ANNUAL REPORT 2017

stanmorecoal

PLATFORM ESTABLISHED FOR PROFIT GROWTH

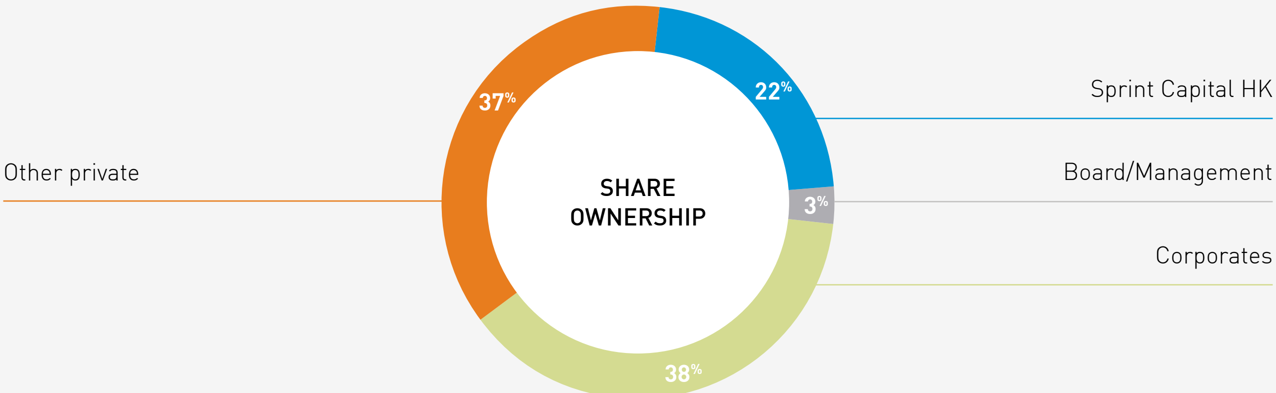
As one of the few small ASX-listed coal producers, Stanmore Coal offers an attractive entry point into the coal sector in Australia

ASX CODE	SHARE PRICE	SHARES	MARKET CAP
SMR	A$0.41*	251,800,978	$103.2M*

*Share price as at 13 September 2017

CONTENTS

Photo courtesy of Komatsu Mining Corp.



CORPORATE INFORMATION

DIRECTORS

Neville Sneddon (Chairman)
Dan Clifford (Managing Director)
Chris McAuliffe
Neal O'Connor*
Patrick O'Connor
Stephen Bizzell
Stewart Butel*

COMPANY SECRETARY

Ian Poole

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COUNTRY OF INCORPORATION

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stanmorecoal.com.au

STOCK EXCHANGE LISTING

Australian Securities Exchange
ASX Code: SMR

AUSTRALIAN BUSINESS NUMBER

27 131 920 968

*Appointed 18 September 2017

THE STANMORE STORY

Stanmore is an independent coal company with significant metallurgical coal resources, positioned in the right commodity at the right time of the cycle to deliver strong results.

Stanmore is currently producing 1.2 Mtpa of product from our Isaac Plains Mine and exporting to premium international customers.

The Isaac Plains Complex – which encompasses the operational Isaac Plains Mine and Isaac Plains East Project under development – provides a unique opportunity for Stanmore to significantly increase production through our existing coal handling and processing plant (CHPP) and rail loop infrastructure.

Our strategy involves potentially extending the life of the Isaac Plains Complex by progressively open-cut mining Isaac Plains and Isaac Plains East, at the same time going underground through highwalls left by the open-cut. Mining open-cut and underground simultaneously would increase raw coal availability, and the existing CHPP can be brought to its full production capacity.

We are calling it our 'Hub Model' – producing as many tonnes of high grade coal as possible through a single CHPP fed by multiple mines to run at capacity. Fully utilising the existing plant enables more coal to be produced without investing in additional costly infrastructure. The end result – more coal at lower cost, and an opportunity for significant cash growth and profitability.

The Isaac Plains Complex represents Stanmore's platform asset. As well as providing strong returns to shareholders, our ability to remain capital and cost disciplined will enable Stanmore to invest in further value accretive opportunities. Growth is not just 'for growth's sake', it's growth in returns to shareholders. The model can potentially be replicated at other identified resources either already owned or acquired in future by Stanmore.

Our position at the front of this emerging industry model puts Stanmore in a unique position to capitalise on the current marketplace for both the commodity and assets.

INDEPENDENT COAL COMPANY

Positioned in right commodity in the right time of the cycle

ISAAC PLAINS OPERATIONAL WITH DEMONSTRATED PERFORMANCE

Validation that the resource, equipment and plan are right

ISAAC PLAINS COMPLEX REPRESENTS THE COMPANY'S PLATFORM ASSET

Q1/Q2 cost structures targeted with the right CHPP feed volumes from 'capital light' open cut and underground expansions

MULTIPLE ACQUISITION TARGETS AND INTERNAL PROJECTS ON WHICH STANMORE CAN CAPITALISE

We aim to replicate our 'hub' approach by focusing on reliability and creating value

CHAIRMAN'S LETTER

Neville Sneddon
Chairman

Dear Shareholder,

On behalf of the Board, I am pleased to present this year's Chairman's Report in the light of Stanmore's maturation as a coal producer and our established platform for future growth. Coupled with extremely positive operational results in FY17, we have developed a clear and implementable path to sustainable growth and profitability that will flow on to shareholders.

OUR PERFORMANCE

Stanmore is delivering results. Acquiring Isaac Plains (IP) in 2015 and turning it into a fully operational mine is a significant achievement, and the mine is performing strongly. Net Profit after Tax (NPAT) is $12.0 million for FY17 compared with a loss the previous year. This profit reflects significant gains in the second half, driven by improvements to all operational and corporate areas – $36.7 million gross profit following a $5.9 million loss first half – a clear indicator of the mine's future profitability.

Our balance sheet is strong. No dividend was declared in FY17.

BUFFER AGAINST PRICE CYCLE

During FY17, Stanmore put in place the disciplines to ensure we remain flexible and profitable throughout the coal price cycle. While prices are difficult to predict, the demand and pricing for coking coal is forecast to remain relatively strong over the long term. Economic growth in developing markets, especially Asia, is pushing up the demand for steel, and this augurs well for Stanmore as we seek to produce more coking coal at our Isaac Plains Complex.

While the price for coking coal continues to fluctuate since falling to $140/tonne in early 2017 then soaring to $300/tonne owing to inclement

We have developed a clear and implementable path to sustainable growth and profitability that will flow on to shareholders

weather in Australia, Stanmore will continue to exercise capital discipline to best effect. We intend to produce more coal at the lowest cost regardless.

SHORT AND LONG TERM

Stanmore has short, medium and long-term strategies in place to produce returns for shareholders. We will optimise our resource portfolio by continuing to reassess opportunities.

In the medium term, we are confident our as yet untapped high grade thermal resources in the Bowen and Surat Basins will find ready markets into HELE (high efficiency, low emission) coal-fired power plants throughout Asia. Stanmore is positioned to take advantage of the ongoing demand for coking coal and steady rise in demand for thermal over the next five to 10 years. With this forecast demand, some major miners exiting coal creates additional opportunity for Stanmore.

GOOD GOVERNANCE ON BOARD

The Board has recognised the transition of the business into operations with the appointment of a new Managing Director and by supporting the building of the right team with the right skills and capabilities.

Stanmore's transition has required a broadening of our governance activity, and in conjunction with the Audit and Risk Committee, and Remuneration and Nomination Committee, we have established a Health, Safety Environment and Community Sub-committee.

Sound governance has also required renewal of the Board to reflect our new phase of development. To that end we welcome Neal O'Connor and Stewart Butel as new directors from 18 September 2017.

THANK YOU

On behalf of the Board, I thank the Stanmore team and our contract partners for their efforts in FY17, and all investors and stakeholders for your continuing faith in the company. We look forward to an outstanding year in FY18.

Neville Sneddon
Chairman

MANAGING DIRECTOR'S REPORT

Dan Clifford
Managing Director

Stanmore's growth from a transformational acquisition the previous year into a reliable, safe, and consistent producer of metallurgical coal during FY17 has positioned the company well to generate cash from existing operations and continue the development of the Isaac Plains Complex into an asset of significant value for our shareholders.

YEAR IN FOCUS

Outcomes for Stanmore during the year included:

- **COMPLETING OUR FIRST FULL YEAR OF COAL PRODUCTION AS A COMPANY**
- **VALIDATING OUR INVESTMENT PLAN** with business goals achieved through improved efficiencies, control and operational performance
- **COMMENDABLE TEAMWORK** by Stanmore personnel, our contract partners and stakeholders to achieve our production and cost guidance targets for the year
- **RAISING AND INVESTING $15M** into pre-strip and other operational activities to increase efficiencies
- **SUCCESSFULLY MINIMISING THE IMPACT OF CYCLONE DEBBIE ON PRODUCTION**
- **OPERATIONS RECORDING AN UNDERLYING PROFIT FOR THE YEAR** including a record Q4

Ensuring the health and wellbeing of our people and the environment remains an underpinning core value at Stanmore. A 12.46 TRIFR (total reportable injury frequency rate per million hours) after two minor injuries in Q4 was very disappointing. Conversely on the environment, there was a pleasingly high standard of rehabilitation of 82ha at Isaac Plains.

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

PRODUCTION RESULTS

Q4 was the clearest measure of operations performance. A record quarter for overburden removal delivered the strongest quarter of ROM coal mining at 564kt and volumes are projected to substantially increase with mining starting at Isaac Plains East, where a shallower coal resource will enable higher rates of extraction. This led to a record 392kt of product for the quarter. The FY18 projection for product coal is in line with that achieved in FY17 at around 1.2Mt. As there will be no additional tonnes from highwall mining in FY18, this implies a stronger outlook in open-cut mining and coal produced than achieved in FY17.

Total FOB unit costs were $109.91 per tonne in FY17, including state royalties of $11.11/t.

FY18 projected unit costs are expected to reduce to A$100 per tonne, from approximately A$110 per tonne in FY17 through adopting a conservative pricing curve (particularly impacting royalties) and cost saving initiatives implemented by the management team, in addition to higher sales in FY18 (lower unit costs) to deplete the 258kt of product coal inventories on hand at 30 June 2017.

SHARE PRICE

The share price closed at the financial year end at 34 cps. The additional capital raised at 55 cps in December 2016 to increase pre-strip and product stockpiles to improve operational efficiencies was effectively deployed. Ongoing operational improvements are expected to be reflected in an improved share price.

STRATEGY SET IN PLACE

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

In FY17, we developed the 'how to' of our strategy to become a significant, long-term coal producer. It begins with earning the right to grow by achieving results like those we are seeing at Isaac Plains. Our focus is very clearly set on fully utilising the assets we have in hand. Ongoing, the strategy requires:

- Continuing reliable production at Isaac Plains
- Developing Isaac Plains East's potential for subsequent open cut mining
- Completing an assessment of Isaac Plains for lowest-cost underground mining.

INNOVATION

Innovation comes in many forms. We are seeking to undertake open cut and underground mining in

We will seek to make further significant advances in production, cost and productivity to drive strong returns for you the shareholder

tandem to extend the life of our mines and produce coal at lowest-cost. Our strategy involves staying capital light, increasing operational efficiencies, and maximising the return on our existing assets.

We will consider acquiring new resources that fit our growth strategy and shedding those that don't. Being smaller and more agile will enable us to acquire mid-size deposits that are too small for the major miners.

OUTLOOK FOR FY18

Our objective to bring on low-cost production from Isaac Plains East and other coal source opportunities to fully feed our infrastructure will create significant value. With this, we are well positioned in the metallurgical coal arena with favourable market conditions and a strengthening balance sheet.

We will seek to make further significant advances in production, cost and productivity to drive strong returns for you the shareholder.

Recent upward movements in coking coal indices provide Stanmore with a more optimistic outlook for the Q1 FY18 price than anticipated. The June quarterly benchmark price was set at US$126/t. Management's view is maintained that prices remain supported in the medium term at levels to incentivise capital investment decisions to replace depleting supply sources of coking coal.

IN CONCLUSION

I take this opportunity to thank all our dedicated team for their contribution to our business and look forward to a strong year ahead. Stanmore operates to the highest standards of corporate governance, reporting via transparent, compliant and efficient processes.

We at Stanmore can see a clear path to profitability. We are at a point in the business where we have the right capability and operating disciplines in-house.

Investors and all stakeholders, thank you for your ongoing support.

Daniel Clifford
Managing Director

CORPORATE SOCIAL RESPONSIBILITY

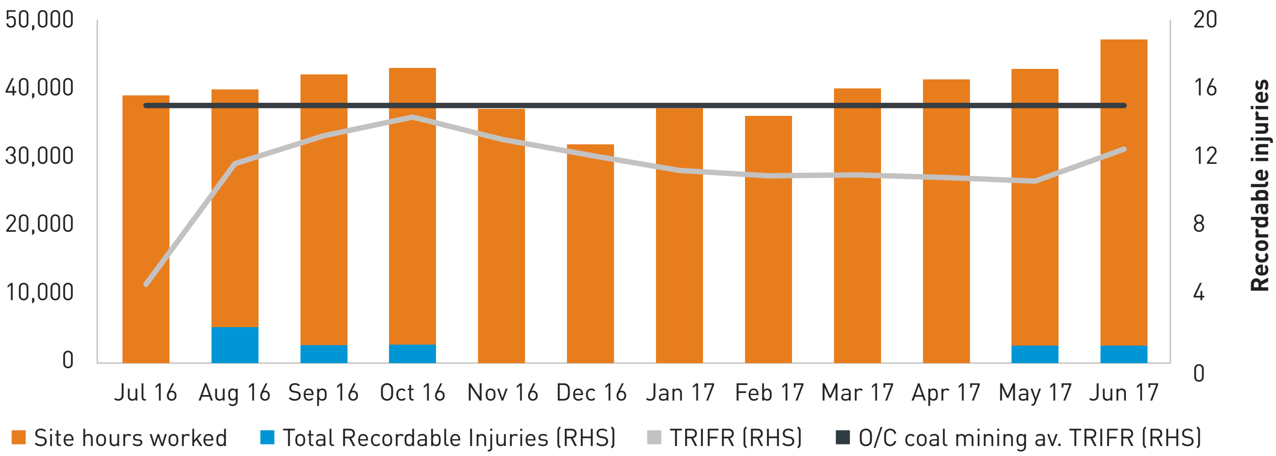
Stanmore is focused on a strong people-first culture by ensuring that we contribute in a positive way to the regions in which we operate. The company takes a long-term view on sustainability and believes the communities in which we operate should benefit from Stanmore's activities.

The wellbeing of our people, the environment and communities are core values at Stanmore

HEALTH AND SAFETY

Health and safety is an underlying core value in the business. The focus on safety leadership and the engagement of our staff and contractors will ensure that we meet our goal of no injuries and that everybody can return from work each day safe and healthy.

STANMORE COAL SAFETY STATISTICS



ENVIRONMENT

We take our commitments to the environment very seriously and operate to reduce long-term impacts. Our long term objective is to enable the relinquishment of our mining leases to allow for sustainable land use post mining.

Stanmore monitors impacts on air quality and noise and operates to keep within strict operating parameters. We ensure we manage mine affected water effectively by maximise opportunities for consumption on site and by providing for control through storage and pumping installations.

The company's site rehabilitation plans are in accordance with an approved Plan of Operations. We are particularly proud of our achievement in rehabilitating 82ha in our first full year of operations during FY17 at Isaac Plains. This was double the total area rehabilitated by the previous owners.

COMMUNITY

Stanmore believes we should earn the right to operate within the local communities in which we are located. We do this by engaging with the community, providing economic opportunities, behaving respectfully, caring for people and the environment and doing what we say we will do. Stanmore supports local community groups with both direct grants and supply of supporting resources and personnel.

OUR STRATEGY

As one of the few small ASX-listed coal producers, Stanmore Coal is well positioned in the coal sector in Australia.

Strong results are being achieved and we have a clear strategy moving forward for our diversified portfolio of development, exploration properties and acquisition activity. All resources are in Queensland's renowned Bowen and Surat Coal Basins, which produce some of the world's best coking, PCI and thermal coals.

STRATEGY – CURRENT

An important starting point for the year in review is our progression against strategic imperatives set at the 2017 AGM.

OUR STRATEGIC OBJECTIVES FOR FY17 AND FORWARD WERE:

Time horizon	Internal		External	
Short	Establish reliability and repeatability from Isaac Plains	✓	Assess potential assets in proximity to Isaac Plains Complex	✓
Medium	Develop Isaac Plains East and complete assessment of Isaac Plains Underground Rationalise our portfolio based on highest value to shareholders		Pursue realistically attainable assets with premium coal quality	
Long	Develop portfolio assets		Assess product mix strategy	

Progress against our short-term objectives has been strong, with our medium and long term goals also firmly in view. We are achieving reliability and have established consistent production performance at Isaac Plains Mine. At the same time we are exploring additional regional open cut and underground options to further leverage our existing infrastructure at Isaac Plains Complex.

OUR OBJECTIVES PERFORMANCE TO DATE

FY17 guidance	FY17 actual	FY18 priorities
Isaac Plains Mining/ Operations production at 1.25Mtpa (downgraded to 1.15Mtpa after Cyclone Debbie)	Isaac Plans achieved 1.204Mtpa • With targeted investment into mining improvement initiatives ($15M from capital raise) • Generating clear results with reliability and repeatability established	FY18 production projected to be 1.2Mt
Development of Isaac Plains East	Progress in the June quarter resulted in recent finalisation of negotiations with landholders allowing the public notification process to be triggered	Targeted potential first production Q4 FY18*
Isaac Plains Underground	3D seismic testing and Pre-Feasibility Study commenced	Business decision to initiate BFS
Assess potential assets in proximity to Isaac Plains	Numerous assets have been under review to rationalise our portfolio for highest shareholder value	Continuation of assessments to fit strategy

*This is subject to no objections during the process and timely processing of approvals.

LOOKING FORWARD...

Stanmore is well placed to take full advantage of our favourable position in the Australian coal industry and deliver outstanding returns for shareholders.

We have the right platform with the right drivers in place and a clear strategy to capitalise on our low-cost asset and capital light approach.

Having the right commodity with the right expertise and investment to maximise the resource, means we can continue to achieve consistently high production with potential for increasing financial returns.

Coupled with our capacity for reliability and repeatability of results achieved, we remain committed to maintaining our licence to operate. Our track record in environmental sustainability and the wellbeing of our people and partners is at the front of our mind. We will continue that drive.

We are cash-generative and geared for growth, positioned to deliver results at the right time in the cost cycle. The following figure outlines the current position and clear strategy Stanmore has in place for the short, medium and long term to maximise total shareholder return:

We have the right platform with the right drivers in place and a clear strategy to capitalise on our low-cost asset and capital light approach.

2017	2018–2019	2020–2025	2025 ONWARDS
CURRENT POSITION	**PHASE 1 –SHORT TERM**	**PHASE 2 – MEDIUM TERM**	**PHASE 3 – LONG TERM**
Platform acquisition	Maximising current assets	Right scale of acquisition with capital discipline	Positioning in commodity type
Reliability established Dragline utilisation	IPC CHPP to 3.0Mt product IPC regional advantage	OC and UG capability Repeatable 'Hub' model	Integrated coal company
Operational performance	Business plan	Life of mine plans	Strategic plan

OUR UNIQUE POSITION IN AUSTRALIAN COAL

A dragline can provide the lowest cost means of accessing coal of any open cut mining method.

The dragline Stanmore took ownership of at Isaac Plains, along with other operational assets, sets us apart as an investor option in Australian coal, distinguishing us from 'those who can't' and 'those who won't'.

Acquiring the dragline, process plant, rail loop and existing mine areas all but eliminated the significant infrastructure costs mining development companies face to become operational – the can'ts.

In addition, the opportunity was passed on to us by larger mining companies because their focus was on larger investments – the won'ts.

