



Explore.  
**Transform.**  
Sustain.

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# Chairman's letter



“  
**This year has been a truly transformative year for Stanmore, with the Company on its way to becoming one of the largest global exporters of metallurgical coal.**  
”

Dear Shareholders,

The start of 2021 was a testing period for Stanmore and the industry.

The COVID-19 pandemic continued to present challenges to operations and the global coal market; Australian metallurgical coal prices were at near all-time lows; and disruptions to the Asian coal market trade flow persisted. In the second half of the year, a rebound in industrial activity as well as tight supply saw a swing in coal prices, reaching record highs by the end of the year.

Against this backdrop of uncertain and volatile conditions, we rose to the challenge to significantly reposition Stanmore as a leading metallurgical coal producer on a global scale. We undertook significant works to bring Isaac Downs online with operations to fully commence in 2022 and we announced the acquisition of BHP's 80% interest in BHP Mitsui Coal Pty Ltd (BMC).

The Company is progressing well with its transition to Isaac Downs. Our successful ramp up of operations at Isaac Downs resulted in record production and sales in H2 2021, in time to take advantage of the record high metallurgical coal prices prevailing in the market. Key infrastructure works, including construction of the new Underpass and Diversion of Peak Downs Highway are nearing completion. The coming year will see Stanmore fully transition into Isaac Downs where the lower strip ratios will further lower cost and improve operating margins.

We also completed the acquisition of a 50% interest in Millennium and Mavis Downs Mine in July 2021. The acquisition represented a low capital investment opportunity in high quality metallurgical coal, supported by access to existing critical infrastructure. From a state of care and maintenance, mining operations rapidly restarted with first ROM coal produced in Q3 2021 followed by first coal export in Q4 2021. We look forward to working with our JV partner and contractors in transforming the Millennium complex into a successful tier 1 operation.

Lastly, and most transformative to the Company, is our successful bid to acquire an 80% interest in BMC. The BMC mines are top tier de-risked and cash generating operating assets, backed by experienced people and high-quality equipment and infrastructure access. The acquisition is a highly strategic move, resulting in Stanmore having a portfolio of four mines and three wash-plants within an approximate 50km radius in the premium Bowen Basin region. Upon completion of the acquisition, Stanmore will be positioned as one of the largest global exporters of metallurgical coal.

Despite carrying out multiple workstreams over the course of the year, Stanmore remained true to its values. Safety and wellbeing of our staff and contractors remains the top priority of the Company. Stanmore's safety incident rates remain below industry average. Stanmore has also implemented effective COVID-19 protocols at the Isaac Plains Complex throughout the year. In addition to supporting 40 local community organisations over the year, we are developing a Reconciliation Action Plan involving long term strategies to increase Indigenous employment and business opportunities, in recognition of the need for reconciliation with the traditional owners of the land on which the company operates.

Stanmore acknowledges that climate change is a critical issue and commits to play a part in the transition to a low carbon world. We aspire to be a responsible and sustainability driven resources company, to that end we are developing a comprehensive set of ESG policies to guide emissions reductions and mitigation initiatives.

The Company is off to a strong start for the next financial year and is well placed to take advantage of the strong metallurgical coal prices. Completion of the BMC acquisition is expected 3 May 2022 and we look forward to this significant milestone for the Company.

On behalf of the Board, I would like to sincerely thank the employees, management team, contract partners and professional advisors of the Company for their unyielding efforts over past 12 months. I would also like to thank shareholders for their continued support.



**Dwi Suseno**



# Chief Executive Officer's Report



**2021 was a tale of two halves for Stanmore.**

The Company overcame a challenging first half but ended the year strongly.



Dear Shareholders,

The Company overcame a challenging first half impacted by the COVID-19 pandemic, historically low coal prices and operational challenges at Isaac Plains East but ended the year strongly with the successful transition to Isaac Downs, record production and the transformational agreement to acquire an 80% interest in BMC.

Production volumes in 1H 2021 were below usual historic annualised levels of 2.3 – 2.4Mt, impacted by the transition to Isaac Downs, reduced fleet capacity, La-Nina weather systems and cost controls at Isaac Plains East. Despite a challenging first half, we swiftly ramped up operations at Isaac Downs in 2H 2021 following receipt of mining lease approval in July and achieved record ROM production at c.95% of nameplate capacity for the Isaac Plains CHPP. Monthly feed rates and sales also exceeded historic levels in the second half, more than offsetting softer production in 1H 2021.

