2,043
Weighted average number of ordinary shares and potential ordinary shares issued used to calculate diluted earnings per share	**256,604**	**253,844**
Basic earnings per share (cents per share)	8.44	3.19
Diluted earnings per share (cents per share)	8.29	3.17

NOTE 17 ISSUED CAPITAL

	31 December 2018 $ '000	30 June 2018 $ '000
252,827,518 fully paid ordinary shares (30 June 2018: 251,800,978)	116,547	116,547
Share issue costs	(4,476)	(4,476)
Deferred tax recognised through equity	1,129	1,129
Issue of new ordinary shares (DRP)	904	-
	114,104	**113,200**

	31 December 2018 Number	30 June 2018 Number	31 December 2018 $ '000	30 June 2018 $ '000
ORDINARY SHARES				
At the beginning of the year	251,800,978	251,800,978	113,200	113,200
Issue of new ordinary shares (DRP)	1,026,540	-	904	-
Deferred tax recognised through equity	-	-	-	-
At reporting date	**252,827,518**	**251,800,978**	**114,104**	**113,200**

NOTE 17 ISSUED CAPITAL (cont.)

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.

NOTE 18 FAIR VALUE

Fair Values

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

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

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

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

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

1. quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
2. inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
3. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

Financial Liabilities	Level 1	Level 2	Level 3
Vendor royalties contingent consideration held at fair value through profit or loss	-	-	35,450
Total Financial Liabilities	-	-	**35,450**

There were no other financial assets or liabilities valued at fair value in H1 FY19 or FY18.

NOTE 19 OPERATING SEGMENTS

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

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

Accounting policies adopted

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

Inter-segment transactions

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

Segment assets

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

Segment liabilities

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

Unallocated items

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

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

Major customers

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

Recognition and measurement

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

NOTE 19 OPERATING SEGMENTS (cont.)

Segment performance

	31 December 2018			31 December 2017		
	Isaac Plains Complex $ '000s	Exploration and Development $ '000s	Total $ '000s	Isaac Plains Complex $ '000s	Exploration and Development $ '000s	Total $ '000s
SEGMENT REVENUE						
External sales	148,284	-	148,284	82,772	-	82,772
Intersegment sales	-	-	-	-	-	-
Total segment revenue	**148,284**	**-**	**148,284**	**82,772**	**-**	**82,772**
Reconciliation of segment revenue to Consolidated Entity revenue						
Other revenue			-			-
Intersegment elimination			-			-
Total group revenue			**148,284**			**82,772**

	31 December 2018			31 December 2017		
	Isaac Plains Complex $ '000s	Exploration and Development $ '000s	Total $ '000s	Isaac Plains Complex $ '000s	Exploration and Development $ '000s	Total $ '000s
Segment net profit/(loss) from continuing operations before tax	**36,707**	**(4,386)**	**32,321**	**15,276**	**(149)**	**15,127**
Reconciliation of segment result to Consolidated Entity net loss before tax						
Amounts not included in segment result but reviewed by the Board:						
Unallocated			(1,578)			(1,183)
Net profit/(loss) before tax from continuing operations			**30,743**			**13,944**

	31 December 2018			30 June 2018		
	Isaac Plains Complex $ '000s	Exploration and Development $ '000s	Total $ '000s	Isaac Plains Complex $ '000s	Exploration and Development $ '000s	Total $ '000s
Segment assets	**184,483**	**72,339**	**256,822**	**161,811**	**39,393**	**201,204**
Reconciliation of segment assets to Consolidated Entity assets:						
Intersegment eliminations			(10,512)			(35,787)
Unallocated assets			-			2,672
Total Consolidated Entity assets			**246,310**			**168,089**

	31 December 2018			30 June 2018		
	Isaac Plains Complex $ '000s	Exploration and Development $ '000s	Total $ '000s	Isaac Plains Complex $ '000s	Exploration and Development $ '000s	Total $ '000s
Segment liabilities	**122,949**	**25,382**	**148,331**	**95,869**	**25,040**	**120,909**
Reconciliation of segment liabilities to Consolidated Entity assets:						
Intersegment eliminations			-			(25,275)
Unallocated liabilities			7,396			503
Total Consolidated Entity liabilities			**155,727**			**94,927**

NOTE 20 CONTINGENT ASSETS AND LIABILITIES

CONTINGENT ASSETS

WICET Loan

No change from 30 June 2018.

CONTINGENT LIABILITIES

Debt finance facility

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

NOTE 21 EVENTS AFTER REPORTING DATE

There have been no events since 31 December 2018 that impact upon the financial report as at 31 December 2018.

NOTE 22 OTHER ACCOUNTING POLICIES

AASB9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

(i) Classification and measurement
On 1 July 2018, the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories.

(ii) Impairment of financial assets
For trade and other receivables the group has considered the impact of AASB 9's new expected credit loss model, management has determined the impairment loss to be immaterial.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, management has determined the impairment loss to be immaterial.

NOTE 22 OTHER ACCOUNTING POLICIES (cont.)