The acquisition has supported Stanmore's drive to become a coal producer. Through our ability to grow and reproduce the model, we have an opportunity for rapid growth for investors that both the can'ts and won'ts cannot match, in doing so, transitioning from a small to a mid-tier coal producer.

STRATEGY PHASE 1 – SHORT TERM

We will use Isaac Plains as the platform to reduce costs, bring returns to shareholders and grow those returns.

In this current phase, we aim to extract maximum value at Isaac Plains by:

- Realising full capacity of process infrastructure (currently under-utilised at 1.2Mtpa) by choke feeding from multiple mines
- Extending the value from Isaac Plains Complex by prolonging its life through introducing new mines.

CAPITAL LIGHT

The strategy presents exciting prospects for profitability, as Stanmore owns the mines and infrastructure, and Stanmore can potentially access new areas at lower cost. Keeping production 'capital light' will bring us into the lower quartile of production costs – previously difficult for smaller miners.

OPEN CUT AND UNDERGROUND CAPABILITY

Upon completion of open cut mining at Isaac Plains, Stanmore is looking to move the dragline to support open cut mining at Isaac Plains East, at the same time starting underground mining through the highwalls left at Isaac Plains. Accessing underground through existing highwalls left by open cut mining and shallower coal at Isaac Plains East will turn Stanmore into a highly profitable 1Q/2Q coal producer (see chart opposite).*

METALLURGICAL COAL FOCUS

We will continue to prioritise production coking coal, leveraging the forecast strong prices and buyer demand from existing and new customers. This will maximise profits and shareholder return.

SATELLITE ASSETS

We will focus on projects that can deliver low cost tonnes as a result of lower capital. This involves seeking new open-cut and underground mines to feed Isaac Plains. As well as our existing resources, we may acquire additional resources in the region.

For each mine the dragline develops or extends, a low-cost, longer-life underground may be developed. Operations will remain capital light by utilising the dragline for lowest cost open cut mining and the low-capital bord-and-pillar method for underground mining. The result is a multiplier effect, where CHPP feed can be maximised.

*This phase in developing our 'Hub Model' at Isaac Plains depends on the findings of current studies on the underground seam at Isaac Plains and obtaining approvals to mine Isaac Plains East.

PHASE 1 –SHORT TERM

Maximising current assets

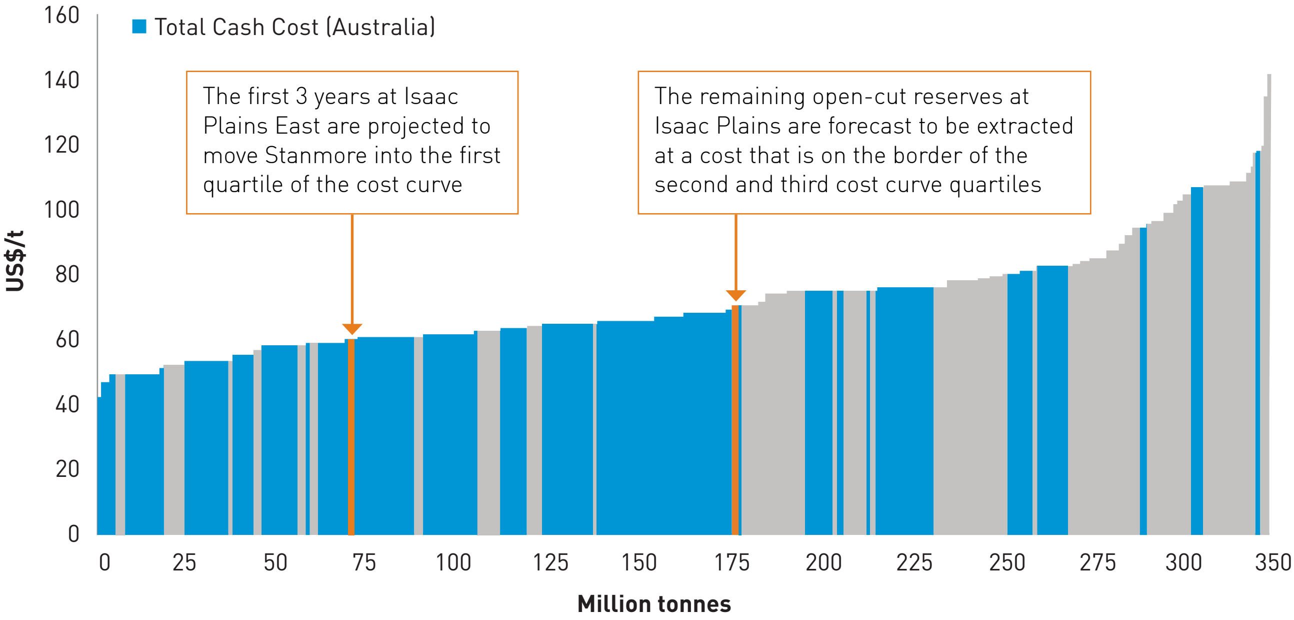
↓

IPC CHPP to 3.0Mt product
IPC regional advantage

↑

Business plan

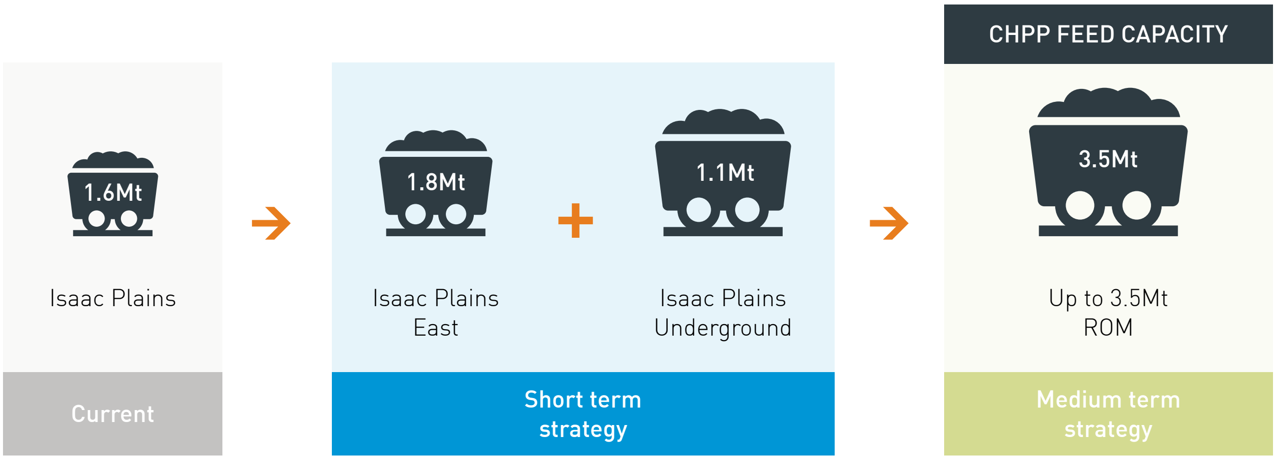
MOVING FROM 3Q TO 1Q ON THE COST CURVE IS OUR OBJECTIVE



Seabourne Export Metallurgical Curve 2018 (Source: Wood Mackenzie Ltd). Dataset: May 2017)

Currently in the third quartile of operating costs per tonnes produced when benchmarked against fellow Australian mining operations, Stanmore's objective is to move into the first quartile in the first three years of operation at Isaac Plains East.

BRINGING CHPP FEED TO CAPACITY AT ISAAC PLAINS



Stanmore's strategy to transition open cut mining from Isaac Plains to Isaac Plains East then introduce underground mining at Isaac Plains aims to increase plant feed to capacity.

'CAPITAL LIGHT' A KEY PILLAR FOR GROWTH

Bord-and-pillar underground mining is just one way Stanmore will keep operations capital light.

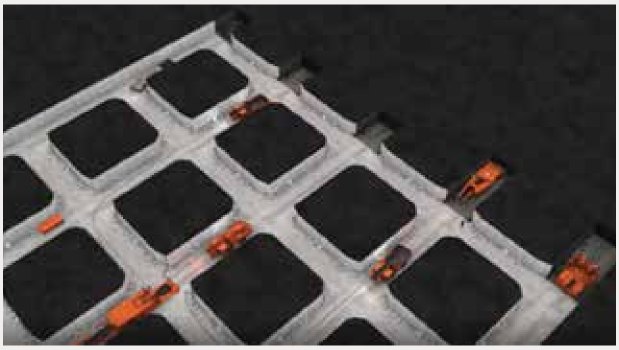
A more traditional method than longwall mining, bord-and-pillar involves extracting mined material across a horizontal plane, creating horizontal arrays of rooms and pillars. Raw coal is extracted in two phases. In the first, "pillars" of untouched material are left to support the roof overburden, and open areas or "rooms" are extracted underground; the pillars may then be partially extracted.

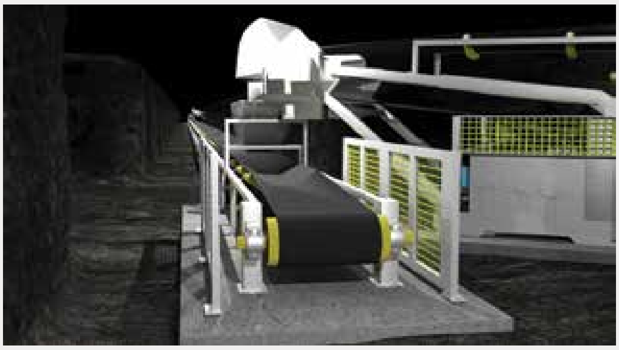
Whereas the efficient longwall mining method requires significant capital outlay, bord-and-pillar will enable Stanmore to access coal speedily and profitably for a lower capital outlay – and, importantly, competitive costs per tonne providing a clear path to profitability.

Bord-and-pillar underground mining will support Stanmore's other strategies to remain capital light, including:

- The synergies of continuing to use our existing CHPP, rail loop and haul roads
- Continuing to utilise our dragline for lowest cost open cut operations and low-cost underground entry
- Through lower cost assets others can't or won't operate.

Right: The potential to undertake bord and pillar underground mining utilising a continuous miner is being assessed at Isaac Plains. (Top two images provided courtesy of Komatsu Mining Corp.).





PHASE 2 – MEDIUM TERM

Right scale of acquisition with capital discipline

OC and UG capability
Repeatable 'Hub' model

Life of mine plans

PHASE 3 – LONG TERM

Positioning in commodity type

Integrated coal company

Strategic plan

STRATEGY PHASES 2 AND 3 – MEDIUM AND LONG TERM

Establishing the model at Isaac Plains Complex of one processing hub fed from multiple mines will form a blueprint for Stanmore to roll out more hubs at current and future resources.

PHASE 2 – REPLICATION

Medium term, it will involve extending the size and scale of our mining production. Keys to increasing scale will include:

- Replicating the open-cut/underground model while maintaining capital disciplines.
- Opportunistic development of core portfolio assets, identifying suitable existing resources and/or acquiring resources that fit the plan
  - Shedding resources that don't fit
  - Value acquisition of resources from others who can't or won't develop them.

PHASE 3 – DIVERSIFICATION

Intended future growth will position Stanmore as an integrated coal company, diversified in:

- Regions of operation
- Mining methods
- Commodity type.

LONGER OUTLOOK

As well as coking coal, Stanmore is well positioned in Phases 2 and/or 3 to capitalise on forecast demand for high grade thermal coal to feed HELE coal-fired power plants in Asia. HELE technologies are available now and, if deployed, can reduce greenhouse gas emissions from the entire power sector by around 20%.

Our existing coking and thermal coal resources in the Bowen Basin at Isaac Plains and Isaac Plains East, Belview, Lilyvale and Mackenzie exploration, and in the Surat Basin at The Range and Clifford will be supplemented/replaced by suitable value acquisitions under the Stanmore strategy to maximise returns for investors.

For current reports on progress at Stanmore's key resources, see page 17.

OPERATION, DEVELOPMENT AND EXPLORATION

ISAAC PLAINS COMPLEX

Stanmore acquired Isaac Plains in November 2015 and began mining operations in January 2016. This acquisition has provided the company with not only an established coking mining operation, but a strategic platform to potentially commence progression into Isaac Plains East and Isaac Plains underground projects.

ISAAC PLAINS OPERATION

The run of mine (ROM) strip ratio for FY17 was 13.4:1, representing the build up to a steady-state operation as pre-strip inventories were established ahead of mining. Twenty-nine shipments were loaded during the year with sales totalling 1.020Mt. The contractor mobilised additional equipment and resources to accelerate pre-strip and improve dragline performance, with further major overhauls scheduled rolling into the new financial year to further improve productivity and reliability.

The introduction of short-term, incremental mining of Isaac Plains' disused S2 pit highwall enabled Stanmore to supplement open cut mining operations and increase supply of ROM coal to the existing infrastructure. Total ROM coal mined by highwall mining methods totalled 0.217Mt.

Open cut dragline and pre-strip operations continued in the northern N1N and N1S pits for the full year. Total ROM coal mined by conventional open cut methods totalled 1.521Mt for the full year.

	000's Jun 17
Prime overburden (bcm)	22,345
ROM coal produced – open cut (tonnes)	1,521
ROM strip ratio (prime)	13.4
ROM coal produced – highwall (tonnes)	217
CHPP feed (tonnes)	1,617
Saleable coal produced (tonnes)	1,204
Product yield %	74.5%
Coking	55.7%
Thermal	18.8%
Total coal sales (tonnes)	**1,020**
Coking	833
Thermal	187
Coal product stockpiles (tonnes)	**258**
Average sale price achieved (US$/t)	$102.8
Average sale price achieved (A$/t)	$135.2
Reported FOB (including royalty)	**$109.91**

COAL TYPE

Coking and thermal

LOCATION

7km east of Moranbah

JORC TOTAL RESOURCE

79Mt[1]

JORC TOTAL ROM COAL RESERVES

16.4Mt[2]

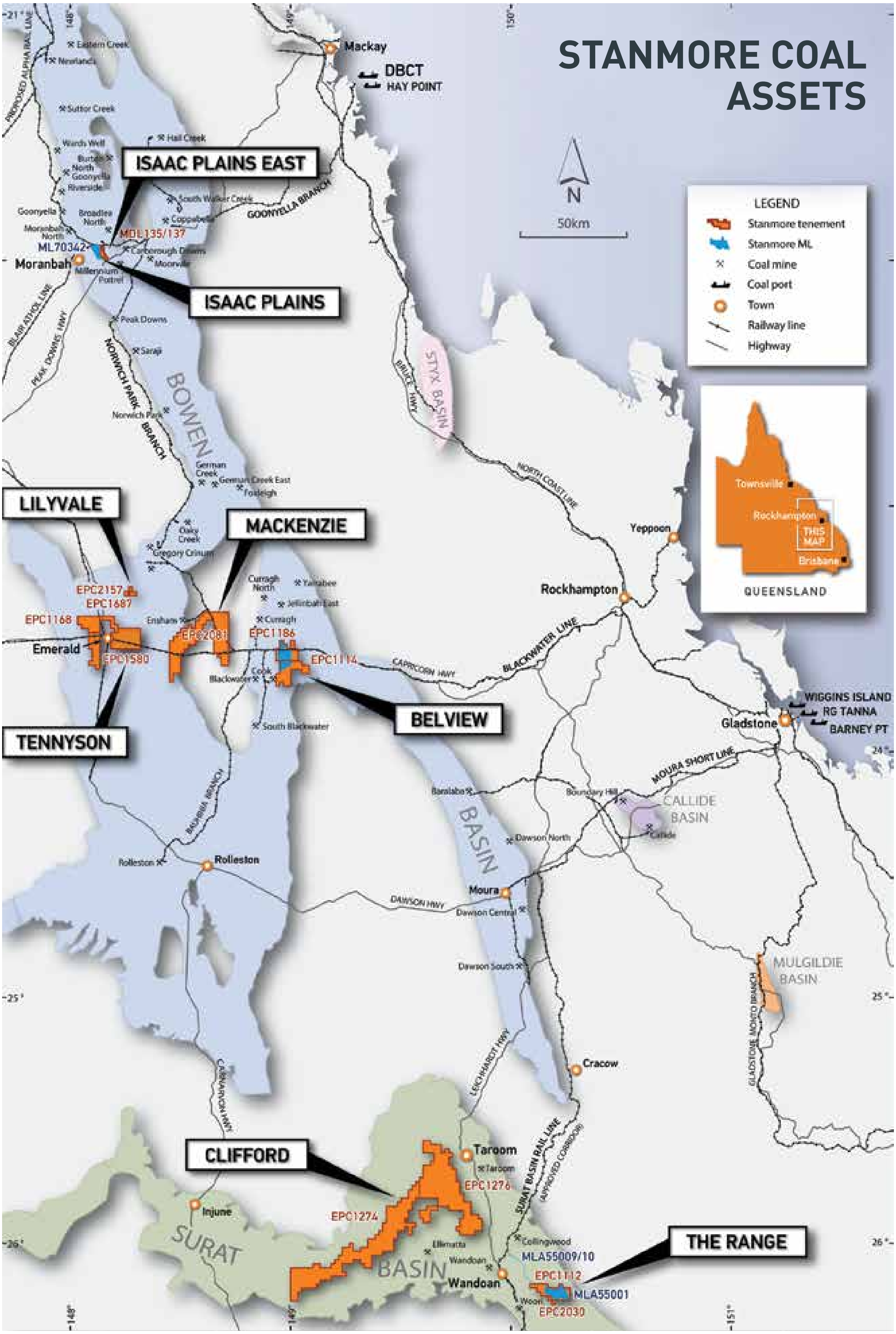
JORC TOTAL MARKETABLE COAL RESERVE

12.9Mt[3]

OWNERSHIP

100% Stanmore Coal

1 2017 JORC Resource Estimate
2 2017 JORC Reserves Estimate
3 2017 JORC Reserves Estimate


STANMORE COAL ASSETS
LEGEND
Stanmore tenement
Stanmore ML
Coal mine
Coal port
Town
Railway line
Highway
QUEENSLAND
Townsville
Rockhampton
THIS MAP
Brisbane
50km
N
ISAAC PLAINS EAST
ISAAC PLAINS
LILYVALE
MACKENZIE
TENNYSON
BELVIEW
CLIFFORD
THE RANGE
MDL135/137
ML70342
EPC2157
EPC1687
EPC1168
EPC1580
EPC2081
EPC1186
EPC1114
EPC1276
EPC1274
MLA55009/10
EPC1112
MLA55001
EPC2030
Mackay
DBCT
HAY POINT
Moranbah
Emerald
Rockhampton
Yeppoon
Gladstone
WIGGINS ISLAND
RG TANNA
BARNEY PT
Rolleston
Moura
Cracow
Taroom
Injune
Wandoan
BOWEN
BASIN
SURAT
BASIN
CALLIDE BASIN
MULGILDIE BASIN
STYX BASIN
GOONYELLA BRANCH
NORTH COAST LINE
BLACKWATER LINE
MOURA SHORT LINE
CAPRICORN HWY
DAWSON HWY
SURAT BASIN RAIL LINE
(APPROVED CORRIDOR)

The company successfully completed 82ha of rehabilitation during FY17 and plans to achieve a similar level in FY18.

COAL QUALITY

The mine is currently producing a mid-volatile, weak coking coal known as semi-soft coking coal, with a secondary thermal coal. The coke oven yield is substantially higher than the Newcastle SSCC coals, due to lower volatile matter levels. The coal also displays low impurities levels of sulphur and alkalis.

The thermal product has a high calorific value, low sulphur and nitrogen content and excellent handling characteristics and is easy to grind.