FOB (free on board) cash cost for the period was A\$104/t in 2021, 15% lower than in CY20. In 2H 2021, unit costs were even lower at A\$87/t, representing a 19% improvement on 2H 2020. The lower unit cost outcomes were the result of lower strip ratios realised from the Isaac Downs transition.

We expect that production rates and unit costs will continue to improve in the next 2 to 3 years, following the transition of the dragline to Isaac Downs in Q1 2022 which will enable mining of a lower strip ratio area.

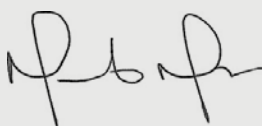
Strong operational performance, particularly in 2H 2021, has translated into strong financial performance. Cash flow from operations was A\$127m and underlying EBITDA for the period increased to A\$54m in 2021, 127% higher than in CY20. The improved result was facilitated by coal price recovery through the second half of the year, lower FOB costs and strong production. We expect a tight market with strong demand to continue with buoyant global industrial production and tight supply.

During the year A\$1.65m was invested in the rehabilitation of the Isaac Plains Complex, 56 hectares of land was recontoured and 44 hectares was seeded for re-vegetation. To date, 39% of all disturbed land at Isaac Plains is already under rehabilitation. We are committed to integrating this core activity within our operations to ensure timely and efficient rehabilitation of the land on which we operate.

Stanmore is acutely focused on safety and ensuring that the ramp-up of production at Isaac Downs and integration of BMC is achieved in a safe and efficient way. Stanmore undertook or managed 754,930 hours of coal mining, drilling, exploration and mine development activities in 2021 and the Total Reportable Injury Frequency Rate was 7.9 per million hours. This result is below industry averages and is a testament to the ongoing efforts of our team, who are committed to maintaining the highest standards of safety discipline.

The coming financial year will see Stanmore fully transition into Isaac Downs where the dragline will be uncovering coal rapidly given the lower strip ratios benefitting us with lower costs, improved margins and potentially higher volumes. Stanmore expects to complete the acquisition of an 80% interest in BMC on 3 May 2022 which will be a significant milestone for the Company and represent a step change in scale and operations to see Stanmore become a significant global metallurgical coal producer. We look forward to integrating the business into the Stanmore group and continuing our focus on safety and delivering high quality products and outcomes for our customers, staff and stakeholders.

I would like to take the opportunity to acknowledge the dedication and efforts of our team over the past year. I thank our employees and contractors for their contribution to the performance of the business, and my fellow directors for their guidance. I would also like to thank our traditional owners, neighbours, customers and shareholders for their continuing support of Stanmore Resources.



**Marcelo Matos**  
Chief Executive Officer

### Cash Flow

# A\$127m

from operations

### Underlying EBITDA

# A\$54m

127% higher than CY20



# Directors' report

The Directors present their report on the consolidated entity consisting of Stanmore Resources Limited and the entities it controlled at the end of, or during, the year ended 31 December 2021 (referred to in this report as Stanmore Resources Limited, the company, the group, or the Consolidated Entity).

The group changed its financial year end to 31 December in 2020 to align with its parent entity. As a result, this financial report which is for a period of 12 months, ended 31 December 2021 (referred to in this report as 'FY21'), is not entirely comparable with the comparative reporting period of six months, ended 31 December 2020 (referred to as 'period ended 31 December 2020').

## DIRECTORS AND COMPANY SECRETARY

Mr Dwi Suseno

Mr Marcelo Matos

Mr Jimmy Lim

Mr Mark Trevan

Mr Richard Majlinder

Ms Mary Carroll (resigned 2 July 2021)

The following persons were the company secretary of Stanmore Resources Limited during the financial year and up to the date of this report:

Rees Fleming (appointed 22 July 2021)

Tristan Garthe (resigned 22 July 2021)

## INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

<b>Dwi Suseno</b>	<b>Chairman and Non-Executive Director (Appointed: 15 May 2020)</b>
<b>Experience and expertise</b>	<p>Mr Dwi Suseno is the Executive Director and Group CEO of Golden Energy and Resources Limited (GEAR), a SGX Mainboard listed international mining and resources company. Mr Suseno is responsible for managing operations for GEAR, including mining, logistics and coal marketing, as well as leading the strategic initiatives and expansions.</p> <p>Mr Suseno began his career in Australia, where he was raised and educated, and he has over 26 years of experience in management, commercial and finance in mining resources as well as oil and gas related industries in both Australia and internationally. Mr Suseno was previously an Executive Director and CFO of Straits Corporation Group, which was then part of the SGX-listed coal mining company Straits Asia Resources Limited. Mr Suseno has previously worked with Baker Hughes Inc. (Fortune 500 NYSE listed oilfield services company), Arthur Andersen Australia and Ernst &amp; Young LLP.</p> <p>Mr Suseno is a Certified Public Accountant in both Australia and Singapore, graduated with a Bachelor of Commerce Degree from the University of Western Australia, Graduate Diploma in Tax from the University of Melbourne's Law Masters program, as well as a Postgraduate Diploma in Business from Curtin University. He also holds an executive Masters in Business Administration from the Kellogg School of Management &amp; Hong Kong University of Science and Technology.</p>
<b>Other current directorships</b>	Nil
<b>Former directorships in last 3 years</b>	Nil
<b>Special responsibilities</b>	<ul style="list-style-type: none"><li>• Member of the Audit and Risk Management Committee</li><li>• Member of the Remuneration and Nominations Committee</li></ul>



## INFORMATION ON DIRECTORS (CONTINUED)

### Marcelo Matos Chief Executive Director (Appointed: 27 November 2020)

<b>Experience and expertise</b>	<p>Mr Marcelo Matos has over 20 years of experience in management, marketing and business development roles in the mining sector in Australia, Asia, Mozambique and Brazil. Mr Matos worked for Vale for many years in various senior roles, including as its Chief Marketing and Strategy Officer for Coal as well as its Managing Director in Australia. Prior to his appointment as Interim Chief Executive Officer, Mr Matos was the Chief Commercial Officer for M Resources.</p> <p>Mr Matos holds a Bachelor of Business Administration degree from the Pontifical Catholic University of Rio de Janeiro (Brazil) and an Executive MBA from IBMEC Business School.</p>
<b>Other current directorships</b>	Nil
<b>Former directorships in last 3 years</b>	Nil
<b>Special responsibilities</b>	<ul style="list-style-type: none"> <li>• Member of the Health, Safety, Environment and Community Committee</li> <li>• Member of the Audit and Risk Management Committee</li> <li>• Member of the Remuneration and Nominations Committee</li> </ul>

### Jimmy Lim Non-Executive Director (Appointed: 23 October 2019)

<b>Experience and expertise</b>	<p>Mr Jimmy Lim has 20 years of experience in finance and investment management in the metals and mining sector, with extensive industry relationships in Australia and globally. Mr Lim started his career in Perth with Ernst &amp; Young in Tax, serving natural resources and infrastructure companies of all sizes before moving into Corporate Finance with Ernst &amp; Young and then KPMG where he continued advising clients in the natural resources sector. From there, Mr Lim then went on to work for JP Morgan in Melbourne where he worked on assignments advising and financing some of the largest companies in the world before moving to Hong Kong with Morgan Stanley and Goldman Sachs, where he was responsible for coverage of Metals and Mining in Asia excluding China.</p> <p>Mr Lim is a Fellow of Financial Services Institute of Australasia (FINSIA) and holds an MBA and degrees in Engineering and Science from the University of Western Australia.</p>
<b>Other current directorships</b>	Non-Executive Director at American Pacific Borates Limited (ASX:ABR): appointed 4 February 2021
<b>Former directorships in last 3 years</b>	Nil
<b>Special responsibilities</b>	<ul style="list-style-type: none"> <li>• Chair of the Remuneration and Nominations Committee</li> <li>• Member of the Health, Safety, Environment and Community Committee</li> </ul>

# Directors' report

(CONTINUED)

## INFORMATION ON DIRECTORS (CONTINUED)

### Mark Trevan

**Non-Executive Director (Appointed: 18 May 2020)**

#### Experience and expertise

Mr Mark Trevan has extensive experience in the coal mining industry in Queensland and internationally. Most recently, he was a Director and Deputy Chairman of the Wiggins Island Coal Export Terminal, a Director and consultant at Caledon Coal Pty Ltd and a Non-Executive Director of Ncondezi Energy Limited (a London listed, Mozambique focused coal mine development company). Prior to those appointments, he was the Managing Director of Caledon Resources Plc, based in Brisbane, where under his management the Cook underground coking coal mine was recommissioned and the Minyango underground coking coal project was advanced. Mr Trevan also oversaw the takeover of Caledon by Guandong Rising Asset Management, and the delisting of the company. Prior to joining Caledon in 2006, Mr Trevan spent 25 years with Rio Tinto in senior executive roles in the areas of marketing, general commercial, corporate strategy and project feasibility.