(iii) New accounting policy from 1 July 2018

Classification

From 1 July 2018, the group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through OCI, or through profit or loss), and those to be measured at amortised cost.

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that 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.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

From 1 January 2018, the group assesses on a forward looking basis the expected credit losses 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.

Declaration by Directors

In the opinion of the directors of the Company:

1. The consolidated financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and accompanying notes, are in accordance with the *Corporations Act 2001* and:

    (a) comply with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

    (b) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.

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

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

Dan Clifford
Managing Director

Brisbane
Date: 11 February 2019

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

Independent Auditor's Report

To the members of Stanmore Coal Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Stanmore Coal Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half year then ended, and notes comprising a statement of 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 is not in accordance with the Corporations Act 2001 including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' responsibility 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 responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, 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 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

BDO
RMSwaby

R M Swaby

Director

Brisbane, 11 February 2019

stanmorecoal

12 February 2019

A RECORD H1 SET TO DELIVER STRONG H2

FINANCIAL HIGHLIGHTS

Stanmore Coal Ltd (ASX: SMR) reports a profit after tax of $21.278m for the half year ended 31 December 2018. This represents a significant improvement over the previous corresponding period (pcp) profit of $8.036m and the results include the following financial highlights:

- Revenue increase to $148.284m (79.1% increase pcp)
- Gross margin 48.1% (33.7% in pcp)
- Underlying EBITDA up to $41.618m and in line with guidance for the half year and on track to meet guidance for FY19 year of Underlying EBITDA of $140m to $155m
- Investing activities of $33.541m ($5.921m at June 18)
- Interim fully franked dividend declared of 3 cps

The gross profit from operations improved to $46.139m (pcp: $21.607m) with coal sales delivering revenue of $148.284m in the first half of the financial year (pcp: $82.772m). The profit before tax (PBT) of $30.743m (pcp: $13.944m) is driven by continued strong coking coal prices, increased volumes, improved sales mix between coking coal and thermal coal and a continued focus on cost control.

OPERATING HIGHLIGHTS

Stanmore's Isaac Plains complex continued to perform well during the half year and is set up for a strong second half. The operational highlights were:

- In December 2018 the Dragline relocated from the Isaac Plains Mine to the new Isaac Plains East Mine which has a lower strip ratio compared to the Isaac Plains Mine resulting in a significant reduction in waste removal costs
- Record open cut ROM production of 1,298kt (81.8% increase pcp)
- Record coal production of 978kt (91.0% increase pcp)
- Record coal sales of 882kt (48.5% increase pcp)
- 176kt of product stockpiles at the end of the period due to port congestion which will enable strong sales and cash conversion in the second half of financial year 2019 as port queues return to more normal levels
- Underlying FOB costs of $104/t[1] (excluding state royalties of $15/t) (16.8% increase pcp)

FULL YEAR GUIDANCE

Stanmore maintains its 2.15mt coal production guidance for FY19 with an underlying FOB cost of $86/t (excluding state royalty of $15/t). Full year Underlying EBITDA guidance remains at $140m to $155m for FY19

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[1] Non-IFRS measure

Cashflow

During the half-year to 31 December 2018, a total net cash inflow of $12.474m was recorded, which included $22.669m of short-term borrowings which were subsequently repaid on 2 January 2019. The net inflow from operating activities was positive with $27.479m being contributed by operations, this is a 235% increase against the pcp. The net cash outflow for investing activities ($33.541m) represented the acquisition of Isaac Downs, further investment in the capital program at Isaac Plains East and the scheduled maintenance shutdown of the coal handling and processing plant (CHPP). During the half year, the final dividend FY18 was also paid to shareholders of $4.133m (net of dividends reinvested pursuant to DRP).

Operational Summary

Safety

The Total Reportable Injury Frequency Rate for the half-year was 16.16 per million hours (pcp 12.7), with a rolling 12-month average of 14.21 per million hours (pcp 10.7).

Isaac Plains Coal Complex

The Isaac Plains Complex delivered a total of 1,298kt of ROM coal to the CHPP at a prime strip ratio of 10.0x. Product coal production of 978kt, with the coal handling and processing plant (CHPP) delivering a total yield of 78% (product split of 81% to 19%, semi soft coking coal to thermal coal respectively). Following the successful dragline relocation to Isaac Plains East, Stanmore expects the FY19 production split of semi soft and thermal coal will be approximately 90% semi-soft and 10% thermal. Total coal sold during the period was 882kt with 74% of sales being semi-soft coking coal.

Underlying operating FOB costs where $104/t sold (excluding state royalties of $15/t) which was a 16.8% increase from the pcp. Favourable mining conditions at Isaac Plains East will enable Stanmore to meet its full year Underlying FOB cost guidance of $86/t (excluding state royalties). The average coal price received for the half year was A$168/t (pcp $131/t). In light of the strong coal prices, Stanmore will continue to accelerate production where it makes financial and commercial sense to do so.

Isaac Downs Project

On 31 July 2018, the agreement entered into with Peabody Australia for the purchase of Isaac Downs completed. The acquisition consisted of $30 million cash (of which $6.0 million was payable on completion followed by a series of deferred payments totalling $24 million over the following 12 months). $10 million was paid during the half year.