	Isaac Plains		Isaac Plains East*
Product split (%)	Coking	Thermal	Coking
Inherent moisture (%)	2.5	3.1	2.2
Ash (%)	9.5	16.0	9.5
Volatile matter	25.5	23.6	24.9
Fixed carbon (%)	62.5	57.3	63.4
Total sulphur (%)	0.36	0.37	0.4
Phosphorus (%)	0.10	0.16	0.059
Crucible swell number	4	-	4
Hardgrove grindability index	-	65	-
Calorific value (kcal/kg)	-	6,730	-

*The indicative results from Isaac Plains East deliver a SSCC product slightly higher in rank, with lower VM content and phosphorous than the present IPM product. This should further broaden market opportunities for semi-soft coking coal from the Isaac Plains Complex.

COAL SALES AND MARKET OUTLOOK

Stanmore's reliable supply of quality coking coal has attracted strong customer support. A total of 790kt of coking coal was shipped during FY17 to Asian steel mills, reaffirming the performance of the mine the remaining 43kt of coking coal was shipped into Europe. Thermal coal sales totalled 187kt, consisting of 80kt of low ash coal to Japanese utilities and 107kt of additional sales to other customers. Total shipped coal sales for the year totalled 1,020kt. Benchmark coking coal prices rose in the final two quarters of FY17, in line with market tightness and rising spot prices. Ongoing tightness in the coking coal market is being observed, with a number of supply disruptions in Queensland providing further support in the market.

ISAAC PLAINS DEVELOPMENT

The updated JORC compliant open cut Reserve for the Isaac Plains Complex (Isaac Plains Mine and Isaac Plains East) increases the total open cut mining life from up to twelve years. This is based on an average production rate of 1.2Mtpa of product coal) until 2025. Production continues with declining annual tonnage, with completion of reserves by 2029.

The company successfully completed 82ha of rehabilitation during FY17 and plans to achieve a similar level in FY18

The Isaac Plains East Project has been substantially advanced in preparation for development and operations as an extension of the existing Isaac Plains Mine

ISAAC PLAINS EAST

The Isaac Plains East Project has been substantially advanced in preparation for development and operations as an extension of the existing Isaac Plains Mine. Results as at 30 June 2017 indicate a significant improvement in shareholder value through further resource definition, a reduction in mining costs and development of capital estimates confirming its place in the lowest cost quartile.

Updated marketable reserves of 8.99Mt at the current product coal mining rate of 1.2Mtpa provide for an economic mine life of approximately seven years. These latest reserves models indicated an seven year average prime strip ratio (bcm/ROM tonnes) of 11:2 , with the first three years at sub 8.8:1 (compared to the current three year forecast average strip ratio of approximately 14.3:1 within Isaac Plains).

Additional structural and coal washability drill programs and analysis have confirmed the improved coal rank and yield for the coking product from Isaac Plains East relative to Isaac Plains. Bankable Feasibility Study (BFS) activities indicate a saleable product coal mix ~99% coking coal is estimated at an average life of mine yield of 81%. These findings represent a significant improvement compared with the existing Isaac Plains Mine.

Studies are ongoing in the BFS to determine the optimal timing and development growth of the deposit to deliver a lowest cost per tonne operation matched with varied production levels to generate positive cashflows to support business growth and expansion opportunities.

Based on current contracted overburden removal and mining costs, the improved strip ratio at Isaac Plains East is estimated to result in an average free on board (FOB) cost reduction of around A$15 per product tonne in the first three years compared to the existing planned three years of Isaac Plains open cut. Given the nature of the deposit, the BFS detailed mine planning has identified opportunities to produce higher production levels (~1.7Mtpa) resulting in significant positive cashflow increases in early years of operation.

Capital infrastructure requirements for the development have been extensively assessed and refined through the BFS design phase, leveraging heavily off the existing operational facilities resulting in a minimal risk, low cost capital works program.

Environmental approvals for the proposed Isaac Plains East Mining Lease area are well advanced, with the forecast grant of the Mining Lease in Q2 of FY18, subject to no objections being received. Preparations are being made as part of BFS and Operational Readiness planning to rapidly deploy contractors for construction to allow mining to start shortly thereafter.

ISAAC PLAINS EXPLORATION

ISAAC PLAINS UNDERGROUND MINING PROJECT

Stanmore has continued assessing a potential underground extension in the eastern portion of Isaac Plains Mining Lease, an area containing more than 21Mt of JORC Compliant Measured and Indicated Resources. Approximately 7.5Mt ROM (Economically Recoverable Resource) may be extracted, run in parallel with open cut operations. Extending underground would require minimal capital expenditure by accessing the existing highwall and surplus wash plant and rail loadout capacity.

Isaac Plains underground could produce an initial 0.4 Mtpa of ROM coal, ramping up to over 1Mtpa once the extraction panels commence production. Current feasibility studies will determine the proposed timing to begin the underground mine to deliver the lowest cost and optimum value to the entire Isaac Plains Complex.

While operated and managed separately from Stanmore's open-cut mine, Isaac Plains Underground will share elements of the existing surface operations site infrastructure, including coal preparation plant, rail transport and some coal handling.

Stanmore continued to progress its assessment of the potential underground extension within the eastern portion of the Isaac Plains Mining Lease

ISAAC PLAINS COMPLEX RESOURCES AND RESERVES

Project	Ownership %	Primary coal type	JORC Proved Reserve	JORC Probable Reserve	Total JORC ROM coal Reserve*^	Date of report
Isaac Plains Complex	100%	Coking	13.2 Mt	3.2 Mt	16.4 Mt	Aug 17

Project	Ownership %	Primary coal type	JORC Measured Resource*	JORC Indicated Resource*	JORC Inferred Resource*	Total JORC Resource*	Date of report
Isaac Plains Complex	100%	Coking	24.9 Mt	30.3 Mt	24.0 Mt	79.2 Mt	Aug 17

*Refer Competent Person Statement page 104

^Refer Reserves Note page 104

FURTHER DEVELOPMENT

THE RANGE THERMAL COAL PROJECT

TENEMENTS

EPC 1112, 2030
MLA 55001, 55009, 55010

AREA

90km²

LOCATION

Surat Basin – 24km south-east of Wandoan

JORC RESOURCE

Total of 287Mt high quality open pit thermal coal (18Mt Measured + 187Mt Indicated + 82Mt Inferred Resource)

OWNERSHIP

100% Stanmore Coal

A definitive feasibility study covering geology, mining and cost structures confirmed The Range as a 287 Mtpa high quality, export grade, thermal coal project. The focus continues supporting delivery of rail and port infrastructure. Until there is certainty as to timing of the rail solution, Stanmore will continue with environmental monitoring and other minor on-site activities to maintain compliance with approvals.

FURTHER EXPLORATION

BELVIEW COKING COAL PROJECT

TENEMENTS

EP 1114, 1186

AREA

125km²

LOCATION

10km south-east of Blackwater

JORC TOTAL RESOURCE

330 Mt

OWNERSHIP

100% Stanmore Coal

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

Extensive coal analysis has revealed that maintaining a minimum vitrinite content is important to ensure the saleable product displays adequate coking properties. This is achieved by separation at a low density and thus is accompanied by a low product ash level (typically 6–7.5% (ad)). A washed coking coal is likely to exhibit low sulphur (0.4–0.55% ad) and moderate phosphorus (0.07–0.1% ad) with limited plastic properties. The secondary PCI coal has low-volatile matter, standard ash, low sulphur and moderate phosphorus content. At a typical ash level of 10–11% (ad) the calorific value is regarded as high (~7,500 kcal/kg gad). This calorific value level, along with the high carbon content, indicates a high coke replacement ratio. The variable iron and calcium content in the ash impact the ash fusion temperature. The HGI is high (~80–87).

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

LILYVALE COKING COAL PROJECT

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

TENEMENTS

EP 1687, 2157

AREA

13km^2

LOCATION

25km north-east of Emerald

OWNERSHIP

85% Stanmore Coal
15% Cape Coal

CLIFFORD THERMAL COAL PROJECT

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

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

TENEMENTS

EPC 1274, 1276

AREA

820km^2

LOCATION

Surat Basin – north-west of Wandoan

JORC RESOURCE

630Mt (200Mt Indicated; 430Mt Inferred)

OWNERSHIP

60% Stanmore Coal
40% JOGMEC

DIRECTORS' REPORT

YOUR DIRECTORS PRESENT THEIR REPORT FOR THE YEAR ENDED 30 JUNE 2017

NEVILLE SNEDDON

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

NON-EXECUTIVE CHAIRMAN

A mining engineer with over 40 years' experience in most facets of the Queensland and NSW resource sectors, Neville Sneddon brings substantial Board and industry knowledge to Stanmore. He has developed and operated both underground and open cut mines working for Coal & Allied in the Hunter Valley and from 1997 worked in a senior role in the NSW Mines Inspectorate, covering operations in all forms of mining in the state.

Moving to Queensland in 1999, Neville accepted the position of Chief Operating Officer with Shell Coal which was acquired by Anglo American's Australian coal operations the following year. Leaving as CEO in 2007, he held several Board positions with mining and infrastructure companies including

Chairman of the operating company at Dalrymple Bay Coal Terminal near Mackay and Director of Port Waratah Coal Services, a major coal export facility at Newcastle.

Neville has also been a member of the Boards of the Queensland, NSW and National Mining Councils. His expertise has been sought by several government committees such as the NSW Mine Subsidence Board, NSW Mines Rescue Board, Queensland Ministerial Coal Mine Safety Advisory Committee and the joint federal/state advisory committee which is developing nationally consistent mining safety legislation. He is a Non-Executive Director of CSM Energy Limited, Cobbora Coal Limited and Solid Energy Limited.

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

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

DAN CLIFFORD

B. Eng (Mining)

MANAGING DIRECTOR

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

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

Dan was appointed Chief Executive Officer of Solid Energy New Zealand in 2014 when the company was facing significant financial pressures and very difficult market conditions for coal mining companies. During this period, significant achievements in health and safety and operational efficiencies were reached. In parallel with running the operations of Solid Energy, Dan led the process of an asset sales program.

Dan previously held the position of General Manager of the Ulan Complex at Glencore in Ulan, New South Wales, and has held roles with Anglo Coal and BHP in technical, operational and regional management roles.

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

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

CHRIS MCAULIFFE

LLB (Hons), MBA

NON-EXECUTIVE DIRECTOR

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

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

- Asian Bamboo AG (Germany)
  (Appointed 03/01/2011 – resigned 17/06/2015)
- Chaswood Resources Holdings Limited (SGX)
  (Appointed 30/04/2012 – current)
- Xplorer PLC (London)
  (Appointed 27/06/2013 – current)

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

PATRICK O'CONNOR

B. Com, FAICD

NON-EXECUTIVE DIRECTOR

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

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

- Buccaneer Energy Limited
  (Appointed 02/12/2013 – resigned 13/03/2015)
- Optiscan Imaging Limited
  (Appointed 21/07/2015 – resigned 12/04/2016)
- Tech Mpire Limited
  (Appointed 26/07/2016 – resigned 24/02/2017)
- TFS Corporation Limited
  (Appointed 29/08/2013 – resigned 15/12/2014)

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

STEPHEN BIZZELL

B. Com, MAICD

NON-EXECUTIVE DIRECTOR

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

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

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

- Armour Energy Limited
(Appointed 09/03/2012 – current)
- Augend Ltd (formerly Titan Energy Services Ltd)
(Appointed 28/03/2011 – resigned 14/04/2016)
- Diversa Ltd
(Appointed 09/03/2012 – resigned 06/10/2016)
- HRL Holdings Ltd
(Appointed 22/09/2012 – resigned 14/08/2014)
- Laneway Resources Limited
(Appointed 28/06/1996 – current)
- Renascor Resources Limited
(Appointed 01/09/2010 – current)
- UIL Energy Ltd
(Appointed 01/08/2014 – current)

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

NICHOLAS JORSS

BE (Hons) Civil, MBA, GDip App Fin (Sec Inst)

FORMERLY MANAGING DIRECTOR

Nick Jorss was a founding Director and shareholder of Stanmore Coal Limited.

Nick holds a Bachelor with Honours in Civil Engineering, a Masters of Business Administration and a Graduate Diploma of Applied Finance and Investment.

Nick became Executive Deputy Chairman on 14 November 2016 and resigned as a Director on 29 November 2016.

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

VIV FORBES

BScApp (Geol), FAusIMM, FSIA

FORMERLY NON-EXECUTIVE DIRECTOR

Viv has a degree in Applied Science Geology and is a Fellow of the Australasian Institute of Mining and Metallurgy.

Viv was a member of the Remuneration & Nominations Committee.

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

Viv resigned on 30 November 2016.

COMPANY SECRETARIES DURING THE PERIOD

IAN POOLE

B. Econ, CA

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

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

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

ANDREW ROACH

B. Com, B. Econ, CA, GDip App Fin, GDip CG

FORMERLY CHIEF FINANCIAL OFFICER AND JOINT COMPANY SECRETARY

Andrew Roach was appointed Joint Company Secretary of Stanmore Coal Limited on 6 May 2014 and resigned as Joint Company Secretary on 2 June 2017.

He held the position of Financial Controller for two years and was appointed Chief Financial Officer on 4 August 2014. Andrew was appointed Group Manager – Development on 8 May 2017 and resigned on 2 June 2017.

DUNCAN CORNISH

B. Bus (Acc), CA

FORMERLY JOINT COMPANY SECRETARY

Duncan Cornish held the position of Joint Company Secretary of Stanmore Coal Limited up to 31 December 2013. He was reappointed on 8 August 2014 before resigning on 31 July 2017.

DIRECTORS' MEETINGS

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

	Board		Audit & Risk Management Committee		Remuneration & Nominations Committee		Health, Safety, Environment & Community Committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Neville Sneddon	12	12	n/a	n/a	8	7	2	2
Dan Clifford	6	6	n/a	n/a	n/a	n/a	2	2
Stephen Bizzell	12	12	8	7	8	8	n/a	n/a
Chris McAuliffe	12	12	8	8	8	8	n/a	n/a
Patrick O'Connor	12	12	8	8	8	8	2	2
Nicholas Jorss	4	4	n/a	n/a	n/a	n/a	n/a	n/a
Viv Forbes	4	4	n/a	n/a	2	2	n/a	n/a

During FY17 a Board Health, Safety, Environment and Community Committee was formed to give additional attention to the critical risks now faced by Stanmore in an operational mine environment. These matters were previously handled as part of the Audit & Risk Management Committee.

INTERESTS IN SHARES, OPTIONS AND OTHER EQUITY INSTRUMENTS

As at the date of this report, the interests of the Directors in the shares, options and other equity instruments of Stanmore Coal Limited are shown in the table below:

	Ordinary Shares	Options	Rights
Neville Sneddon	500,000	-	-
Dan Clifford	-	-	-*
Stephen Bizzell	7,372,514	-	-
Patrick O'Connor	500,000	-	-
Chris McAuliffe	-	-	-

*531,497 Rights not yet issued to Dan Clifford as awaiting AGM approval.

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

The Company reports an operating profit of $12.035 million (2016: loss of $19.746 million) with coal sales revenue delivering $137.846 million in the financial year (2016: $12.700 million). The profit was driven by the reversal of impairment of the Range ($8.512 million) the recognition of prior year tax losses ($9.326 million) and Isaac Plains Operation performance offset by recognition of vendor royalties[1] ($11.264 million). During the year, the contractor mobilised additional equipment and resources on the site to accelerate pre-strip and improve dragline performance. Major overhauls for the dragline and wash plant were conducted during the year or are scheduled for H1 in FY18 to further improve productivity and reliability of these assets.

Highwall mining represented a short term, minimal impact incremental increase to production from the existing disused S2 pit at the south of the Isaac Plains mining lease. The introduction of incremental highwall mining production provided benefits to Stanmore in better utilising the significant infrastructure and fixed cost base already in place for the Isaac Plains open cut mining operations.

	2017 $M	2016 $M
Coal sales and other revenue	137.846	12.700
Cost of sales	(107.003)	(24.600)
Gross margin	**30.843**	**(11.900)**
Other income and expenses	(15.100)	(5.064)
Finance income	0.212	0.355
Financial expenses	(9.537)	(3.137)
Profit/(loss) before income tax benefit/(expense)	**6.418**	**(19.746)**
Income tax benefit/(expense)	5.617	-
Profit/(loss) after income tax expense	**12.035**	**(19.746)**

UNDERLYING RESULTS

Underlying results below show the profit/(loss) before income tax of Stanmore had following two items not been included in FY17 and FY16.

1. Impairment and partial reinstatement of The Range development project
2. Movement in the fair Value of potential Future Contingent consideration recognised under AASB3 – Business Combinations.

These underlying results are unaudited and not in accordance with IFRS.

	Note	2017 $M	2016 $M
Profit/(loss) before income tax expense		6.418	(19.746)
ADJUSTMENTS FOR UNDERLYING RESULTS			
Movement in impairment of The Range Development Project	10(b)	(8.512)	13.883
Movement in fair value of contingent consideration	16	11,264	-
Underlying profit/(loss) before income tax expense (non-IRFS measure)		**9.170**	**(5.863)**

*As the group is not in a tax payable position, no tax movements have been considered.

1 Note 16 Vendor Royalties – Contingent Consideration

CASHFLOW

In the year to 30 June 2017, a total net cash inflow was recorded as outlined below. This inflow was largely attributable to $15.815 million funding drawdown and $14.703 million share issue, partly offset by operating activities outflows relating to Coal and Overburden inventories $22.381 million.

	2017 $M	2016 $M
Net cash at beginning of year	12.080	15.199
Net cash from operating activities	(17.810)	(33.573)
Net cash from investing activities	2.726	30.454
Net cash from financing activities	30.518	-
Net increase/(decrease) in cash held	15.435	(3.119)
Net cash at end of year	**27.515**	**12.080**

After adjusting for non-cash items and movements in net working capital, the Company delivered an operating net cash outflow of $17.810 million.

The summary below of the adjustments from Accounting profit/(loss) highlights that the investment in overburden and coal stockpiles of $22.381 million is a key driver in negative cash from operating activities.

	2017 $M	2016 $M
Accounting profit/(loss) after income tax expense	12.035	(19.746)
Depreciation, amortisation and disposal of fixed assets	3.918	1.306
Gain on bargain purchase	-	(0.565)
Rehabilitation provision revaluation	0.387	(9.053)
Onerous contract revaluation	0.857	(11.376)
Contingent consideration revaluation	11.264	(0.400)
Unrealised gains/loss on foreign exchange	1.029	-
Impairment of exploration and evaluation expenditure	0.917	-
Impairment of development assets	(8.512)	13.883
Non-cash income tax movement	(5.406)	-
Share-based payments expense	(0.134)	0.073
Movement in coal and overburden inventories	(22.381)	(5.079)
Net working capital adjustments	(11.573)	(2.616)
Operating cash flow	**(17.810)**	**(33.573)**

The Company ended the year with Total Assets of $163.103 million including $27.515 million of available cash. As highlighted in Note 13: Borrowings Stanmore also maintains a working capital facility, which currently has an additional US$10.000 million of available funds. The Company has a strong current ratio and total net assets of $66.818 million at 30 June 2017.

OPERATIONAL SUMMARY

Thousands	2017	2016
Prime overburden	22,345	7,396
ROM coal produced – open cut (tonnes)	1,521	331
ROM strip ratio (prime)	13.4	13.7
ROM coal produced – highwall (tonnes)	217	14
CHPP feed (tonnes)	1,617	324
Saleable coal produced (tonnes)	**1,204**	**231**
Metallurgical	900	140
Thermal	304	91
Product yield %	**74.5%**	**71.4%**
Metallurgical	55.7%	43.3%
Thermal	18.8%	28.0%
Coal product stockpile (tonnes)	**258**	**74**

EXPLORATION

Stanmore has numerous exploration projects in Queensland, some of these are early stage exploration projects. A decision was taken in FY16 to record an impairment charge on a number of tenements due to the change in timeframe for their likely development. In the current market, the Company has assessed that these tenements remain fully impaired and has accordingly impaired the FY17 expenditure which was required to maintain the tenements in good standing. Further information on Exploration and evaluation assets is in the Financial Statements at note 10(a)

DEVELOPMENT

Stanmore has a single development asset, The Range, located in the Surat Basin in Queensland. A decision was taken in FY17 to partially reverse the FY16 impairment charge ($13.883 million) by $8.512 million resulting in a carrying value of $15.700 million (FY 2016 $7.175 million). A reassessment was undertaken due to the improved outlook for the Surat Basin and improved long term coal prices. Further information on Capitalised development costs is in the Financial Statements at note 10(b).