Mr Trevan holds a Diploma in Business from the Preston Institute of Technology (now Latrobe University) and a Graduate Diploma in Applied Finance and Investment from the Securities Institute.

#### Other current directorships

Nil

#### Former directorships in last 3 years

Nil

#### Special responsibilities

- Chair of the Health, Safety, Environment and Community Committee

### Richard Majlinder

**Non-Executive Director (Appointed: 15 May 2020)**

#### Experience and expertise

Mr Richard Majlinder is the Chief Commercial Officer for Madison Group Enterprises which is a manufacturer and b2B distributor of technology infrastructure and hardware. Prior to this, Mr Majlinder held a number of roles at PricewaterhouseCoopers (PwC) including as a Partner in Private Clients Advisory, leading client projects across mergers and acquisitions, consulting and financial management.

Mr Majlinder holds a Bachelor of Science (Honours) in Economic History from the London School of Economics and is a Fellow of the institute of Chartered Accountants in England and Wales, a Member of the Institute of Chartered Accountants in Australia & New Zealand, and a Member of the Australian Institute of Company Directors (AICD).

#### Other current directorships

Nil

#### Former directorships in last 3 years

Nil

#### Special responsibilities

- Chair of the Audit and Risk Management Committee
- Member of the Remuneration and Nominations Committee

## INFORMATION ON DIRECTORS (CONTINUED)

### Mary Carroll **Non-Executive Director (Appointed: 15 May 2020, Resigned: 2 July 2021)**

<b>Experience and expertise</b>	Ms Mary Carroll is the Chief Executive Officer of Capricorn Tourism and Economic Development Ltd (Capricorn Enterprise). Capricorn Enterprise is a not-for-profit, membership-based organisation that aims to assist the central Queensland region in tourism and economic development, working with businesses and government to promote the region. Ms Carroll was also previously a Member of the Central Queensland University Council (appointed by the Governor in Council), Director of the Queensland Tourism Industry Council, and the Chair of the Regional Tourism Network in Queensland. Ms Carroll is a member of the AICD.
<b>Other current directorships</b>	Nil
<b>Former directorships in last 3 years</b>	Nil
<b>Special responsibilities</b>	Nil

## CHIEF FINANCIAL OFFICER

### Shane Young **(Appointed: 12 August 2021)**

<b>Experience and expertise</b>	<p>Mr Shane Young has over 21 years of experience in accounting, financial planning and analysis, commercial, corporate finance, treasury, corporate development, and governance roles in Australia, the United Kingdom, the Netherlands and the United States. Mr Young has worked for major global organisations including KPMG, Shell and Peabody, and held various senior roles in the mining industry over several years, most recently as General Manager Finance at PanAust Limited.</p> <p>Mr Young is a Chartered Accountant and holds a Bachelor of Commerce (Accounting and Finance) degree from Monash University. He is a Member of the Chartered Accountants Australia &amp; New Zealand, a Member of Australia Corporate Treasury Association (Certified Finance and Treasury Professional), and a graduate of AICD.</p>
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### Frederick Kotzee **(Appointed: 21 September 2020, Interim Chief Financial Officer: 2 June 2020 to 20 September 2020, Resigned: 12 August 2021)**

<b>Experience and expertise</b>	<p>Mr Kotzee holds a Bachelor of Laws from the University of South Africa and is a qualified Chartered Accountant (South Africa).</p> <p>Mr Frederick Kotzee is an experienced Chief Financial Officer (CFO) of listed companies across a range of industries and commodities. Mr Kotzee served as the CFO of Kidman Resources Limited before the successful takeover by Wesfarmers Limited. Prior to this, Mr Kotzee was the CFO of Kumba Iron Ore Limited, a global iron ore miner listed on the Johannesburg Stock Exchange, and a member of the Anglo American Plc Group. Mr Kotzee has extensive experience in investment banking, joint ventures, corporate finance and business development.</p>
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## COMPANY SECRETARY