Since completion, a number of milestones have been reached in order to realise the full value of the acquisition, including:

- Base line environmental studies commenced
- Exploration was initiated to further define the coal resource
- Declaration in accordance with the JORC Code of maiden Coal Reserves on 21 December 2018
- Life of Mine plan developed and reviewed.

Isaac Plains Underground Project

It is expected an investment decision will be made during FY19. The Bankable Feasibility Study (BFS) is undergoing final review by third party technical experts. The underground mine is targeting to produce over 1Mt of ROM coal per annum at an Underlying FOB cost of less than $100/t and is one of a number of options available to provide additional ROM coal to the CHPP.

Outlook and developments

Operations

- In line with previously provided guidance, Stanmore is expecting to boost saleable coal production to 2.15Mt in FY19, representing a ~90% increase over FY18.
- Underlying FOB Costs will improve to $86/t (excluding state royalties) in FY19 from $98/t in FY18. State royalties (variable dependent on coal price received) are estimated at $15/t in FY19, up from $12/t in FY18. The reduction in Underlying FOB cost per tonne is due to the migration of operations from Isaac Plains to Isaac Plains East which has lower strip ratio and more favourable geological conditions to Isaac Plains.
- Supported by strong coal prices and embedded cost discipline Stanmore Coal ("The Group") is on track to deliver significant EBITDA growth in FY19 and shareholder value.
- During H1 FY19 the Group also secured additional long-term port capacity through Dalrymple Bay Coal Terminal (DBCT). The additional long-term port capacity now provides further certainty to enable the company to consider various options to fill the CHPP to its nameplate capacity of 3.5Mtpa ROM. The company's tenure across two separate take or pay contracts of 5 and 10 years gives it flexibility to manage its exposure to long term obligations including those matched to its lowest cost production unit, the dragline.
- The Group also negotiated an extension of the Mining Services Agreement with Golding Contractors Pty Ltd for an additional 5-year period commencing on 1 July 2019 to 30 June 2024. The contract provides the Group with flexibility to scale up and down production through a cost-effective structure to meet market conditions and manage the transition to Isaac Downs once environmental approvals are achieved.
- The Group will continue to pursue high value coal sales opportunities and has taken advantage of the planned increased production and coal quality from Isaac Plains East to expand its customer base as well as continuing to meet the requirements of its existing customers.

Exploration and development

In a release to the ASX on 27 July 2018, the Group announced total Coal Resources of 52Mt[2] within the Isaac South area. These resources were upgraded to the standard required by the JORC code 2012. Exploration is planned for the tenement to further assess the opportunity to provide additional ROM feed for the Isaac Plains infrastructure.

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

Stanmore Managing Director, Dan Clifford, said "Isaac Plains continues to deliver strong, consistent results which has enabled a very positive outcome for H1 FY19. These results are on track to continue, setting Stanmore up for a strong H2. Coupled with the Isaac Downs acquisition, Stanmore has secured a long-term production runway for its assets."

"Stanmore continues to confidently capitalise on the current market conditions and operational performance by embedding strong planning and cost control into its operations. The relocation of the dragline from Isaac Plains to Isaac Plains East represents a significant milestone for the company in meeting its objectives of generating substantial growth in returns and strong cash flows for our shareholders given the improved cost structure and product mix split at Isaac Plains East. This progression of the Isaac Plains complex, has put the company in a great position for substantial growth in returns as we head towards the objective of 3.5mt ROM for the complex"

"Metallurgical coal demand continues to be strong and it's our view in the long term it will remain that way, giving Stanmore, with the right fundamentals in place, the perfect opportunity to become a key participant in the sector"

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[2] Represented by Indicated 14.5Mt, Measured 11.9Mt and Inferred 25Mt Resources

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Yours faithfully,

Ian Poole
Company Secretary

For further information, please contact:

Dan Clifford
Managing Director
07 3238 1000

Ian Poole
Chief Financial Officer & Company Secretary
07 3238 1000

About Stanmore Coal Limited (ASX: SMR)

Stanmore Coal operates the Isaac Plains coking coal mine in Queensland's prime Bowen Basin region. Stanmore Coal owns 100% of the Isaac Plains Complex which includes the original Isaac Plains Mine, the adjoining Isaac Plains East (operational), Isaac Downs (open cut mine project) and the Isaac Plains Underground Mine (currently being assessed in a Bankable Feasibility Study). The Company is focused on the creation of shareholder value via the efficient operation of the Isaac Plains Complex and the identification of further development opportunities within the region. In addition, Stanmore Coal holds a number of high-quality development assets (both coking and thermal coal resources) located in Queensland Bowen and Surat basins.

Stanmore Coal Limited ACN 131 920 968

p: +61 7 3238 1000
f: +61 7 3238 1098

e: info@stanmorecoal.com.au
w: www.stanmorecoal.com.au

Level 8, 100 Edward Street, Brisbane QLD 4000
GPO Box 2602, Brisbane QLD 4001