OUTLOOK

DEMAND

Stanmore continues to be a reliable supplier of quality coking coal and enjoys strong customer support for Isaac Plains sought after coking coal. A total of 790kt coking coal was shipped during the year to top tier Asian steel mills, the remaining 43kt coking coal shipment was to Europe. Thermal coal sales totalled 187kt. Total shipped coal sales for the year totalled 1,020kt.

PRICING

Benchmark coking coal prices rose in the final two quarters of FY17, in line with market tightness and rising spot prices. Ongoing tightness in the coking coal market is being observed, with many supply disruptions in Queensland providing further support in the market. A summary of sales is provided below.

	Sales tonnes		Total sales		Average sale price	
	2017 kt	2016 kt	2017 AUD $'000	2016 AUD $'000	2017 AUD $/t	2016 AUD $/t
Sales – thermal coal	187	68	17,097	4,580	91.43	67.35
Sales – semi soft coal	833	88	120,749	8,120	144.96	92.27
Total/average	**1,020**	**155**	**137,846**	**12,700**	**135.14**	**81.94**

As highlighted above there has been a significant improvement in pricing since the operations commenced in Q4 FY16 with average semi soft prices improving from A$92.27 to A$144.96, and overall average prices improving from A$81.94 to A$135.14.

ISAAC PLAINS EAST OPEN CUT

The Isaac Plains East Project has been substantially advanced, indicating a significant improvement in shareholder value through the further refinement in resource definition, a reduction in mining costs and the development of capital estimates showing it is expected to be a NPV positive project.

Updated marketable reserves of 8.99Mt which will provide for an economic mine life of approximately seven years. Studies are ongoing in the Bankable Feasibility Study (BFS) to determine the optimal timing and development growth of the deposit to deliver a lowest cost per tonne operation matched with varied production levels to generate positive cashflows to support business growth and expansion opportunities.

Preliminary BFS activities indicate an estimated total yield of 81% (80% semi-soft, 1% thermal coal) with a saleable product coal mix of 98% coking coal and 2% thermal coal.

Capital infrastructure requirements for the development have been extensively assessed and refined, leveraging heavily off the existing operational facilities resulting in a minimal risk, low cost capital works program.

Environmental Approvals for the proposed Isaac Plains East Mining Lease area are well advanced. It is forecast that, subject to no objections being received, the mining lease and environmental authorities could be granted in Q2 FY2018.

ISAAC PLAINS UNDERGROUND PROJECT

The Company continued to progress its assessment of the potential underground extension within the eastern portion of the Isaac Plains Mining Lease. Approximately 7.5Mt ROM of Economically Recoverable Resources may be extracted using a bord and pillar technique, with underground activity able to run in parallel with Isaac Plains East open cut operations. When compared to traditional Longwall mining, the Isaac Plains bord and pillar underground opportunity requires lower capital expenditure utilising access from the existing highwall and surplus capacity within the wash plant and rail loadout infrastructure.

Isaac Plains underground is targeted to produce an initial 0.4 Mtpa of ROM coal, ramping up to over 1 Mtpa of ROM coal once the extraction panels commence production.

Isaac Plains Underground is expected to be operated and managed separately from Stanmore open cut mining activities, while utilising the wash plant and the rail load-out infrastructure.

MANAGING RISK

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

The major risks associated with an investment in the Company are summarised below.

OPERATING RISKS

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

MARKET RISKS

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

Stanmore sells export coal in United States Dollars and is therefore exposed to movements in currency rates. Stanmore uses forward exchange contracts to hedge a portion of its short-term currency risk where agreed appropriate between management and the Board.

The market price for Stanmore's coking coal and thermal coal products is impacted by many factors which could be favourable or unfavourable for the Company.

GEOLOGICAL RISK

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

REGULATORY AND LAND ACCESS RISK

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

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

SAFETY

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

SOVEREIGN RISK

The Company has limited influence over the direction and development of government policy. Successive changes to the Australian resources policy, including taxation policy, have impacted Australia's global competitiveness and reduced the attractiveness of Australian coal projects to foreign investors. The Company's view is that whilst there is currently a negative perception of coal, it will continue to play a significant role as an export commodity. Coking coal is critical for future steel production and thermal coal will continue to play a key role in the global energy mix as part of sustaining global growth, particularly in developing regions, through efficient electricity generation.

ACCESS TO CAPITAL

At 30 June 2017, the Company remains well funded with cash reserves and an at call working capital facility expected to be sufficient to meet the business's operating costs. Stanmore's ability to effectively continue as a coal producing business may be dependent upon several factors including the success of the mine operations, or the successful exploration and subsequent exploitation of the Company's tenements. Should these avenues be delayed or fail to materialise, the Company expects to have the ability to successfully raise additional funding through debt, equity or farm out/sell down to allow the Company to continue as a going concern and meet its debts as and when they fall due.

REMUNERATION REPORT (AUDITED)

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

DETAILS OF KEY MANAGEMENT PERSONNEL

Directors		
Neville Sneddon	Non-Executive Chairman	Current Appointee
Dan Clifford	Managing Director	Current Appointee (appointed 14 November 2016)
Chris McAuliffe	Non-Executive Director	Current Appointee
Patrick O'Connor	Non-Executive Director	Current Appointee
Stephen Bizzell	Non-Executive Director	Current Appointee
Viv Forbes	Non-Executive Director	Former Appointee (resigned 30 November 2016)
Nick Jorss	Managing Director Executive Deputy Chairman	Former Appointee (changed to below position 14 November 2016) Former Appointee (resigned 29 November 2016)

Senior Management		
Ian Poole	Chief Financial Officer Company Secretary	Current Appointee (appointed 8 May 2017) Current Appointee (appointed 2 June 2017)
Bernie O'Neill	General Manager Operations	Current Appointee (appointed 1 April 2017)
Michael McKee	Chief Operating Officer	Former Appointee (resigned 3 March 2017)
Andrew Roach	Chief Financial Officer Company Secretary	Former Appointee (moved to non-KMP 8 May 2017) Former Appointee (resigned 2 June 2017)

REMUNERATION POLICY OVERVIEW

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

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

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

FIXED REMUNERATION

MANAGING DIRECTOR AND SENIOR MANAGEMENT REMUNERATION

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

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

NON-EXECUTIVE DIRECTOR FIXED REMUNERATION

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

The Constitution of Stanmore Coal Limited and the ASX Listing Rules specify that the Non-Executive Directors are entitled to remuneration as determined by the Company in a general meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The maximum aggregate remuneration currently determined by Stanmore Coal Limited is $500,000 per annum, as approved by shareholders at the 2016 Annual General Meeting (previously $350,000 per annum). Total Non-Executive Director remuneration for FY17 was $213,335 (FY16: $220,000).

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

The fixed remuneration of Non-Executive Directors for the year ending 30 June 2017 is detailed in this Remuneration Report.

SHORT-TERM AND LONG-TERM INCENTIVE PLAN STRUCTURES

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

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

STI and LTI's were provided in FY17 for KMP. The STI aligned rewards with key performance outcomes associated with mining at Isaac Plains. The LTI plan contains links to the Stanmore share price with Rights issued with a threeyear vesting period for KMP that qualify under the LTI plan rules.

INCENTIVE OUTCOMES FOR FY17 & FY16

The table below illustrates the remuneration outcomes for the STI and LTI schemes.

Incentive	Award outcome	Discussion
FY17 STI	Based on multiple key performance indicators including TRIFR, Prime overburden, Product Tonnes FOB cash cost.	The key performance indicators were met to varying levels resulting in a total accrued payout percentage of 56% to the only entitled KMP Dan Clifford. FY17 STI amounts are highlighted below, but are not due and payable until after the signing of these Financial Statements.*

*It is noted that all amounts shown as paid to Nick Jorss, Mike McKee and Andrew Roach in the Remuneration Report relate to STI bonuses for the FY16, finalised and paid in FY17.

Incentive	Award outcome	Discussion
FY17 LTI	LTI is based on the Absolute Shareholder Total Return (ASTR) with price targets resulting in the LTI benefits potentially vesting two financial years after issue. Rights are issued annually with vesting periods of three years, total Rights issued are based on the performance target tested at the end of three years i.e. FY19. In the event that no rights vest at the end of three years, the Rights may be retested for vesting after four years (FY20) subject to the escalated performance target. Further details regarding the standard LTI plant are shown below.	During the FY17, Rights were granted or subject to AGM approval to KMP. as outlined below to Dan Clifford, Bernie O'Neill, and Andrew Roach.
FY16 STI	Stage 1 Incentive – 1/3 of target incentive paid to key management and staff in December 2015. Stage 2 incentive – 2/3 of target subject to KPI weighting for each key management and staff member. Range of earned outcomes from 90% to 103% (of individual entitlement relative to 2/3 of calculated FY16 target). Payable September 2016. Across all eligible key management and staff: • Stage 1 total \$260k • Stage 2 total \$518k • FY16 STI total \$778k	Total FY16 incentive for key management staff split into two components. Each key management personnel were allocated a target incentive value based on a percentage of their fixed remuneration. The target ranged from 10% (low) to 75% (high). Stage 1 incentive – payable as 1/3 of calculated FY16 incentive amount following completion of Isaac Plains transaction in November 2015. Stage 2 incentive – balance 2/3 of calculated FY16 incentive measures against a range of KPIs including (but not limited) safety performance, first coal date, capital overhaul management of dragline and operating cost performance in June quarter.
FY16 LTI	Nil	N/A

SHORT TERM INCENTIVE

In the FY17 only Dan Clifford was entitled to a payment under the STI scheme as no other KMP met the employment related requirements for an STI payment. Mr Clifford's payment was not paid before year end and is due to be paid after the signing of these Financial Statements.

LONG TERM INCENTIVE

During the FY17, 381,732 Rights were granted to KMP with a further 531,497 Rights subject to AGM approval. 94,985 Rights remain on issue to KMP due to the resignation of certain KMP, with the addition 531,497 not issued, until shareholder approval. The FY17 Rights are issued at the maximum amount issuable if stretch targets are reached, all rights will be payable as cash or shares as decided by the Board upon vesting.

Below is a summary of the conditions for vesting:

Performance Level	ATSR[1] of SMR[2] CAGR[3]	% of stretch/ maximum vesting	June 19 share price for vesting
Stretch	58.74%	100.00%	$1.20
Between target and stretch	>44.22%, <58.74%	Pro-rata	Pro-rata
Target	44.22%	50.00%	$0.90
Between threshold and target	>25.99%	Pro-Rata	Pro-rata
Threshold	25.99%	-	$0.60
Below threshold[4]	<25.99%	-	-

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

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

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

GENERAL INCENTIVE AND REMUNERATION CONSULTANTS

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

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

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

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

In FY16 there were no payments made to remuneration consultants.

RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

	2017	2016	2015	2014	2013
Revenue ($M)	137.846	12.700	0.859	0.749	1.732
Profit/(loss) attributable to the Group ($M)	12.035	(19.746)	(12.148)	(11.864)	(5.011)
Share price at year end ($/sh)	0.34	0.28	0.06	0.11	0.13
Basic EPS (c/SH)	5.1	(8.9)	(5.8)	(5.7)	(2.5)
Diluted EPS (c/SH)	5.1	(8.9)	(5.8)	(5.7)	(2.5)

There were no dividends paid during the FY17 (FY16: nil).

EMPLOYMENT CONTRACTS AND CONSULTANCY AGREEMENTS

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

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

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

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

MANAGING DIRECTOR

Stanmore Coal Limited has an Executive Services Agreement (ESA) with Mr Dan Clifford for the position of Managing Director which commenced on 14 November 2016. Mr Clifford's base remuneration is $400,000 per annum plus statutory superannuation. The ESA provides for termination by either party by providing six month's written notice, or immediately in the case of gross negligence or serious misconduct. If employment terminates less than eighteen months from the commencement date as a consequence of a shareholder acquiring 51% of the Company, the notice period will be twelve months and no LTI or STI payments/award of equity will be made. Mr Clifford is eligible to participate in the STI and LTI schemes (the current LTI scheme was approved at the 2016 Annual General Meeting). Detail of instruments issued under the LTI scheme provided on page 35 of this report.

FORMER – MANAGING DIRECTOR

Stanmore Coal Limited had an Employment Contract with Mr Nicholas Jorss for the position of Managing Director which commenced on 1 January 2012. Mr Jorss received a salary of $380,000 per annum plus statutory superannuation. Mr Jorss transferred from the Managing Director Position to Deputy Chairman on 14 November 2016 and resigned from the Board on 29 November 2016.

SENIOR MANAGEMENT

CHIEF FINANCIAL OFFICER

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

Mr Poole is eligible to participate in the STI and LTI schemes (the LTI scheme was approved at the 2016 Annual General Meeting).

GENERAL MANAGER OPERATIONS

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

Mr O'Neill is eligible to participate in the STI and LTI schemes (the LTI scheme was approved at the 2016 Annual General Meeting). Detail of instruments issued under the LTI scheme is provided on page 35 of this report.

FORMER – CHIEF FINANCIAL OFFICER

Stanmore Coal Limited had an Employment Contract with Mr Andrew Roach for the position of Chief Financial Officer which he has held since 4 August 2014. Mr Roach received a salary of $275,000 per annum plus statutory superannuation (effective 1 October 2016 increased from $250,000 per annum plus statutory superannuation). Mr Roach transferred from the Chief Financial Officer position to Group Manager – Development on 8 May 2017 and resigned on 2 June 2017.

Mr Roach was previously granted 693,000 unlisted options, expiring 4 September 2017, exercisable as follows:

- 693,000 at $0.22 (vesting 4 September 2015), which were exercised in full during the year, by making a payment of $152,460 as highlighted in the equity section to the Financial Statements.

Mr Roach was eligible to participate in the STI and LTI schemes (the current LTI scheme was approved at the 2016 Annual General Meeting). Detail of instruments issued under the LTI scheme is provided on page 35 of this report. It is noted that all issued and non-vested Rights forfeited on 2 June 2017 when Mr Roach resigned from Stanmore Coal Limited.

FORMER – CHIEF OPERATIONS OFFICER

Stanmore Coal Limited had an Employment Contract with Mr Michael McKee for the position of Chief Operations Officer (previously General Manager – Operations) which commenced on 1 February 2011 and concluded on 3 March 2017. Mr McKee received a salary of $353,200 per annum plus statutory superannuation. The employment contract was terminated by Mr McKee by providing written notice.

Mr McKee was previously granted 730,000 unlisted options, expiring 4 September 2017, exercisable as follows:

- 730,000 at $0.22 (vesting 4 September 2015), which were exercised in full during the year, by making a payment of $160,600 as highlighted in the equity section to the financial statements.

It is noted that all granted and non-vested performance rights expired on 3 March 2017 when Mr McKee resigned from Stanmore Coal Limited.

REMUNERATION DETAILS

The following tables detail the components of remuneration for KMP of the Company, for both 30 June 2016 and 2017.

		Short-term benefits		Post-employment	
30 June 2017	Salary & fees $	Cash bonus $	Other short-term benefits $	Superannuation $	Termination benefits $
DIRECTORS					
Neville Sneddon	64,167	-	-	-	-
Dan Clifford[1]	230,769	140,000	-	11,755	-
Nicholas Jorss[2]	254,770	194,467	-	9,808	74,448
Patrick O'Connor	44,167	-	-	-	-
Stephen Bizzell	44,167	-	-	-	-
Viv Forbes[3]	16,667	-	-	-	-
Chris McAuliffe	44,167	-	-	-	-
Total	**698,874**	**334,467**	**-**	**21,563**	**74,448**
SENIOR MANAGEMENT					
Ian Poole[4]	20,676	-	-	23,240	-
Bernie O'Neill[5]	68,076	-	-	4,527	-
Andrew Roach[6]	233,385	96,756	-	17,352	-
Michael McKee[7]	245,882	138,956	-	13,580	12,228
Total	**568,019**	**235,712**	**-**	**58,699**	**12,228**
30 June 2016					
DIRECTORS					
Neville Sneddon	60,000	-	-	-	-
Nicholas Jorss	380,000	289,467	-	19,616	-
Patrick O'Connor	40,000	-	-	-	-
Stephen Bizzell	40,000	-	-	-	-
Viv Forbes	40,000	-	-	-	-
Chris McAuliffe	40,000	-	-	-	-
Total	**600,000**	**289,467**	**-**	**19,616**	**-**
SENIOR MANAGEMENT					
Michael McKee	353,200	209,596	-	19,616	-
Andrew Roach	245,416	145,840	-	19,616	-
Total	**598,616**	**355,436**	**-**	**39,232**	**-**

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

Share-based payments: Equity-settled (options) $	Share-based payments: Equity-settled (shares) $	Total $	Remuneration as share-based payments %	Performance-related remuneration %
-	-	64,167	-	-
-	21,504	404,028	5%	40%
-	(53,397)	480,096	(11%)	29%
-	-	44,167	-	-
-	-	44,167	-	-
-	-	16,667	-	-
-	-	44,167	-	-
-	**(31,893)**	**1,097,459**		
-	-	43,916	-	-
-	2,263	74,866	3%	3%
-	(53,397)	294,096	(18%)	15%
-	(53,397)	357,249	(15%)	24%
-	**(104,531)**	**770,127**		
-	-	60,000	-	-
-	14,402	703,485	2%	43%
-	-	40,000	-	-
-	-	40,000	-	-
-	-	40,000	-	-
-	-	40,000	-	-
-	**14,402**	**923,485**		
3,960	14,402	600,774	3%	38%
3,759	14,402	429,033	4%	38%
7,719	**28,804**	**1,029,807**		

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

For the financial year ending 30 June 2017 the following cash performance award accrued.

STI cash award	Maximum STI cap $	STI	% of STI	% of STI forfeit	Expected payment date
Dan Clifford	62,500*	35,000	56%	44%	Sep 17
Nicholas Jorss	Nil	Nil	Nil	Nil	Nil
Ian Poole	Nil	Nil	Nil	Nil	Nil
Bernie O'Neill	Nil	Nil	Nil	Nil	Nil
Andrew Roach	Nil	Nil	Nil	Nil	Nil
Michael McKee	Nil	Nil	Nil	Nil	Nil

*STI Maximum cap for Dan Clifford was $100,000 adjusted to $62,500 based on days worked in FY 2017.

	Target STI % of base salary	FY16 Stage 2 incentive $	% of Stage 2 incentive achieved	% of STI forfeit	Paid
Dan Clifford	N/A	N/A	N/A	N/A	N/A
Nicholas Jorss	75%	194,467	102%	(2%)	Sep 16
Ian Poole	N/A	N/A	N/A	N/A	N/A
Bernie O'Neill	N/A	N/A	N/A	N/A	N/A
Andrew Roach	60%	96,756	98%	2%	Sep 16
Michael McKee	60%	138,956	99%	1%	Sep 16

Note: These bonuses relate to stage 2 FY16 STI bonus which were reported in the FY16 financial statements, but not paid in FY16.

Rights issued to KMP during the year ended 30 June 2017 are outlined below.

Rights	FY17 rights issued	FY17 rights forfeited	Net FY 2017 rights on issue
Dan Clifford*	-	-	-
Nicholas Jorss	-	-	-
Ian Poole	-	-	-
Bernie O'Neill	94,985	-	94,985
Andrew Roach	286,747	(286,747)	-
Michael McKee	-	-	-

*531,497 Rights not yet issued to Dan Clifford as awaiting AGM approval.