### Rees Fleming **(Appointed: 22 July 2021)**

<b>Experience and expertise</b>	<p>Mr Rees Fleming has over 20 years of experience as a lawyer in both private practice and in-house roles across shipping, resources, coal mining and sugar industries. Mr Fleming has held General Counsel and Company Secretarial for listed and large multinational companies.</p> <p>Mr Fleming holds a Masters of Law (International Shipping) and a Bachelor of Law. He is a practising legal practitioner and a Graduate of AICD.</p>
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# Directors' report

(CONTINUED)

## COMPANY SECRETARY (CONTINUED)

**Tristan Garthe** (Appointed: 16 June 2020, Resigned: 22 July 2021)

### Experience and expertise

Mr Tristan Garthe has worked in a wide range of financial and commercial roles within the coal mining sector, and the mining industry in general. Mr Garthe's experience crosses both open cut and underground mining operations in Australia and Africa. Mr Garthe has held senior positions in finance and company secretarial roles for listed and international resources companies.

Mr Garthe holds a Master of Business Administration and a Bachelor of Commerce (Accounting and Finance). He is a Certified Practising Accountant and a Member of the Governance Institute of Australia.

## DIRECTORS' INTERESTS

As at the date of this report, the Directors held no shares, options and other equity instruments in the Consolidated Entity.

## MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of Directors and of each board committee held during the year ended 31 December 2021, and the numbers of meetings attended by each Director were:

	Meetings of committees							
	Board		Audit & Risk Management		Remuneration & Nomination		Health, Safety, Environment & Community	
	A	B	A	B	A	B	A	B
Mr Dwi Suseno	6	6	4	4	-	-	-	-
Mr Marcelo Matos	6	6	4	4	2	2	4	4
Mr Jimmy Lim	6	6	-	-	2	2	3	4
Mr Mark Trevan	5	6	-	-	-	-	4	4
Mr Richard Majlinder	5	6	4	4	2	2	-	-
Ms Mary Carroll	3	3	-	-	-	-	-	-

A= Number of meetings attended

B= Number of meetings held during the time the Director held office or was a member of the committee during the year

## PRINCIPAL ACTIVITIES

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

## OPERATING AND FINANCIAL REVIEW

Highlights of the group's operations and results for the year ended 31 December 2021 are described below:

- Net profit after tax of \$10.413m (31 December 2020: \$(16.120m));
- Underlying EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation – a non-IFRS measure) of \$54.448m (31 December 2020: \$(13.383m));
- Isaac Plains Complex operating segment profit of \$60.447m (31 December 2020: \$1.684m);
- Net cash of \$62.859m (31 December 2020: \$5.041m);
- Prime overburden removal of 25.003m bcm (31 December 2020: 17.351m bcm);
- US\$30m increase to the existing revolving facility with parent entity, GEAR, with US\$67.6m debt drawn and outstanding as at the end of the period; and
- Isaac Downs mining leases granted and development of the project commenced.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### (A) FINANCIAL PERFORMANCE

	2021 \$'000	6 months to 31 December 2020 \$'000
Revenue from contracts with customers	382,948	136,309
Cost of sales	(312,540)	(142,928)
<b>Gross profit/(loss)</b>	<b>70,408</b>	<b>(6,619)</b>
<b>Other income and expenses</b>	<b>(39,316)</b>	<b>(9,924)</b>
<b>Profit/(loss) before income tax and net finance expenses</b>	<b>31,092</b>	<b>(16,543)</b>
Finance income	1,803	27
Financial expenses	(17,060)	(5,438)
<b>Profit/(loss) before income tax benefit/(expense)</b>	<b>15,835</b>	<b>(21,954)</b>
Income tax benefit/(expense)	(5,422)	5,834
<b>Profit/(loss) after income tax expense</b>	<b>10,413</b>	<b>(16,120)</b>

### (B) UNDERLYING EBITDA RESULT (UNAUDITED, NON-IFRS MEASURE)

Underlying EBITDA (an unaudited, non-IFRS measure) reflects statutory EBITDA as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Entity. The items adjusted are determined to be non-cash transactions that are unrelated to mining operations. The presentation of non-IFRS financial information provides stakeholders the ability to compare against prior periods in a consistent manner.

	2021 \$'000	6 months to 31 December 2020 \$'000
<b>Statutory profit/(loss) before income tax and net finance expenses</b>	<b>31,092</b>	<b>(16,543)</b>
Depreciation and amortisation	26,761	14,682
<b>Earnings before interest, depreciation and amortisation (EBITDA)</b>	<b>57,853</b>	<b>(1,861)</b>
Remeasurement of rehabilitation provision	-	36
Remeasurement of onerous contracts	(1,191)	(1,893)
Fair value movement – contingent consideration	(2,214)	(9,665)
<b>Underlying EBITDA (non-IFRS measure)</b>	<b>54,448</b>	<b>(13,383)</b>

The underlying EBITDA of \$54.448m for the year ended 31 December 2021 was a \$67.831m increase compared to the underlying EBITDA of \$(13.383m) for the 6-month period to 31 December 2020.

The increase in EBITDA was due to an increase in underlying margin of \$30/t in the period to 31 December 2021 compared to \$(8)/t in the previous period. The significant increase in margin was a result of a \$62/t increase in average sales price per tonne, combined with a decrease in reportable strip ratio to 9.0x as the company commenced mining in the bulk sample pit area as part of development activities in Isaac Downs which has a lower strip ratio compared to the Isaac Plains mining areas. The EBITDA is also impacted by the expenses related to the remaining overburden in advance (OBIA) inventories for the Isaac Plains (for which mining will cease in the first quarter of 2022), resulting in non-cash inventory adjustments of \$49.253m.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### (B) UNDERLYING EBITDA RESULT (UNAUDITED, NON-IFRS MEASURE) (CONTINUED)

The average Hard Coking Coal index price was US\$208.09/t for the year compared to US\$110.28/t in prior period. See page 14 for additional pricing information (source: Platts Coal Trader International).

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

- Gross revenue from coal sales increased to \$382.9m for the year ended 31 December 2021 from \$136.3m in the 6-month period to 31 December 2020. The increase was driven by a \$62/t increase in the A\$ realised price to an average of A\$177/t from \$115/t in the prior period, and an increase in sales of produced coal to 2,165kt in the period to 31 December 2021 from 1,184kt in the 6-month period to 31 December 2020;
- Increase in finance costs from \$5.438m for the 6-month period to 31 December 2020 to \$17.060m for the year ended 31 December 2021. This is primarily due to the increase in utilisation of the existing borrowing facilities to support the development of the Isaac Downs project, foreign exchanges losses recognised in the period, coupled with initial finance fees incurred in relation to the announced US\$625m debt facility for the acquisition of BHP's 80% interest in BMC; and
- Underlying non-cash FOB costs includes \$49.253m of costs in relation to the reduction of overburden in advance inventories for the Isaac Plains mining operation, with no corresponding OBIA being recognised for Isaac Downs which is still a development site.

The variance between underlying EBITDA and cash flow from operations is primarily due to the settlement of contingent consideration royalties, completion of rehabilitation works and working capital movements, as outlined in the table below:

	2021 \$'000	6 months to 31 December 2020 \$'000
<b>Underlying EBITDA (non-IFRS measure)</b>	<b>54,448</b>	(13,383)
Net financing costs	<b>(21,982)</b>	(3,003)
Settlement of onerous contracts	<b>(654)</b>	(476)
Completion of rehabilitation works	<b>(1,650)</b>	(3,851)
Settlement of vendor royalties – contingent consideration	–	(284)
Net movement in working capital	<b>97,253</b>	5,297
<b>Cash flow from operations</b>	<b>127,415</b>	(15,700)

In the period to 31 December 2021, working capital significantly improved, with a net inflow of \$97.253m (31 December 2020: \$5.297m), driven by a reduction in inventories (\$55.436m) and an increase in trade payables due to longer credit period from contractors (\$42.801m), offset by timing of sales receipts leading to an increase in current trade receivables of \$31.144m at 31 December 2021. Financing inflows of \$79.733m primarily relate to the changes in the borrowing facilities (see Note 14).

In the year to 31 December 2021, \$1.650m (31 December 2020: \$3.851m) was invested in rehabilitation at Isaac Plains Complex. Stanmore Resources Limited integrates this core activity with operations to ensure timely and efficient close out of rehabilitation.

Overall operational cash flows have increased due to significantly high receipts from coal sales, driven by the increased sales tonnes and higher average sales price per tonne.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### (C) CASH FLOW

In the period to 31 December 2021, total net cash inflows of \$57.818m were recorded. The net cash inflow from operating activities was \$127.415m. Cash flows from investing activities were \$(138.394m). Of this, \$15.356m related to sustaining capital expenditure for plant and equipment, \$28.950m relates to the Loan receivable with MetRes Pty Ltd, and \$44.422m related to the continued investment in Isaac Downs.