EQUITY INSTRUMENTS

SHAREHOLDINGS

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

	Balance 1 July 2016	Granted as remuneration	On exercise of options or rights	Net change other*	Balance 30 June 2017
DIRECTORS					
Neville Sneddon	500,000	-	-	-	500,000
Dan Clifford	-	-	-	-	-
Nicholas Jorss	32,263,375	-	-	(32,263,375)	-
Patrick O'Connor	500,000	-	-	-	500,000
Stephen Bizzell	7,372,514	-	-	-	7,372,514
Viv Forbes	2,613,270	-	-	(2,613,270)	-
Chris McAuliffe	-	-	-	-	-
SENIOR MANAGEMENT					
Ian Poole	-	-	-	-	-
Bernie O'Neill	-	-	-	-	-
Andrew Roach	101,464	-	693,000	(794,464)	-
Michael McKee	635,540	-	730,000	(1,365,540)	-

*Net change other includes shares acquired/disposed in market and shares held on appointment/resignation.

There were no shares held nominally at 30 June 2017.

OPTIONS HOLDINGS

	Balance 1 July 2016	Granted as remuneration	Exercise of options	Net change other	Balance 30 June 2017	Total vested at 30 June 2017	Total vested and exercisable at 30 June 2017	Total vested and not exercisable at 30 June 2017
DIRECTORS								
Neville Sneddon	-	-	-	-	-	-	-	-
Dan Clifford	-	-	-	-	-	-	-	-
Nicholas Jorss	-	-	-	-	-	-	-	-
Patrick O'Connor	-	-	-	-	-	-	-	-
Stephen Bizzell	-	-	-	-	-	-	-	-
Viv Forbes	-	-	-	-	-	-	-	-
Chris McAuliffe	-	-	-	-	-	-	-	-
SENIOR MANAGEMENT								
Ian Poole	-	-	-	-	-	-	-	-
Bernie O'Neill	-	-	-	-	-	-	-	-
Andrew Roach	693,000	-	(693,000)	-	-	-	-	-
Michael McKee	730,000	-	(730,000)	-	-	-	-	-

RIGHTS

	Balance 1 July 2016	Granted as remuneration	Exercise of options	Net change other[4]	Balance 30 June 2017	Total vested/ paid at 30 June 2017
DIRECTORS						
Neville Sneddon	-	-	-	-	-	-
Dan Clifford[1]	-	-	-	-	-	-
Nicholas Jorss	500,000	-	-	(500,000)	-	-
Patrick O'Connor	-	-	-	-	-	-
Stephen Bizzell	-	-	-	-	-	-
Viv Forbes	-	-	-	-	-	-
Chris McAuliffe	-	-	-	-	-	-
SENIOR MANAGEMENT						
Ian Poole	-	-	-	-	-	-
Bernie O'Neill[2]	-	94,985	-	-	94,985	-
Andrew Roach[3]	450,000	286,747	-	(736,747)	-	-
Michael McKee	500,000	-	-	(500,000)	-	-

1 Rights totalling 531,497, not yet issued to Dan Clifford as awaiting AGM approval.
2 Bernie O'Neill had 94,985 Rights accepted and Issued at Balance Date.
3 Andrew Roach had also issued Rights for the FY17, but due to his resignation these expired as at 2 June 2017.
4 Net Change other includes shares acquired/disposed in market and shares held on appointment/resignation.

TRANSACTIONS WITH DIRECTORS AND DIRECTOR-RELATED ENTITIES

There were no transactions with Directors or Director-related entities during the year ending 30 June 2017.

LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans to KMP during the year.

END OF REMUNERATION REPORT (AUDITED).

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each of the Directors and the Secretaries of Stanmore Coal Limited have entered into a Deed with Stanmore Coal Limited whereby Stanmore Coal Limited has provided certain contractual rights of access to books and records of Stanmore Coal Limited to those Directors and Secretary.

Stanmore Coal Limited has insured all the Directors of the Consolidated Entity. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

Stanmore Coal Limited has not indemnified or insured its auditor.

OPTIONS AND RIGHTS

At the date of this report there were nil unissued ordinary shares under options, and 194,985 potential unissued ordinary shares under Rights as follows:

- Nil unlisted options
- 94,985 unlisted Rights vesting subject to various performance hurdles in 2019 or in the event that no vesting at all occurs, the Rights may be retested vesting in 2020 subject to escalated performance hurdles and other agreed conditions.
- 100,000 unlisted rights vesting subject to various performance hurdles in 2020

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

During the year ended 30 June 2017 there were 29,303,543 fully paid ordinary shares in Stanmore Coal Limited issued, including 27,300,000 shares in an professional investor and institutional share issue and 2,003,543 option exercised.

During the year ended 30 June 2017, 381,732 Rights were granted to KMP as part of the Stanmore Coal Limited Rights Plan. 286,747 Rights issued during FY 2017, were forfeited due to resignation of a KMP.

Finally, 531,497 Rights for Dan Clifford, Managing Director remain unissued and require shareholder approval to be issued. Estimated expenses for these Rights have been included in the Financial Statements, but as they require approval they are not currently issued so are not shown in the Rights summary.

CHANGES TO CAPITAL STRUCTURE

At the date of this report, the Consolidated Entity had 251,800,978 ordinary shares, nil unlisted options and 194,985 Rights on issue.

EVENTS AFTER REPORTING DATE

After 30 June 2017 Stanmore s has renewed its finance arrangements between its operating subsidiary Stanmore IP Coal Pty Ltd and Taurus[1]. These new arrangements are an important part of Stanmore's plans for the execution of the Isaac Plains East Project.

Stanmore is progressing the Bankable Feasibility Study of the Isaac Plains East Project, targeting first production from Isaac Plains East in Q4 FY18, subject to progressing and receiving the relevant approvals.

The key terms of the finance agreement are:

1 Taurus Mining Finance Fund LP and Taurus Mining Finance Annex Fund LP.

- Extension of the term of the facilities by 2 years to 15 November 2019
- Bonding Facility increased to US$29.0m
- Revolving Working Capital Facility of US$22.0m
- Establishment fee of 3%
- Interest rate on drawn funds of 10.0% (unchanged)
- Interest rate on undrawn funds of 2.0% (unchanged)
- Increase in royalty payable from 0.8% to 1.0% on proceeds from Isaac Plains Complex

The facilities allow Stanmore to progress the Isaac Plains East Project through the usual study and approvals phase. The renewal of the facilities on terms similar to the existing terms for a further 2 years addresses any uncertainty around Stanmore's funding profile through this important phase and provides clarity through to production. In addition, the facilities offer a high degree of flexibility, allowing Stanmore to refinance at any time prior to the maturity date.

Stanmore expects to be able to either retire the facility fully within the term from the cashflows of the Isaac Plains East project or refinance at any time subject to meeting the required criteria of traditional banks as an alternative source of funds to lower the cost of its finance.

There were no other events after 30 June 2017 that impact upon the financial report as at 30 June 2017.

ROUNDING

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

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial year.

ENVIRONMENTAL ISSUES

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

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purposes of taking responsibility on behalf of the Consolidated Entity for all or any part of those proceedings.

The Consolidated Entity was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor BDO Audit Pty Ltd. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO Audit Pty Ltd received the following amounts for the provision of non-audit services:

Tax services: $102,424

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 48.

CORPORATE GOVERNANCE

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

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

DClifford

Daniel Clifford
Managing Director

Brisbane
Date: 31 August 2017

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

As lead auditor of Stanmore Coal Limited for the year ended 30 June 2017, 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.

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 31 August 2017

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Revenue	1	137,846	12,700
Cost of sales	2	(107,003)	(24,600)
Gross profit/(loss)		**30,843**	**(11,900)**
Other income	1	2,946	23,459
Pre-production mining expenses	2	–	(6,650)
Other expenses	2	(18,046)	(21,873)
Profit/(loss) before income tax and net finance expenses		**15,743**	**(16,964)**
Finance income	1	212	355
Financial expenses	2	(9,537)	(3,137)
Profit/(loss) before income tax expense		**6,418**	**(19,746)**
Income tax benefit	3	5,617	–
Net profit/(loss) for the year		**12,035**	**(19,746)**
Other comprehensive income		–	–
Total comprehensive profit/(loss) for the year		**12,035**	**(19,746)**
Profit/(loss) for the year is attributable to: Owners of Stanmore Coal Limited		12,035	(19,746)
Total comprehensive income/(loss) for the year is attributable to: Owners of Stanmore Coal Limited		**12,035**	**(19,746)**

Earnings/(loss) per share attributable to the owners of Stanmore Coal Limited:		**Cents**	**Cents**
Basic earnings/(loss) per share (cents per share)	18	5.1	(8.9)
Diluted earnings/(loss) per share (cents per share)	18	5.1	(8.9)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 $'000	2016 $'000
CURRENT ASSETS			
Cash and cash equivalents	4	27,515	12,080
Restricted cash	5	85	76
Inventories	7	27,460	5,079
Trade and other receivables	8	16,641	22,285
Other current assets		2,279	2,845
Total current assets		**73,980**	**42,365**
NON-CURRENT ASSETS			
Trade and other receivables	8	-	738
Property, plant and equipment	9	35,249	33,445
Exploration and evaluation assets	10a	27,008	23,584
Capitalised development costs	10b	15,700	7,175
Intangible assets	11	4,282	4,786
Deferred tax assets	3	6,746	-
Other non-current assets		138	181
Total non-current assets		**89,123**	**69,909**
Total assets		**163,103**	**112,274**
CURRENT LIABILITIES			
Trade and other payables	12	22,282	22,552
Interest-bearing loans and borrowings	13	15,601	-
Onerous contracts provision	14	2,416	5,153
Rehabilitation provision	15	1,161	1,687
Vendor royalties – contingent consideration	16	3,089	-
Total current liabilities		**44,549**	**29,392**
NON-CURRENT LIABILITIES			
Onerous contracts provision	14	19,844	21,576
Rehabilitation provision	15	23,717	22,221
Vendor royalties – contingent consideration	16	8,175	-
Total non-current liabilities		**51,736**	**43,797**
Total liabilities		**96,285**	**73,189**
Net assets		**66,818**	**39,085**
EQUITY			
Issued capital	19	113,200	97,368
Share based payment reserve		774	4,377
Accumulated losses		(47,156)	(62,660)
Total equity attributable to owners of Stanmore Coal Limited		**66,818**	**39,085**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Issued capital $'000	Accumulated losses $'000	Share based payment reserve $'000	Total
At 1 July 2015	97,368	(42,914)	4,304	58,758
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR				
Profit/(loss) for the year	-	(19,746)	-	**(19,746)**
Other comprehensive income	-	-	-	**-**
	-	(19,746)	-	(19,746)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Share based payments	-	-	73	**73**
At 30 June 2016	**97,368**	**(62,660)**	**4,377**	**39,085**
At 1 July 2016	**97,368**	**(62,660)**	**4,377**	**39,085**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR				
Profit/(loss) for the year	-	12,035	-	**12,035**
Other comprehensive income	-	-	-	**-**
	-	12,035	-	12,035
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Issue of shares	15,454	-	-	**15,454**
Cost associated with issue of share capital	(751)	-	-	**(751)**
Share based payments reserve	-	3,469	(3,603)	**(134)**
Deferred tax recognised directly in equity	1,129	-	-	**1,129**
At 30 June 2017	**113,200**	**(47,156)**	**774**	**66,818**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		130,183	10,993
Payments to suppliers and employees (inclusive of GST)		(143,507)	(38,947)
Interest received		212	257
Interest and other finance costs paid		(4,698)	(5,876)
Net cash (outflow)/inflow from operating activities	**6**	**(17,810)**	**(33,573)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(8,191)	(8,278)
Net (payments)/receipts for exploration, evaluation and development assets		(2,512)	(4,658)
Receipts relating to vendor payments		13,430	43,416
Payments for other assets		-	(26)
Net cash (outflow)/inflow from investing activities		**2,727**	**30,454**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares (net of costs)		14,703	-
Net proceeds from borrowings		15,815	-
Net cash (outflow)/inflow from financing activities		**30,518**	**-**
Net increase/(decrease) in cash held		15,435	(3,119)
Net cash at beginning of year		12,080	15,199
Net cash at end of year	**4**	**27,515**	**12,080**

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

NOTES TO THE FINANCIAL STATEMENTS

ABOUT THIS REPORT

The financial statements of Stanmore Coal Limited for the 1: year ended 30 June 2017 covers the Consolidated Entity consisting of Stanmore Coal Limited and its subsidiaries ("the Consolidated Entity") as required by the Corporations Act 2001.

The financial statements are presented in the Australian currency.

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

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

The consolidated general purpose financial report of the Consolidated Entity for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 31 August 2017. The Directors have the power to amend and reissue the financial report. The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars ($'000) unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial / Directors Report) Instrument 2016/191;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Consolidated Entity and effective for reporting periods beginning on or after 1 July 2016. Refer to note 33 for further details; and
- does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective, except for those described in Note 31: Other accounting policies. Refer to Note 31: Other accounting policies for details on standards not early-adopted.

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

KEY JUDGEMENTS AND ESTIMATES

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

Note 1	Revenue and other income	Page 56
Note 9	Property, plant and equipment	Page 66
Note 10(a)	Exploration and evaluation assets	Page 68
Note 10(b)	Capitalised development costs	Page 69
Note 14	Onerous contracts provision	Page 73
Note 15	Rehabilitation provision	Page 74
Note 16	Vendor royalties – contingent consideration	Page 75
Note 29	Share based payments	Page 91

GOING CONCERN

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the Company to continue to adopt the going concern assumption will depend upon a number of factors including the continued funding of the company facilities is required to extend past the current expiry of the Finance facility on 15 November 2017.

To that end, on 29 August 2017 the company has agreed an extension to 15 November 2019 as disclosed in Note 24: Events after reporting date.

BASIS OF CONSOLIDATION

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

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

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

OTHER ACCOUNTING POLICIES

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

FOREIGN CURRENCY TRANSLATION

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

THE NOTES TO THE FINANCIAL STATEMENTS

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

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

NOTE 1: REVENUE AND OTHER INCOME

	Note	2017 $'000	2016 $'000
REVENUE			
Revenue from contracts with customers		137,846	12,700
Total revenue		**137,846**	**12,700**
OTHER INCOME			
Gain on bargain purchase		-	565
Rehabilitation provision write back	15	-	9,053
Onerous contract write-back	14	-	11,376
Other Income		2,946	2,465
Total other income		**2,946**	**23,459**
FINANCE INCOME			
Interest income		212	355
Total finance income		**212**	**355**

A. DISAGGREGATION OF REVENUE FROM CONTRACT WITH CUSTOMERS

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

2017	South-east Asia AUD '000	Europe AUD '000	Total AUD '000
Sales – thermal coal	17,097	-	17,097
Sales – semi soft coal	116,860	3,889	120,749
Total	**133,957**	**3,889**	**137,846**

2016			
Sales – thermal coal	4,580	-	4,580
Sales – semi soft coal	8,120	-	8,120
Total	**12,700**	**-**	**12,700**

RECOGNITION AND MEASUREMENT

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

CONTRACTS WITH CUSTOMERS – COAL SALES

GENERAL RECOGNITION

Revenue from the sale of coal is recognised in the profit or loss when the performance obligations of Stanmore Coal have been met and the ownership of the coal is legally transferred to the buyer. Performance obligations are considered to be met under the terms of the individual contracts. Typically the transfer of ownership and the recognition of a sale occurs when the coal passes the ship rail when loading at the port. In the case of coal sold from Isaac Plains, all coal is exported through the Dalrymple Bay Coal Terminal and all coal sold during the financial year ending 30 June 2017 was on a contracted 'free on board' basis.

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

Payment terms for coal customers range from letter of credit basis to up to 45 days, with the majority being settled in 20 days or less from issuance of the commercial invoice. There were no breaches of payment terms noted during the financial year and contracts recognised as fulfilled and therefore receivable at 30 June 2017 have subsequently been receipted in July 2017 without issue, noting that final price adjustments payable/receivable from/by customers have not yet been final invoiced by all customers.

SEMI SOFT QUARTERLY INDEX LINKED PRICE CONTRACTS RECOGNITION

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

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

Where sales volumes have not been fulfilled within the scope of the contract for the previous quarters, the coal sales in the following quarter can be at the prior quarters price, which means a provisional sales invoice is not issued by Stanmore. At the end of the annual contract period full year carry over tonnes are discussed between the parties and the supply of tonnes can be cancelled or carried over to the next annual contract.

KEY JUDGEMENTS

Due to the volatility in the Hunter Valley Semi Soft coal price index, management review the index price at the end of the quarter and adjust coal sales as required, this quarterly price adjustment is based on the final index price, which has been agreed with customers. If the price has not yet been signed off on all contracts, management will make judgements on the risks associated with the customer and adjust the provisional price based on the contract, and other circumstances surrounding the coal shipments for the quarter. This risk weight price would then be used rather than the quarterly index price which has not yet been agreed with the customer.

THERMAL COAL CONTRACT SALES

It is noted that Thermal coal sales are not customarily index linked and are settled based on contract prices as agreed and adjusted by the contract terms. Generally, price and adjustments are finalised and final invoiced within a short period of time after the coal is 'free on board'. All thermal sales are sold on letter of credit terms. Where the invoice is not final allowances are made for expected adjustments based on port and coal sampling reports.

KEY JUDGEMENTS

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

NOTE 2: COST OF SALES AND OTHER EXPENSES

	Note	2017 $'000	2016 $'000
PRODUCTION COSTS			
Mining costs		52,049	14,159
Processing costs		14,862	1,548
Transport and logistics		15,640	1,624
State royalties		11,329	602
Private royalties		1,011	-
Production overheads		6,575	1,503
Other production costs		5,537	5,164
Total production costs		**107,003**	**24,600**
PRE-PRODUCTION MINING COSTS			
Site establishment		-	1,632
Other pre-production costs		-	5,018
Total pre-production costs		**-**	**6,650**
OTHER EXPENSES			
Other expenses		14,377	7,990
Fair value movement – vendor royalty - contingent consideration	16	11,264	-
Provision for impairment and write-off – exploration asset	10a	917	-
Provision for/(reversal of) impairment – development asset	10b	(8,512)	13,883
Total other expenses		**18,046**	**21,873**
FINANCIAL EXPENSES			
Interest paid – external parties		4,566	2,085
Interest amortisation unwinding	14, 15	2,043	-
Movement in foreign currency		1,029	-
Borrowing costs		1,899	1,052
Total financial expenses		**9,537**	**3,137**

RECOGNITION AND MEASUREMENT

PRODUCTION COSTS

Production costs are costs incurred directly or indirectly relating to the mining and preparation of coal for sale to third party customers. Costs have been recognised on an accruals basis at the time the sale is recognised, in line with movements through inventory and survey information from site. Refer to Inventory in Note 7.

PRE-PRODUCTION MINING COSTS

Pre-production costs relate to those incurred during transition from care & maintenance to operations at the Isaac Plains Coal Mine. The costs represent all-in costs such as take-or-pay contractual commitments prior to first commercial production. Items have been recognised when incurred.

OTHER EXPENSES

Other expenses include the following specific items:

	Note	2017 $'000	2016 $'000
DEPRECIATION AND AMORTISATION			
Depreciation – plant and equipment	9	2,828	1,292
Amortisation – intangibles	11	504	14
Sub-total depreciation and amortisation		**3,332**	**1,306**
Acquisition costs on business combination		-	2,538
Vendor reimbursements		1,923	-
EMPLOYEE EXPENSES			
Employee – salaries and wages		3,092	3,077
Employee superannuation		205	325
Share-based payments (shares)		(134)	70
Share-based payments (options)		-	3
Sub-total employee expenses		**3,163**	**3,475**
Other overhead expenses		5,807	518
Minimum lease payments made under operating lease		152	153
Total other expenses		**14,377**	**7,990**

RECOGNITION AND MEASUREMENT

WAGES AND SALARIES, ANNUAL LEAVE AND SICK LEAVE

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the end of the reporting period are recognised in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

LEASES

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

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leases assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Lease assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

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

NOTE 3: INCOME TAX EXPENSE

	2017 $'000	2016 $'000
RECONCILIATION		
Current income tax benefit	(20,870)	-
Deferred income tax expense	24,579	-
Prior period DTA not brought to account	(9,326)	-
Deferred income tax through equity	-	-
Income tax expense/(benefit)	**(5,617)**	**-**
RECONCILIATION – THROUGH EQUITY		
Current year share issue expenses	(225)	-
Prior period DTA not brought to account	(904)	-
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 loss before income tax	1,926	(5,924)
Add tax effect of:		
– Non-deductable expense	1,782	2,622
– Deferred tax asset not recognised	-	3,302
– Prior period deferred tax asset recognised	(9,325)	-
Deferred income tax expense/(benefit)	**(5,617)**	**-**
RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES		
DEFERRED TAX ASSETS		
Unused tax losses	20,645	8,485
Deductible temporary differences	14,912	12,992
Deferred tax liabilities	**35,557**	**21,477**
Assessable temporary differences	(28,811)	(21,477)
Deferred tax	**6,746**	**-**
UNRECOGNISED DEFERRED TAX ASSETS		
Gross tax losses	-	44,493
Deferred tax assets not taken up at 30%	-	13,348

Deferred tax assets which have not been recognised as an asset, will only be obtained if:

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

RECOGNITION AND MEASUREMENT

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

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

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

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

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

2017	Opening balance $'000	Recognition of prior year losses $'000	Recognised in equity $'000	Recognised in profit or loss $'000	Closing balance $'000	Deferred tax asset $'000	Deferred tax liability $'000
Provision for rehabilitation	7,172	-	-	291	7,463	7,463	-
Provision for onerous contracts	8,019	-	-	(1,341)	6,678	6,678	-
Property, plant and equipment	(8,780)	-	-	1,119	(7,661)	(7,661)	-
Vendor private royalty	-	-	-	3,379	3,379	3,379	-
Exploration and development costs	(16,151)	-	-	(1,303)	(17,454)	-	(17,454)
Unrealised FX	-	-	-	314	314	314	-
Other	556	-	-	330	886	886	-
Vendor receivable	(3,890)	-	-	(2,517)	(6,407)	-	(6,407)
Provision for impairment exploration and development	6,025	-	-	(2,396)	3,629	3,629	-
Rail loop benefit	(1,436)	-	-	151	(1,285)	-	(1,285)
Overburden in ddvance	-	-	-	(3,665)	(3,665)	-	(3,665)
Prior year yax losses	8,485	13,492	(1,129)	21	20,869	20,869	-
Total	**-**	**13,492**	**(1,129)**	**(5,617)**	**6,746**	**35,557**	**(28,811)**

2016	Opening balance $'000	Recognition acquired in business combination $'000	Recognition of prior year losses $'000	Recognised in profit or loss $'000	Closing balance $'000	Deferred tax asset $'000	Deferred tax liability $'000
Provision for rehabilitation	-	9,930	-	(2,758)	7,172	7,172	-
Provision for onerous contracts	-	18,900	-	(10,881)	8,019	8,019	-
Property, plant and equipment	330	(11,909)	-	2,799	(8,780)	(8,780)	-
Exploration and development costs	(16,260)	-	-	109	(16,151)	-	(16,151)
Other	406	-	-	150	556	556	-
Vendor receivable	-	(16,620)	-	12,730	(3,890)	-	(3,890)
Provision for impairment exploration and development	2,574	-	-	3,451	6,025	6,025	-
Rail loop benefit	-	(1,320)	-	(116)	(1,436)	-	(1,436)
Prior year tax losses	12,951	-	-	(4,466)	8,485	8,485	-
Total	**-**	**(1,019)**	**-**	**1,019**	**-**	**21,477**	**(21,477)**

TAX CONSOLIDATION

Stanmore Coal Limited and its wholly-owned subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. Stanmore Coal Limited is the head entity in the tax consolidated group. These entities are taxed as a single entity. The stand-alone taxpayer/separate taxpayer within a group approach has been used to allocate current income tax expense and deferred tax expense to wholly-owned subsidiaries that form part of the tax consolidated group. Stanmore Coal Limited has assumed all the current tax liabilities and the deferred tax assets arising from unused tax losses for the tax consolidated group via intercompany receivables and payables because a tax funding arrangement has been in place for the whole financial year. The amounts receivable/payable under tax funding arrangements is due upon notification by the head entity, which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly-owned subsidiaries in order for the head entity to be able to pay tax instalments. These amounts are recognised as current intercompany receivables or payables.

NOTE 4: CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
Cash at bank and in hand	27,515	12,080
Cash at bank bear floating and fixed interest rates between 1.5% and 1.75% (2016: 1% and 2.25%).		
RECONCILIATION OF CASH		
The above figures are reconciled to the cash at the end of the financial year as shown in the consolidated statement of cash flows as follows:		
Balances as above	**27,515**	**12,080**
Balances per consolidated statement of cash flows	27,515	12,080

RECOGNITION AND MEASUREMENT

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

NOTE 5: RESTRICTED CASH

	2017 $'000	2016 $'000
Restricted cash	85	76

Restricted cash held at 30 June 2017 is held on term deposit to cash-back a bank guarantee.

RECOGNITION AND MEASUREMENT

Restricted cash includes term deposits which securitise a bank guarantee or other facility provided by an external third-party lender. These amounts are not able to be converted to readily accessible cash without the consent of an external third party.

NOTE 6: CASH FLOW INFORMATION

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

	2017 $'000	2016 $'000
Profit/(Loss) for the year	12,035	(19,746)
Depreciation, amortisation and disposal of fixed assets	3,918	1,306
Gain on bargain purchase	-	(565)
Rehabilitation provision revaluation	387	(9,053)
Onerous contract revaluation	857	(11,376)
Contingent consideration revaluation	11,264	(400)
Unrealised gains/loss on foreign exchange	1,029	-
Impairment of exploration and evaluation expenditure	917	-
Impairment of development assets	(8,512)	13,883
Non-cash income tax movement	(5,617)	-
Share-based payments expense	(134)	73
CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase)/Decrease in trade and other receivables	6,382	(8,783)
(Increase)/Decrease in coal inventory	(10,165)	(5,079)
(Increase)/Decrease in Overburden in advance inventory	(12,216)	-
(Increase)/Decrease in other assets	567	(3,398)
Increase/(Decrease) in trade and other payables	(15,023)	18,075
Increase/(Decrease) in provisions for onerous contracts	(4,469)	(8,371)
Increase/(Decrease) in rehabilitation provisions	970	(139)
Net cash flow from operating activities	**(17,810)**	**(33,573)**

(B) NON-CASH INVESTING AND FINANCING ACTIVITIES

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

NOTE 7: INVENTORY

	2017 $'000	2016 $'000
CURRENT		
ROM coal stocks	12,802	4,754
Product coal stocks	2,442	325
Coal stocks	**15,244**	**5,079**
Overburden in advance	12,216	-
Inventories	**27,460**	**5,079**

RECOGNITION AND MEASUREMENT

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

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

Inventories are classified as follows:

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

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

The Interpretations Committee issued Interpretation 20, effective 1 January 2013. Prior to the issuance of Interpretation 20, the accounting for production stripping costs had been based on general AASB principles. With the recommencement of Isaac Plains Open cut in 2015 the mining process adopted did not allow for stripping in advance, the mining of coal immediately followed the removal of overburden and as a result stripping costs were transferred into the coal stockpile inventory as incurred, where coal stocks existed at the end of the reporting period.

While this accounting policy had been applied in the past due to the mining process adopted there was no effect to the financial statements in FY16. As a result of mining process changes it is calculated that Interpretation 20 now results in overburden in advance being created. This means that coal mining and stripping no longer maintain a timing nexus. As a result of this the stripping process costs of overburden removal will be capitalised separately as Inventory under AASB 102 as directed under Interpretation 20.

In addition, it is noted that while there is currently no non-current deferred stripping costs shown in the Consolidated statement of financial position, under Interpretation 20 and AASB 116 it is possible that this may occur in the future.

NOTE 8: TRADE AND OTHER RECEIVABLES

	2017 $'000	2016 $'000
CURRENT		
GST receivable	1,395	757
Trade receivables	14,690	11,633
Vendor receivable	556	9,895
Total current	**16,641**	**22,285**
NON-CURRENT		
Vendor receivable	-	738
Total non-current	**-**	**738**

No receivables balances are past due or impaired at the end of the reporting period.

RECOGNITION AND MEASUREMENT

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms. Objective evidence of impairment includes financial difficulties of the debtor, default payments or debts more than 180 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

From time to time, the Consolidated Entity elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and are not, in the view of the Directors, sufficient to require the de-recognition of the original instrument.

GST

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2017 $'000	2016 $'000
LAND DEPOSIT		
At cost	1,946	1,946
PLANT AND EQUIPMENT		
At cost	31,152	30,035
Accumulated depreciation	(3,778)	(1,115)
	27,374	**28,920**
BUILDINGS AND IMPROVEMENTS		
At cost	1,379	1,398
Accumulated depreciation	(219)	(133)
	1,160	**1,265**
COMPUTER EQUIPMENT		
At cost	-	111
Accumulated depreciation	-	(94)
	-	**17**
FURNITURE AND OFFICE EQUIPMENT		
At cost	137	162
Accumulated depreciation	(115)	(162)
	22	**-**
CAPITAL WORK IN PROGRESS		
At cost	4,747	1,297
Accumulated depreciation	-	-
	4,747	**1,297**
Total property plant and equipment	**35,249**	**33,445**

RECOGNITION AND MEASUREMENT

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2017	Land Deposit $'000	Plant and equipment $'000	Buildings and improvements $'000	Computer equipment $'000	Furniture and office equipment $'000	Capital work in progress $'000	Total $'000
Balance at the beginning of the year	1,946	28,920	1,265	17	-	1,297	**33,445**
Additions – through ordinary course	-	-	-	-	-	5,218	**5,218**
Capital WIP transfers	-	1,768	-	-		(1,768)	**-**
Net disposals	-	(586)	-	-	-	-	**(586)**
WDV transfers – through ordinary course	-	(4)	(14)	(17)	35	-	**-**
Depreciation expense	-	(2,724)	(91)	-	(13)	-	**(2,828)**
Carrying amount at the end of the year	**1,946**	**27,374**	**1,160**	**-**	**22**	**4,747**	**35,249**
2016							
Balance at the beginning of the year	1,946	5	-	13	31	-	**1,995**
Additions – through business combination	-	22,367	1,398	-	-	-	**23,765**
Additions – through ordinary course	-	7,651	-	6	23	1,297	**8,977**
Depreciation expense	-	(1,103)	(133)	(2)	(54)	-	**(1,292)**
Carrying amount at the end of the year	**1,946**	**28,920**	**1,265**	**17**	**-**	**1,297**	**33,445**

DEPRECIATION

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

The depreciation rates used for each class of assets are:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. The gains and losses are included in profit or loss.

IMPAIRMENT

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

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

KEY JUDGEMENTS – PROPERTY, PLANT AND EQUIPMENT

The Consolidated Entity performs regular reviews on property, plant and equipment to determine the appropriateness of classification and methodology to apply depreciation. The methodology and rate of depreciation is assessed with reference to residual values and useful lives.

NOTE 10(A): EXPLORATION AND EVALUATION ASSETS

	2017 $'000	2016 $'000
NON-CURRENT		
EXPLORATION AND EVALUATION EXPENDITURE CAPITALISED		
Exploration and evaluation phases	27,008	23,584
Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation of coal, or alternatively, sale of the respective areas of interest.		
MOVEMENTS IN CARRYING AMOUNTS		
Balance at the beginning of the year	29,784	30,195
Additions and transfers from work in progress	4,341	2,019
Written-off	(391)	(2,430)
	33,734	**29,784**
Provision for impairment	(6,726)	(6,200)
Carrying amount at the end of the year	**27,008**	**23,584**
MOVEMENTS IN PROVISION FOR IMPAIRMENT AMOUNTS		
Balance at the beginning of the year	(6,200)	(8,630)
Provisions (raised)/reversed	(526)	2,430
Provision for impairment at the end of the year	**(6,726)**	**(6,200)**

Commitments for exploration and evaluation expenditure are disclosed in Note 22: Commitments.

RECOGNITION AND MEASUREMENT

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of Economically Recoverable Resources and active or significant operations in relation to the area are continuing.

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

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the Economically Recoverable Resources.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that restoration will be completed within one year of abandoning the site.

KEY JUDGEMENTS – EXPLORATION AND EVALUATION ASSETS

The Consolidated Entity performs impairment testing on specific exploration assets as required in AASB 6 para 20. During the FY16 management and the Directors agreed that Exploration costs relating to EPC 1168, EPC 1580, EPC113, EPC 2039 and EPC 2371 were 100% impaired. During FY17 this position was reviewed and the directors are of the view that in the current market conditions, comparable transactions and other requirements the fair value of these tenements was nil. The total impairment on these assets is now $6.726 million. An increase of $0.526 million. No specific event has occurred relating to other exploration and evaluation assets recognised on the Consolidated Statement of Financial Position. At the end of the reporting period the balance of Exploration and Evaluation Assets is $27.008 million (2016: $23.584 million).

NOTE 10(B): CAPITALISED DEVELOPMENT COSTS

	2017 $'000	2016 $'000
NON-CURRENT		
Capitalised development costs	15,700	7,175
Recoverability of the carrying amount of development assets is dependent on the successful completion of development activities, or alternatively, sale of the respective areas of interest.		
MOVEMENTS IN CARRYING AMOUNTS		
Balance at the beginning of the year	21,058	20,108
Other additions	13	950
	21,071	**21,058**
Provision for impairment	(5,371)	(13,883)
Carrying amount at the end of the year	**15,700**	**7,175**
MOVEMENTS IN PROVISION FOR IMPAIRMENT AMOUNTS		
Balance at the beginning of the year	(13,883)	-
Provisions (raised)/reversed	8,512	(13,883)
Provision for impairment at the end of the year	**(5,371)**	**(13,883)**

RECOGNITION AND MEASUREMENT

Development expenditures on an individual project are recognised as an intangible asset when the Consolidated Entity can demonstrate:

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

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

KEY JUDGEMENTS – CAPITALISATION AND IMPAIRMENT ASSESSMENT OF DEVELOPMENT COSTS

Development costs are capitalised in accordance with the accounting policy above. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a Feasibility Study has been completed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generating potential of the Project, discount rates to be applied and the expected period of which cash flows are expected to be received. As at 30 June 2017, the carrying amount of capitalised developments costs was $15.700 million (2016: $7.175 million). This amount relates wholly to The Range Project located in the Surat Basin. The Company has partly reversed the prior period provision for impairment against The Range, this reassessment was undertaken due to the improved outlook for the Surat Basin and recent market activity in the coal basis. The Company assessed the project on a comparable transaction basis, by comparing the implied value per resource tonne for project transactions with similar development, coal type and infrastructure characteristics. This assessment also included adjustments for the relative scale of the projects, movements in the long-term coal price forecasts and variations in coal quality and its expected pricing. The carrying value is assessed as carrying value in use less costs to sell and this has been calculated based on comparable transactions in an active market and has not utilised discounted cash flows. After a range of scenario's and analysis were completed it was decided by the directors that the Range project impairment should be reversed by $8.512 million and the book value of $15.700 million, which includes exploration, studies and permitting approvals.

At the December 2016 interim financial report, the carrying value was assessed as $21.065 million. The change in carrying value between 31 December 2016 and 30 June 2017 was on a comparable transaction basis, by comparing the implied value per resource tonne for the project transactions with similar development, coal types and infrastructure characteristics. The assessments reflect the change in coal prices forecasts at the relevant dates as well as adopting a spot price comparison versus a long-term price forecast at the relevant dates.

NOTE 11: INTANGIBLE ASSETS

	2017 $'000	2016 $'000
INFRASTRUCTURE INTANGIBLE ASSET		
At cost	4,800	4,800
Accumulated amortisation	(518)	(14)
	4,282	**4,786**
MOVEMENTS IN CARRYING AMOUNTS		
Balance at the beginning of the year	4,786	-
Additions – through business combination	-	4,800
Additions – through ordinary course	-	-
Amortisation expense	(504)	(14)
Carrying amount at the end of the year	**4,282**	**4,786**

IMPAIRMENT OF ASSETS

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

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

INTANGIBLE ASSETS

The infrastructure intangible asset relates to future rebates on the cost of coal railings based on an agreement with the below rail infrastructure owner. 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 12: TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
CURRENT		
Trade and other payables	1,254	8,377
Sundry payables and accrued expenses	21,497	13,444
Unrealised forward currency	(1,047)	-
Employee benefits	578	731
Total current trade and other payables	**22,282**	**22,552**

RECOGNITION AND MEASUREMENT

Trade and other payables represent liabilities for goods and services provided to the Consolidated Entity prior to the year end and which are unpaid. These amounts are unsecured and have 7 to 60-day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. No assets of the Consolidated Entity have been pledged as security for the trade and other payables.

After initial recognition, loans and borrowings are subsequently recognised at amortised cost.

NOTE 13: BORROWINGS

	2017 $'000	2016 $'000	2017 USD '000	2016 USD '000
INTEREST-BEARING LOANS AND BORROWINGS				
Facility loan	15,601	-	12,000	-
Total interest-bearing loans and borrowings	15,601	-	12,000	-
TOTAL FACILITIES				
FACILITY A – BANK GUARANTEE FACILITY				
Available facility	27,942	40,399	21,493	30,000
Facility utilised	27,942	40,399	21,493	30,000
Remaining facility	**-**	**-**	**-**	**-**
FACILITY B – WORKING CAPITAL FACILITY				
Facility available	28,601	16,159	22,000	12,000
Facility utilised	15,601	-	12,000	-
Remaining facility	**13,000**	**16,159**	**10,000**	**12,000**

RECOGNITION AND MEASUREMENT

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

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

At balance date, the Loan facility was due to expire on 15 November 2017, after the balance date the facility was extended to 15 November 2019. The changes to the facility were:

- Facility A – Bank Guarantee facility was increased to US$29.0 million to meet Isaac Plains East project requirements
- Facility B – Working Capital facility is unchanged at US$22.0 million

Further details on this facility are outlined in Note 23: Contingent liabilities and contingent assets. Note 24: Events after reporting date highlights the key subsequent matters relating to this facility after 30 June 2017.

The Working Capital facility is denominated in USD and therefore when drawn exposes the group to USD fluctuations these fluctuations are accounted for as outlined in Foreign currency translation in the section above titled 'About this report'.

NOTE 14: ONEROUS CONTRACTS PROVISION

	2017 $'000	2016 $'000
CURRENT		
Current onerous contract provision	2,416	5,153
NON-CURRENT		
Non-current onerous contract provision	19,844	21,576
Total onerous contracts provision	**22,260**	**26,729**
RECONCILIATION OF MOVEMENTS		
Opening balance	26,729	-
Additions – business combination recognition	-	49,800
Depletions through settlement	(5,326)	(11,695)
Adjustment - through re-measurement	(538)	(11,376)
Unwinding of discount	1,395	-
Closing balance	**22,260**	**26,729**

RECOGNITION AND MEASUREMENT

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

In the period from acquisition through to 30 June 2017, a number of onerous contracts have been settled through the ordinary course of business. The onerous position at 30 June 2017 has been re-measured for all contracts having regard to the latest internal Isaac Plains mine plan. In addition, Coal Reserves within Isaac Plains East and the estimated recoverable coal resources Isaac Plains Underground have been adjusted based on the latest Economically Recoverable Resources.

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. The release of the maiden JORC reserve for Isaac Plains East in April 2016, and the subsequent extension to the mine life and planned production of the Isaac Plains Complex reduced the onerous portion of a number of contracts in the year ended 30 June 2016. 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 year a total of $5.326 million of onerous contracts were settled through payment, with the unwinding of the discount being $1.395 million and ($0.538 million) taken through consolidated statement of profit or loss for re-measurement.