At the end of period, US\$67.6m was drawn from the revolving facility with the parent company, Golden Energy and Resources Limited (GEAR). The net inflow from financing activities includes \$80.181m drawn down on the group's various facilities, primarily offset by the cash outflows for the BMC acquisition deposit (US\$30m), the loan issued to MetRes JV (\$28.950m), repayment of the short-term loan (\$2.693m), repayment of insurance premium funding (\$3.874m), and a further \$2.262m paid in relation to the equipment loan to finance the CAT 6060 excavator.

	2021 \$'000	6 months to 31 December 2020 \$'000
<b>Net cash at beginning of year</b>	<b>5,041</b>	32,244
Cash flows from operating activities	<b>127,415</b>	(15,700)
Cash flows from investing activities	<b>(138,394)</b>	(13,699)
Cash flows from financing activities	<b>68,797</b>	2,196
<b>Net increase/(decrease) in cash held</b>	<b>57,818</b>	(27,203)
<b>Net cash at end of period</b>	<b>62,859</b>	5,041

### (D) HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY PERFORMANCE

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

The Consolidated Entity undertook or managed 754,930 hours (31 December 2020: 400,819 hours) of coal mining, drilling, exploration, and mine development activities (directly and through its contractors) during the year, and reported two lost time injuries (31 December 2020: nil). The rolling 12-month Total Reportable Injury Frequency Rate is 7.9 per million hours (31 December 2020: 5.9 per million hours), with a rolling 12-month Lost Time Injury Frequency Rate of 2.34 (31 December 2020: nil). The Consolidated Entity is encouraged by the safety performance results for the year, which remain lower than the industry averages.

The Consolidated Entity supported the communities in which our operations are located with a number of grants, sponsorships, important community initiatives and events undertaken during the year. 40 local community organisations received over \$109,000 in funding during the year. In addition, significant 'in-kind' time was also dedicated to regional industry bodies and professional groups to enhance local industry and services in the region.

### (E) OPERATIONS

The Isaac Plains Complex mined 25,003kbcm of prime overburden compared to 17,351kbcm in the prior 6-month period to 31 December 2020. The reduction was a result of the expected lower strip ratios at the Isaac Downs mining area, coupled with a focus on ROM coal extraction in the year at the Isaac Plains mine.

Coal mining operations delivered 2,767kt of ROM coal to the CHPP at a prime strip ratio of 9x, compared to 1,491kt and a strip ratio of 12.0x in the prior 6-month period.

Product coal production was 2,070kt, with the CHPP delivering a total yield of 75.1%. The production split of coking to thermal coal was 91.6% coking and 8.4% thermal. Yields and product split have improved due to mining improved quality coal areas, including the Isaac Downs sample pit area.

# Directors' report

(CONTINUED)

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### (E) OPERATIONS (CONTINUED)