NOTE 15: REHABILITATION PROVISION

	2017 $'000	2016 $'000
CURRENT		
Current rehabilitation provision	1,161	1,687
NON-CURRENT		
Non-current rehabilitation provision	23,717	22,221
Total rehabilitation liability	**24,878**	**23,908**
RECONCILIATION OF MOVEMENTS		
Opening balance	23,908	-
Additions – business combination	-	33,100
Depletion – rehabilitation works completed	(1,035)	-
Depletion – re-measurement	1,357	(9,192)
Unwinding of discount	648	
Closing balance	**24,878**	**23,908**

RECOGNITION AND MEASUREMENT

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

KEY ESTIMATES – REHABILITATION PROVISION

The Consolidated Entity assesses rehabilitation liabilities at each reporting date as there are numerous factors that may affect the ultimate liability payable. This includes, but is not limited to, 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 FY16 the rehabilitation liability relating to the Isaac Plains Coal Mine was recognised upon completion of the acquisition in November 2015. The rehabilitation obligation at the time of acquisition related to the mine in a care & maintenance phase. Since completing the acquisition, the Consolidated Entity submitted a plan of operations with the relevant State government department which was accepted in January 2016. This revised operating plan changes the assessed value of rehabilitation liability based on the key inputs into the operational timeline and contemporary cost estimates. The release of the maiden JORC reserve for Isaac Plains East in April 2016, and the subsequent extension to the mine life of the Isaac Plains Complex has extended the operational timeline for the majority of the rehabilitation activities. In the FY17 an increase in the rehabilitation provision of $1.357 million (2016: $9.192 million) is recognised in profit or loss. This increase relates to the increase of the disturbance of the mine during the year.

NOTE 16: VENDOR ROYALTIES – CONTINGENT CONSIDERATION

	2017 $'000	2016 $'000
CURRENT		
Current vendor royalties – contingent consideration	3,089	-
NON-CURRENT		
Non-current vendor royalties – contingent consideration	8,175	-
Total vendor private royalty	**11,264**	**-**
RECONCILIATION OF MOVEMENTS		
Opening balance – vendor royalties – contingent consideration at fair value	-	400
Fair value adjustments taken to profit and loss in other income	-	(400)
Fair value adjustments taken to profit and loss in other expenses	14,457	-
Depletions through settlement to other expenses	(3,193)	-
Re-measurements due to movements in fair value hierarchy level 2 to/from level 3	-	-
Total vendor royalties – contingent consideration at fair value	**11,264**	**-**

During the business combination of Isaac Plains in 2016, 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, reflecting the compensation payments received from 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 FY17 to both vendors and as a result the remaining cap is $44.542 million (2017 dollars).

As outlined in AASB 13 Fair Value Measurement the remaining Contingent Consideration is estimated to be $11.264 million. This valuation has been performed using a discounted cash flow methodology which was consistent with that used in FY16. The method used is classed as a level 3 valuation under AASB 13 the following key unobservable inputs are used in its calculation:

- Hard Coking Coal forward price curve based on a compilation of short term (12 months) prices from Isaac Plains coal marketing consultants Square Trading Pty Ltd and long-term estimates completed by Wood McKenzie;
- AUD/USD Foreign exchange forward curve estimates are based on market consensus curves; and
- Coal sales based on the current mining plans of the Isaac Plains Complex, including the finalisation of the current mine, the Isaac Plains East Mine (approval in progress), and the Isaac Plains Underground (unapproved) these mining volumes, quality, washability and saleability are based on current coal expectations during the exploration and evaluation phase or these projects and are used to estimate sales volumes subject to the royalty.

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.

USD / HCCI	Hard coking coal index curve				
	+10%	**+5%**	**Current**	**(5%)**	**(10%)**
+10%	11.26	3.84	0.77	0.00	0.00
+5%	16.43	11.26	3.68	0.77	0.00
Current	29.73	16.86	11.26	3.52	0.77
(5%)	32.14	31.26	17.15	11.26	3.52
(10%)	32.14	32.14	31.92	18.48	11.26

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

USD / HCCI	Hard coking coal index curve				
	+10%	**+5%**	**Current**	**(5%)**	**(10%)**
+10%	-	(65.9%)	(93.1%)	(100%)	(100%)
+5%	45.9%	-	(67.4%)	(93.1%)	(100%)
Current	164.0%	49.7%	-	(68.8%)	(93.1%)
-5%	185.3%	177.6%	52.3%	-	(68.8%)
-10%	185.3%	185.3%	183.4%	64.1%	-

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

Change	Valuation $M	% Change
Isaac Plains Underground not approved	5.61	(50.2%)
Isaac Plains East not approved	10.30	(8.6%)
Both Isaac Plains East and Isaac Plains Underground not approved	15.91	(58.8%)

As at 30 June 2016 the fair value was assessed at $nil and disclosed as a contingent liability.

NOTE 17: DIVIDENDS AND FRANKING CREDITS

There were no dividends paid or recommended during the financial year.

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

NOTE 18: EARNINGS PER SHARE

	2017 $'000	2016 $'000
EARNINGS		
Profit/(Loss) attributable to owners of Stanmore Coal Limited used to calculate basic and diluted earnings per share	12,035	(19,746)

	2017 Number '000	2016 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	237,638	222,497
ADJUSTMENTS FOR CALCULATION OF DILUTED EARNINGS PER SHARE:		
Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	237,638	222,497

*Options are reviewed based on AASB 133, in the year ended 30 June 2017 there were none outstanding.

RECOGNITION AND MEASUREMENT

BASIC EARNINGS PER SHARE

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

DILUTED EARNINGS PER SHARE

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

NOTE 19: ISSUED CAPITAL

	2017 $'000	2016 $'000
251,800,978 fully paid ordinary shares (2016: 222,497,435)	116,547	101,246
Share issue costs	(4,476)	(3,878)
Deferred tax recognised through equity	1,129	-
	113,200	**97,368**

A. ORDINARY SHARES

	2017 Number	2016 Number	2017 $'000	2016 $'000
ORDINARY SHARES				
At the beginning of the year	222,497,435	222,497,435	97,368	97,368
ISSUE OF NEW ORDINARY SHARES				
7 November 2016[1]	185,792	-	41	-
21 December 2016[2]	27,300,000	-	15,015	-
31 December 2016[3]	1,124,751	-	246	-
10 May 2017[4]	693,000	-	152	-
Share issue costs	-	-	(751)	-
Deferred tax recognised through equity	-	-	1,129	-
At reporting date	**251,800,978**	**222,497,435**	**113,200**	**97,368**

1. On 7 November 2016, 185,792 new Ordinary Shares were issued through employees exercising their options at $0.22 per share.
2. On 21 December 2016, 27,300,000 new Ordinary Shares were issued to Professional investors and institutions investors at $0.55 per share.
3. On 31 December 2016 funds were received from employees exercising their options. On 3 January 2017, 1,124,751 new Ordinary Shares were issued to these employees as part of the options at $0.22 per share.
4. On 10 May 2017 funds were received from an employee exercising 693,000 options at $0.22 per share.

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

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

B. OPTIONS AND RIGHTS

During the FY17, no options held by employees of the company expired due to expiration of the options in accordance with the terms, 762,457 options were forfeited due to employment ceasing.

During the FY17, no rights held by employees of the company expired due to expiration of the rights in accordance with the terms, 1,236,747 rights were forfeited due to employment ceasing.

All options on issue at 30 June 2017 were as follows:

Number of options	Exercise price	Expiry date
Nil	Nil	Nil

All Rights on issue at 30 June 2017 were as follows:

Number of rights	Exercise price	Expiry date	Conditions
100,000	Nil	30 June 2020	Targets relating to the approval and commencement of mining at The Range in the Surat Basin
94,985	Nil	30 June 2019	Share price targets in FY19, if no vesting occurs at FY19 then retested in FY20 see Remuneration Report

*531,497 Rights not yet issued to Dan Clifford as awaiting shareholder approval.

C. CAPITAL MANAGEMENT

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

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

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

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

D. RECOGNITION AND MEASUREMENT

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

NOTE 20: FINANCIAL RISK MANAGEMENT

A. GENERAL OBJECTIVES, POLICIES AND PROCESSES

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

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

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

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

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

B. CREDIT RISK

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

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

	2017 $'000	2016 $'000
Cash and cash equivalents	27,515	12,080
Restricted cash	85	76
Receivables	16,641	23,023
Security deposits and debt service reserve	138	181
	44,379	**35,360**

Credit risk is reviewed regularly by the Board and the audit committee.

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

C. LIQUIDITY RISK

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due. The object of managing liquidity risk is to ensure, as far as possible, that the Consolidated Entity will always have sufficient liquidity to meets its liabilities when they fall due, under both normal and stressed conditions. Liquidity risk is reviewed regularly by the Board and the Audit & Risk Management Committee.

The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The Consolidated Entity's working capital, being current assets less current liabilities has increased from $12.973 million in 2016 to $29.431 million in 2017. As outlined Note 1, the ability for the Company to deliver on its strategic and operational objectives is dependent upon the mining operations of the Isaac Plains Coal Mine and supporting funding avenues such as debt, equity or farm-out, or the successful exploration and subsequent exploitation of the Consolidated Entity's tenements.

MATURITY ANALYSIS CONSOLIDATED 2017 – FINANCIAL LIABILITIES

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

MATURITY ANALYSIS CONSOLIDATED 2016 – FINANCIAL LIABILITIES

2016	Carrying amount $'000	Contractual cash flows $'000	‹6 months $'000	6–12 months $'000	1–3 years $'000	›3 years $'000
FINANCIAL LIABILITIES						
Trade payables	8,377	8,377	8,377	-	-	-
Other payables	14,175	14,175	14,175	-	-	-
	22,552	**22,552**	**22,552**	**-**	**-**	**-**

Further information regarding commitments is included in Note 23.

D. CURRENCY RISK

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

The Group's potential currency exposures comprise:

COAL SALES DENOMINATED IN USD

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

BANK GUARANTEE LINE OF CREDIT FACILITIES DENOMINATED IN USD

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

WORKING CAPITAL FACILITY

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

EXPENSES DENOMINATED IN CURRENCIES OTHER THAN AUD

Currently the exposure to such expenses is minimal, but it is noted that equipment purchases, equipment parts and other mine related expenditure can be in various foreign currencies. When entering major transactions in foreign currencies it is the policy of the group to assess the currency risk of the transaction and review derivative products or other methods to offset this risk. Where appropriate these products would be used, but no such transactions occurred in the 30 June 2017 or 30 June 2016 financial years.

COMMODITY PRICE RISK

The group generally aligns all Semi Soft Coking Coal prices to relevant Newcastle Semi Soft indexes. While Thermal coal sales are generally sold on the spot market via negotiation with relevant counter parties. The group does not use any derivative products to mitigate fluctuations in the relevant coal price indexes.

MARKET RISK

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

FOREIGN EXCHANGE RISK

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

FX risk is naturally hedged due to the USD exposure on sales and on the Working Capital Loan facility.

The company has an unsecured non-margined $30.000 million currency hedging facility which matures on 30 September 2017. The facility is used from time to time to transact spot and short term forward USD currency contracts. No outstanding contracts were in place at 30 June 2017.

At 30 June 2017, the effect on profit and equity as a result of changes in the FX rate would be:

		Increase in FX rate by 5		Decrease in FX rate by 5%	
2017	**Carrying amount $'000**	**Profit $'000**	**Other comprehensive income $'000**	**Profit $'000**	**Other comprehensive income $'000**
Cash and cash equivalents – USD A/C	11,910	(737)	-	815	-
Trade receivables – USD	17,805	(1,102)	-	1,218	-
Working capital facility – USD A/C	(15,601)	966	-	(1,067)	-
Tax charge of 30%	-	262	-	(290)	-
After tax increase/(decrease)	-	(611)	-	676	-
2016					
Cash and cash equivalents – USD A/C	-	-	-	-	-
Working capital facility – USD A/C	-	-	-	-	-
Tax charge of 30%	-	-	-	-	-
After tax increase/(decrease)	-	-	-	-	-

The above analysis assumes all other variables remain constant.

INTEREST RATE RISK

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

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

2017	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total carrying amount as per the consolidated statement of financial position $'000	Weighted average effective interest rate $'000
FINANCIAL ASSETS					
Cash and cash equivalents	27,515	-	-	27,515	1.53
Restricted cash	-	85	-	85	2.73
Receivables	-	-	16,641	16,641	-
Security deposits	-	-	138	138	-
Total financial assets	**27,515**	**85**	**16,779**	**44,379**	**-**
FINANCIAL LIABILITIES					
Trade payables	-	-	1,254	1,254	-
Working capital facility	-	15,601	-	15,601	10.00
Other payables	-	-	21,028	21,028	
Total financial liabilities	**-**	**15,601**	**22,282**	**37,883**	**-**
2016					
FINANCIAL ASSETS					
Cash and cash equivalents	12,080	-	-	12,080	1.88
Restricted cash	-	76	-	76	3.11
Receivables	-	-	23,023	23,023	-
Security deposits	-	-	181	181	-
Total financial assets	**12,080**	**76**	**23,204**	**35,360**	**-**
FINANCIAL LIABILITIES					
Trade payables	-	-	8,377	8,377	-
Other payables	-	-	14,175	14,175	-
Total financial liabilities	**-**	**-**	**22,552**	**22,552**	**-**

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

At 30 June 2017, the effect on profit and equity as a result of changes in the interest rate would be as follows:

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

		Increase in interest rate by 1%		Decrease in interest rate by 1%	
2016	Carrying amount $'000	Profit $'000	Other comprehensive income $'000	Profit $'000	Other comprehensive income $'000
Cash and cash equivalents	12,080	121	-	(121)	-
Tax charge of 30%		-	-	-	-
After tax increase/(decrease)		121	-	(121)	-

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:

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 level 3 valuations on contingent consideration, which is outlined in Note 16: Vendor Royalties – Contingent Consideration. The carrying value of a significant portion of all financial assets and financial liabilities approximate their fair values due to their short-term nature.

FINANCIAL LIABILITIES

	Level 1	Level 2	Level 3
Vendor royalties contingent consideration held at fair value through profit or loss	-	-	11,264
Total financial liabilities	**-**	**-**	**11,264**

There were no other financial assets or liabilities valued at fair value in FY17 or FY16.

NOTE 21: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described below:

Name of entity	Principle activities	Country of incorporation	Class of shares	Percentage owned %*	
				2017	2016
Mackenzie Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Comet Coal & Coke Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Belview Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Belview Expansion Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Brown River Project Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Emerald Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
New Cambria Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Kerlong Coking Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Stanmore Surat Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Theresa Creek Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Stanmore Wotonga Pty Ltd	Coal exploration & mining	Australia	Ordinary	100%	100%
Stanmore IP Coal Pty Ltd	Coal mining	Australia	Ordinary	100%	100%
Stanmore Bowen Coal Pty Ltd	Coal exploration & mining	Australia	Ordinary	100%	100%
Isaac Plains Coal Management Pty Ltd	Coal exploration & mining	Australia	Ordinary	100%	100%
Isaac Plains Sales & Marketing Pty Ltd	Coal exploration & mining	Australia	Ordinary	100%	100%

*The proportion of ownership interest is equal to the proportion of voting power held.

NOTE 22: COMMITMENTS

A. FUTURE EXPLORATION

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

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

The commitments to be undertaken are as follows:

	2017 $'000	2016 $'000
PAYABLE		
Not later than 12 months	1,875	1,885
Between 12 months and 5 years	998	2,430
Greater than 5 years	-	-
	2,873	**4,315**

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Consolidated Entity has the option to negotiate new terms or relinquish the tenements. The Consolidated Entity also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

B. OPERATING LEASES

The commitments to be undertaken are as follows:

	2017 $'000	2016 $'000
PAYABLE		
Not later than 12 months	63	143
Between 12 months and 5 years	-	114
Greater than 5 years	-	-
	63	**257**

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

C. CAPITAL COMMITMENTS

The commitments to be undertaken are as follows:

	2017 $'000	2016 $'000
PAYABLE		
Not later than 12 months	-	3,100
Between 12 months and 5 years	3,700	-
Greater than 5 years	-	-
	3,700	**3,100**

LAND ACQUISITIONS

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

A completion payment of $3.100 million in cash is due the earlier of 30 days after the Mining Lease is granted by the Department of Mines and Energy or November 2016. An extension to the payment date from November 2014 to November 2016 was granted through an agreement with the landholder. An additional extension has been granted by the land holder to 29 November 2018. Though this extension the purchase price was increased to $3.700 million.

NOTE 23: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

CONTINGENT ASSET – WICET LOAN

In the 2014 financial year the Company impaired the full balance of the loan provided to third party infrastructure providers. The loan related to the WEXP1 project in Gladstone and the Company's participation in the Capacity Commitment Deed (CCD) which provided certain future access rights in return for a funding commitment from the Company. The Company provided $8.000 million in loans which were used to fund studies and complete initial dredging activities in respect of a future expansion to the port site. The CCD expired on 31 August 2014. The Company retains only those rights which relate to recoupment of loaned amounts as a result of a future port expansion, which may or may not occur. Based on a range of factors, a new expansion proponent who achieves financial close prior to 31 December 2020 will be required to reimburse the Company for a portion of the loaned amount which, in the opinion of an expert, provides a benefit to the proponents of that expansion. Until the timing of that future financing event is known, it is difficult to reliably estimate what portion of the Company's $8.000 million loan would be repaid.

CONTINGENT LIABILITY – DEBT FINANCE FACILITY

In November 2015, the Company 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 Company'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 Company 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.

	30 June 2017 $'000	30 June 2016 '000	30 June 2017 USD $'000	30 June 2016 USD '000
TOTAL FACILITIES				
FACILITY A – BANK GUARANTEE FACILITY				
Total available facility	27,942	40,399	21,493	30,000
Facility utilised	27,942	40,399	21,493	30,000
Total available facility	-	-	-	-

CONTINGENT LIABILITY – ISAAC PLAINS COMPLEX ROYALTY

On 26 November 2015, the company entered a Royalty Deed and agreed to pay a royalty of 0.8% on:

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

On the 29 August 2017, the Company entered into a 2017 Royalty Deed and agreed to pay a revised royalty of 1%.

CONTINGENT LIABILITY – ISAAC PLAINS EAST ACQUISITION

On 4 September 2015, the Company completed the acquisition of MDL 135 and (part) MDL 137 for an initial cash payment of $2.000 million. The transaction terms include two contingent consideration items, namely:

- A further $2.000 million payable upon grant of a Mining Lease; and
- A royalty capped at $3.000 million payable at $1 per tonne of production for coal that is mined within the new Mining Lease.

As these items are dependent on future activities of the Company and government approvals these payments have not been recognised as provisions in the financial statements of the Consolidated Entity.

The Directors are not aware of any other significant contingent liabilities or contingent assets at the date of this report.

NOTE 24: EVENTS AFTER REPORTING DATE

After 30 June 2017 Stanmore signed an extension of the Finance Facility previously outlined which has a new expiry date of 15 November 2019. The new terms are outlined in Note 13: Borrowings and Note 23: Contingent liabilities were agreed and signed and executed on 29 August 2017.

There were no other events after 30 June 2017 that impact upon the financial report as at 30 June 2017.

NOTE 25: KEY MANAGEMENT PERSONNEL

TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION

	2017 $'000	2016 $'000
Short-term employee benefits	1,837,072	1,843,519
Post-employment benefits	80,262	58,848
Termination benefits	86,676	-
Share-based payments	(136,424)	59,925
Total	**1,867,586**	**1,953,292**

Further information regarding the identity of Key Management Personnel and their compensation can be found in the Audited Remuneration Report contained in the Directors' Report on pages 34 to 44 of this annual report.

NOTE 26: AUDITOR'S REMUNERATION

	2017 $'000	2016 $'000
AUDIT SERVICES		
Amounts paid/payable to BDO Audit Pty Ltd for audit or review of the financial statements for the entity or any entity in the Consolidated Entity	134,000	160,631
TAXATION SERVICES		
Amounts paid/payable to related entities of BDO Audit Pty Ltd for non-audit taxation services performed for the entity or any entity in the Consolidated Entity	102,424	58,811
Total	**236,424**	**219,442**

NOTE 27: PARENT ENTITY INFORMATION

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

INVESTMENTS IN SUBSIDIARIES

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

Parent entity	2017 $'000	2016 $'000
Current assets	13,099	11,116
Non-current assets	79,882	38,707
Total assets	**92,981**	**49,823**
Current liabilities	731	1,286
Non-current liabilities	28,811	-
Total liabilities	**29,542**	**1,286**
Net assets	**63,439**	**48,537**
Issued capital	113,185	97,352
Share based payment reserve	774	4,377
Accumulated losses	(50,520)	(53,192)
Total shareholders equity	**63,439**	**48,537**
Profit /(loss) for the year	**2,672**	**(13,342)**
Total comprehensive income for the year	**2,672**	**(13,342)**

GUARANTEES

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

CONTINGENT LIABILITIES

The parent entity has no contingent liabilities.

CAPITAL COMMITMENTS

The parent entity has no capital commitments.

NOTE 28: 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 Complex (including the Isaac Plains East project) and the second being all other exploration and development coal assets. This is in-line with the treatment applied in the prior year's Financial Statements.

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:

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

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 25% of external revenue. The next most significant customer accounts for 20% of external 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.

2017	Isaac Plains Complex $'000	Exploration and development $'000	Total $'000
SEGMENT REVENUE			
External sales	137,846	-	137,846
Intersegment sales	-	-	-
Total segment revenue	**137,846**	**-**	**137,846**
RECONCILIATION OF SEGMENT REVENUE TO CONSOLIDATED ENTITY REVENUE			
Other revenue	-	-	-
Intersegment elimination	-	-	-
Total group revenue	**-**	**-**	**137,846**

2017	Isaac Plains Complex	Exploration and development $'000	Total $'000
Segment net profit/(loss) from continuing operations before tax	**853**	**(2,030)**	**(1,177)**
RECONCILIATION OF SEGMENT RESULT TO CONSOLIDATED ENTITY NET LOSS BEFORE TAX			
AMOUNTS NOT INCLUDED IN SEGMENT RESULT BUT REVIEWED BY THE BOARD			
Impairment of exploration assets	-	(917)	(917)
Write back impairment of development assets	-	8,512	8,512
Unallocated	-	-	-
Net profit/(loss) before tax from continuing operations	**853**	**5,566**	**6,418**
Segment assets	**104,967**	**87,104**	**192,071**
RECONCILIATION OF SEGMENT ASSETS TO CONSOLIDATED ENTITY ASSETS			
Intersegment eliminations	-	-	(35,714)
Unallocated assets	-	-	6,746
Total Consolidated Entity assets	**-**	**-**	**163,103**
SEGMENT LIABILITIES	95,869	25,040	120,909
RECONCILIATION OF SEGMENT LIABILITIES TO CONSOLIDATED ENTITY ASSETS			
Intersegment eliminations	-	-	(25,202)
Unallocated liabilities	-	-	578
Total Consolidated Entity liabilities	**-**	**-**	**96,285**

No comparatives given as only one segment reported in 2016.

NOTE 29: SHARE-BASED PAYMENTS

The following share based payment arrangements existed at 30 June 2017.

SHARE-BASED PAYMENTS TO DIRECTORS, EXECUTIVES AND EMPLOYEES

SHARES

During the year ended 30 June 2017, no shares were granted to KMP as share- based payments.

OPTIONS

During the year ended 30 June 2017, no options were granted to KMP as share- based payments.

	2017		2016	
	No. of options	Weighted average exercise price $	No. of options	Weighted average exercise price $
Outstanding at beginning of year	2,766,000	$0.22	4,766,000	$1.02
Granted	-	-	-	-
Forfeited	(762,457)	$0.22	-	-
Exercised	(2,003,543)	$0.22	-	-
Expired	-	-	(2,000,000)	$2.12
Outstanding at year-end	-	-	2,766,000	$0.22
Exercisable at year-end	-	-	2,766,000	$0.22

The options exercisable at 30 June 2017 had a weighted average exercise price of nil (2016: $0.22) and weighted average remaining contractual life of Nil (2016: 1.2 years). The exercise price was $Nil in respect of all options outstanding at 30 June 2017 (2016: $0.22).

In the year ending 30 June 2017, 2,003,543 options were exercised (2016: nil) for cash consideration of $0.441 million.

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

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

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

The settlement method for the above options is on a 1:1 basis. During the year ended 30 June 2017, 2,003,543 options were exercised (2016: nil) resulting in the issue of 2,003,543 additional shares as a result of the exercise of those options.

RIGHTS

During the year ended 30 June 2017, Rights were granted to KMP as long-term incentive as outlined in the Remuneration report 381,732 Rights were issued. Due to a clerical error Rights totalling 531,497 which were approved for Dan Clifford at the 2016 AGM were not issued. As the approval given at the 2016 AGM has expired, these Rights were not issued and now require re-approval at the 2017 AGM, which will occur after the completion of these Financial Statements. Given that there exists a shared understanding of the terms and conditions of the rights and services are being performed, the company has valued and accounted for the rights and this expense will be subject to adjustment once final approval is obtained.

The amount included in profit or loss is as follows:

	2017 $'000	2016 $'000
Employee benefits expense	(134)	73
Administration and consulting expense	-	-
	(134)	**73**

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

	2017 $'000	2016 $'000
Share capital	-	-
Share-based payment reserve	134	(73)
	134	**(73)**

It is noted that a number of Rights were also relinquished by KMP during the year due to the finalisation of their service. As a result, all non-vested Right costs were written back to profit or loss accounts.

RECOGNITION AND MEASUREMENT

The Consolidated Entity provides benefits to employees and consultants in the form of share-based payment transactions, whereby they render services in exchange for shares or options over shares (equity-settled transactions).

The fair value of shares, options or rights granted to employees and consultants are recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees or consultants become unconditionally entitled to the instruments. For options and rights, fair value is determined by an independent valuer using a Black-Scholes option pricing model.

In determining fair value, no account is taken of any performance conditions other than those related to the share price of Stanmore Coal Limited (market conditions). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the Directors' best estimate of the number of instruments that will ultimately vest because of internal conditions of the instruments, such as the employees having to remain with the Consolidated Entity until vesting date, or such that employees are required to meet internal sales targets. No expense is recognised for instruments that do not ultimately vest because internal conditions were not met. An expense is still recognised for instruments that do not ultimately vest because a market condition was not met.

Where the terms of options or rights are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

KEY ESTIMATES – SHARE-BASED PAYMENTS

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

NOTE 30: RELATED PARTY TRANSACTIONS

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

A. PARENT ENTITY

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

B. SUBSIDIARIES

Interests in subsidiaries are disclosed in Note 21: Subsidiaries.

C. KEY MANAGEMENT PERSONNEL

Disclosures relating to KMP are set out in Note 25: Key Management Personnel and the Remuneration Report contained in the Directors' Report.

D. OTHER RELATED PARTY TRANSACTIONS

There were no transactions with other related parties during FY17 (FY16: nil).

NOTE 31: OTHER ACCOUNTING POLICIES

1. BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the Consolidated Entity on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share- based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the Consolidated Entity obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the Consolidated Entity measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where the Consolidated Entity obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the Consolidated Entity remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the Consolidated Entity obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the Consolidated Entity had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

Contingent Consideration is classified as equity or financial liabilities. Amounts classified as financial liabilities are subsequently remeasured to fair value at the end of each reporting period, with changes in fair value recognised in profit or loss.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the Consolidated Entity's controlling shareholder's consolidated financial statements.

2. DERIVATIVE FINANCIAL LIABILITIES

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

3. PROVISIONS

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

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

New Accounting Standards and Interpretations not yet mandatory or early adopted Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017 (with the exception of AASB 15 Revenue from Contracts with Customers which has been early adopted). The consolidated entity's assessment of the impact of these new or amended Australian Accounting Standards and Interpretations, most relevant to the consolidated entity, where assessed are set out below:

AASB 9 FINANCIAL INSTRUMENTS

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

AASB 16 LEASES

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, the Standard will replace current accounting requirements applicable to leases in AASB 117. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changed introduced by the new standard include: recognition of a right-to-use asset and liability for all leases; depreciation of right-to-use assets in line with AASB 116 in profit or loss and unwinding of the liability in principal and interest components; and additional disclosure requirements. The Consolidated Entity will adopt this standard from 1 January 2019 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

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

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

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

DECLARATION BY DIRECTORS

The Directors of the Consolidated Entity declare that:

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

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

   (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its performance for the year ended on that date.

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

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

4. The remuneration disclosures included in pages 34 to 44 of the Directors' report (as part of audited Remuneration Report) for the year ended 30 June 2017, comply with section 300A of the Corporations Act 2001.

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

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

DClifford

Daniel Clifford
Managing Director

Brisbane
Date: 31 August 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of Stanmore Coal Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Stanmore Coal Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

Key audit matters

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

Vendor Royalty- Contingent consideration

Key audit matter	*How the matter was addressed in our audit*
The company has recognised a liability for contingent consideration of $25,185k as at 30 June 2017 as disclosed in note 16 to the financial statements. The contingent consideration relates to the acquisition of the Isaac Plains mine and requires payment of a royalty to each of the vendors should the benchmark Hard Coking Coal price exceed certain levels. The amount payable is capped at the level of cash received from each of the vendors under the sale and purchase agreement. The contingent consideration was a key audit matter due to the size of this liability class and the judgement involved in estimating expected selling prices in future periods.	The valuation of the contingent consideration is based on forecasts and assumptions within a model developed by management. We evaluated and tested key assumptions in this model by performing, amongst others, the following procedures: • Providing the model to our internal experts to assess the reasonableness of the methodology and assumptions applied in the model in particular long term hard coking coal price forecasts and evaluating the results of their work • Checking the mathematical accuracy of the model and agreeing the underlying inputs used within the model to external market data where available • Examining the cash flow forecasts provided by management and challenging the assumptions therein by ensuring consistency with the stated business and operational objectives

Reversal of impairment on development assets

Key audit matter	*How the matter was addressed in our audit*
The company carries significant development assets of $15,700k as at 30 June 2017 as disclosed in note 10(b) to the financial statements. The carrying value of development assets represent a significant asset of the company. A provision for impairment 0f $13,883k was recognised as at 30 June 2016 and during this year $8,512k was reversed. Assessing whether facts or circumstances exist to suggest that it was appropriate to reverse, in part, the prior year impairment, and whether the carrying amount of this asset exceeds its recoverable amount was considered a key audit matter. This assessment involves significant judgement applied by management.	We evaluated management's assessment of the facts and circumstances that exist to suggest that the impairment loss recognised in the prior year may no longer exist or may have decreased. The valuation model used to support the carrying value of this asset is based on current transactional activity in the coal sector. Our audit procedures included, amongst others: • Challenging management's criteria for selecting comparable transactions to ensure these were an appropriate basis for comparison • Providing the model to our internal experts to assess the reasonableness of the methodology and assumptions applied in the model and evaluating the results of their work • Checking the mathematical accuracy of the model and agreeing the underlying inputs used within the valuation model to external market data, where available • Verifying the tenement licence to determine that the group has the rights to tenure and maintains the tenement in good standing • Assessing the disclosures related to the impairment reversal by comparing these disclosures to our understanding of the matter and the applicable accounting standards.

Accounting for overburden

Key audit matter	*How the matter was addressed in our audit*
The company has recognised overburden in advance as part of inventory of $12,216k as at 30 June 2017 as disclosed in note 7 to the financial statements. The company has progressed overburden removal beyond the immediate mining of coal. This has resulted in an increase in inventories as directed under AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (Interpretation 20). This was a key audit matter due to the significant impact on the inventory value and the required judgement in the assessment of the work performed and the timing of when this coal will be mined.	We evaluated the accounting treatment applied for compliance with AASB 102 Inventories and Interpretation 20. Our audit procedures included, amongst others: • Obtaining detailed costing records from the mine and agreeing these to the records of the mining contractor to verify the volume of overburden removed, and the cost of doing so • Checking the amortisation of the overburden balance has been applied correctly as coal is mined by cross referencing the cost and volume of the overburden removal to the mine plan

Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' report and appendix 1 for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Group's annual report, which is expected to be made available to us after that date.

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

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 44 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Stanmore Coal Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

T J Kendall

T J Kendall
Director

Brisbane, 31 August 2017

SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 21 August 2017.

DISTRIBUTION OF EQUITY SECURITIES

The number of Ordinary Shares by size of holding is:

	Securities	%	No. of holders	%
100,001 and over	229,245,741	91.04	135	9.97
50,001 to 100,000	8,385,603	3.33	107	7.90
10,001 to 50,000	11,776,743	4.68	468	34.56
5,001 to 10,000	1,454,466	0.58	183	13.52
1,001 to 5,000	888,821	0.35	299	22.08
1 to 1,000	49,604	0.02	162	11.96
Total	**251,800,978**	**100.00**	**1,354**	**100.00**

The number of shareholders holding less than a marketable parcel is 189 (81,775 ordinary shares).

The number of Unlisted Rights by size of holding is:

	Securities	%	No. of holders	%
100,001 and over	-	-	-	-
50,001 to 100,000	194,985	100.00	2	100.00
10,001 to 50,000	-	-	-	-
5,001 to 10,000	-	-	-	-
1,001 to 5,000	-	-	-	-
1 to 1,000	-	-	-	-
Total	**194,985**	**100.00**	**2**	**100.00**

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders are shown in shareholder notices received by Stanmore Coal Limited as at 21 August 2017 are:

Name of shareholder	Number of shares
Greatgroup Investments Ltd	53,393,407
3rd Wave Investors Ltd	37,311,833
St Lucia Resources	31,700,270
Brazil Farming Pty Ltd	16,143,229

RESTRICTED SECURITIES

There are no restricted securities on issue.

20 LARGEST HOLDERS

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

ORDINARY SHARES

	Number of shares	% of total shares
GREATGROUP INVESTMENTS LTD	53,393,407	21.20
3RD WAVE INVESTORS LTD	37,953,821	15.07
ST LUCIA RESOURCES	29,200,270	11.60
BRAZIL FARMING PTY LTD	16,143,229	6.41
CITICORP NOMINEES PTY LIMITED	10,139,229	4.03
LATIMORE FAMILY PTY LTD	8,675,800	3.45
ONE MANAGED INVT FUNDS LTD	6,915,000	2.75
NERO RESOURCE FUND PTY LTD	3,627,318	1.44
MRS NADEZDA KOVIJANIC	3,200,973	1.27
BNP PARIBAS NOMS PTY LTD	3,011,030	1.20
BRAZIL FARMING PTY LTD	3,000,000	1.19
COMMON SENSE PTY LTD	2,613,270	1.04
CITICORP NOMINEES PTY LIMITED	2,054,331	0.82
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,982,792	0.79
M RESOURCES PTY LTD	1,883,402	0.75
KABILA INVESTMENTS PTY LTD	1,842,502	0.73
GREATGROUP INVESTMENTS LIMITED	1,545,388	0.61
PERSHING AUSTRALIA NOMINEES PT Y LTD	1,300,000	0.52
INVIA CUSTODIAN PTY LIMITED	1,205,000	0.48
TAIHEIYO KOUHATSU INCORPORATED	1,200,000	0.48
TOTAL OF 20 LARGEST HOLDERS	**190,886,762**	**75.81**
TOTAL ORDINARY SHARES	**251,800,978**	**100.00**

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

Options and performance rights do not carry voting rights.

OTHER INFORMATION

MARKETABLE RESERVES NOTE

The Isaac Plains Complex Marketable Coal Reserve of 12.89 Mt is derived from a run of mine (ROM) Coal Reserve of 16.41 Mt that is JORC compliant based with a predicted overall yield of 78.5%. The 12.89 Mt Marketable Reserve is included in the 79.2 Mt JORC Resource (24.9 Mt Measured + 30.3 Mt Indicated + 24 Mt Inferred Resource).

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 24 August 2017 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 24 August 2017 continue to apply and have not materially changed.

COMPETENT PERSONS STATEMENT

The information in this report relating to coal reserves for Isaac Plains and Isaac Plains East was announced on 24 August 2017, titled "Isaac Plains Complex JORC Reserve", and is based on information compiled by Mr Ken Hill who is a full-time employee of Xenith Consulting Pty Ltd. Mr Hill is the Managing Director of Xenith Consulting Pty Ltd, is a qualified civil engineer, a member of the Australian Institute of Mining and Metallurgy (AusIMM) and has the relevant experience (30+ years) in relation to the mineralisation being reported to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2012 Edition)".

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 24 August 2017 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 24 August 2017 continue to apply and have not materially changed.

The information in this report relating to coal resources for Isaac Plains and Isaac Plains East was announced on 24 August 2017, titled "Isaac Plains JORC Resource", and is based on information compiled by on information compiled by Mr Troy Turner who is a member of the Australian Institute of Mining and Metallurgy and is a full-time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 24 August 2017 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 24 August 2017 continue to apply and have not materially changed.

The information in this report relating to the Clifford Project exploration results and coal resources is based on information compiled by Mr Oystein Naess who is a member of the Australian Institute of Mining and Metallurgy and is a full time employee of Xenith Consulting Pty Ltd. Mr Naess is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcements and that all material assumptions and technical parameters underpinning the estimates in the announcements continue to apply and have not materially changed.

The information in this report relating to coal resources for all other projects was announced on the dates noted in the table within the Directors' Report, and is based on information compiled by Mr Troy Turner who is a full-time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and a member of the Australian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience in relation to the style of mineralisation and type of deposits being reported to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2012 Edition)".

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcements and that all material assumptions and technical parameters underpinning the estimates in the announcements continue to apply and have not materially changed.

STANMORE'S FIVE-YEAR FINANCIAL HISTORY

All figures in $M unless shown otherwise	2017	2016	2015	2014	2013
SUMMARISED FINANCIAL STATEMENTS					
Sales revenue	137,846	12,700	859	749	1,732
Operating profit before depreciation and amortisation, finance costs and income tax	19,075	(15,658)	(12,108)	(11,259)	(5,873)
Depreciation and amortisation	(3,332)	(1,306)	(32)	(81)	(46)
EBIT	15,743	(16,964)	(12,140)	(11,340)	(5,919)
Finance costs	(9,325)	(2,782)	(8)	(524)	(1,284)
Income tax (expense)/benefit	5,617	0	0	0	2,192
Operating profit after income tax attributable to members of Stanmore Coal Limited	12,035	(19,746)	(12,148)	(11,864)	(5,011)
Capital and dividends					
Ordinary shares on issue (number) 000's as at 30 June	251,801	222,497	222,497	209,124	208,419
Paid up ordinary capital as at 30 June	113,200	97,368	97,368	88,359	88,253
Fully-franked dividend per ordinary share declared (cents)	-	-	-	-	-
Financial performance					
Share price at year end ($/sh)	0.34	0.28	0.06	0.11	0.13
Earnings per share (weighted average) (cents)	5.1	(8.9)	(5.8)	(5.7)	(2.5)
Return on average ordinary shareholders' equity	23%	(40%)	(19%)	(16%)	(7%)
Financial position as at 30 June					
Total assets	163,103	112,274	59,303	71,274	90,058
Total liabilities	96,285	73,189	545	556	14,972
Net assets	66,818	39,085	58,758	70,718	75,086
Net tangible asset backing per ordinary share	$0.63	$0.48	$0.27	$0.34	$0.43
Net debt/(cash) to equity	(18%)	(31%)	(26%)	(25%)	(27%)
Total liabilities/total assets	59%	65%	1%	1%	17%
Stock market capitalisation as at 30 June	**85,612**	**62,299**	**13,350**	**23,004**	**27,095**


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