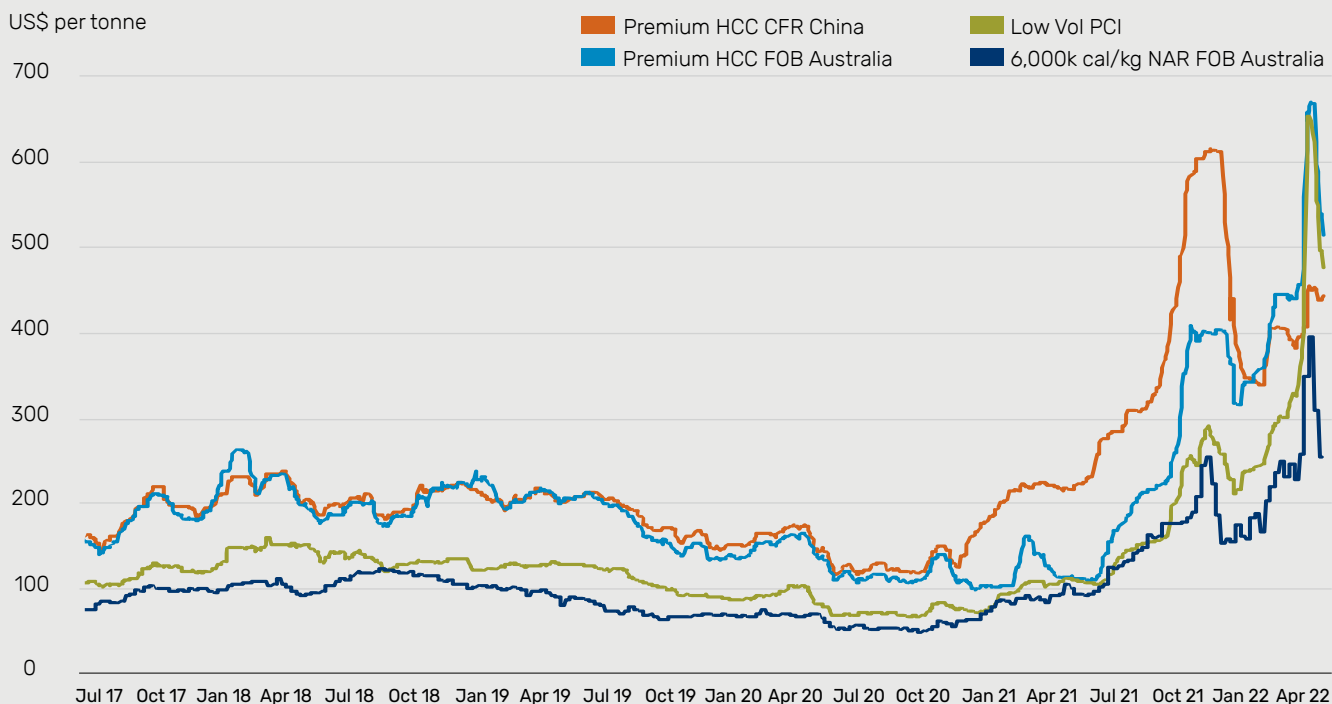
As previously announced, the Isaac Downs mining leases have been granted by the Queensland Government. Mining of this area initially commenced earlier in the year as part of a Sample Pit area, with the Board having also formally approved the development of the Isaac Downs Project.

The average sale price achieved for all coal (both metallurgical and thermal) during the period was A\$176.7/t, compared to 31 December 2020 of A\$115.1/t. The increase in price has been driven by the increases in coal demand after the depths of the Covid pandemic, particularly across Asian markets.

The average Hard Coking Coal index price was US\$208.09/t for the year compared to US\$110.28 in the period ended 31 December 2020.

### Coal Type Price

US\$ per tonne



	2021	6 months to 31 December 2020
<b>Physicals</b>		
Prime overburden (kbcm)	<b>25,003</b>	17,351
ROM coal produced – Open cut (kt)	<b>2,767</b>	1,491
ROM strip ratio (prime)	<b>9</b>	12
CHPP feed (kt)	<b>2,757</b>	1,475
ROM stockpile (kt)	<b>96</b>	86
Saleable coal produced (kt)	<b>2,070</b>	1,092
Saleable coal purchased (kt)	–	–



## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### (E) OPERATIONS (CONTINUED)

	2021	6 months to 31 December 2020
<b>Coal sales</b>		
- Metallurgical (kt)	1,971	1,129
- Thermal (kt)	194	55
<b>Total gross coal sales (kt)</b>	<b>2,165</b>	1,184
Product Yield (%)	75	74
Coal product stockpiles (kt)	98	196
<b>Average sale price achieved (A\$/t)</b>	<b>177</b>	115
<b>Unit costs of sales (A\$/t sold)</b>		
FOR cost (A\$/t sold)	106	96
FOR to FOB cost (ex. State royalty) (A\$/t sold)	24	19
State royalty (A\$/t sold)	17	8
<b>FOB cash cost (A\$/t sold)</b>	<b>147</b>	123
<b>Margin (A\$/t sold)</b>	<b>30</b>	(8)

The variance between coal margins and Underlying EBITDA (non-IFRS measure) is due to net corporate overheads as shown in the table below:

	2021	6 months to 31 December 2020
Margin (A\$/t sold)	30	(8)
Coal sales (kt)	2,165	1,184
<b>Coal sales margin (\$'000)</b>	<b>63,002</b>	(9,946)
Unallocated corporate overhead (\$'000)	<b>(8,554)</b>	(3,437)
<b>Underlying EBITDA (non-IFRS measure) (\$'000)</b>	<b>54,448</b>	(13,383)

### (F) ISAAC DOWNS PROJECT

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

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

As announced on 27 July 2021, the main project has been granted approvals, environmental authority, and approval under the *Environmental Protection and Biodiversity Conservation Act*.

# Directors' report

(CONTINUED)

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### (F) ISAAC DOWNS PROJECT (CONTINUED)

Since this announcement, the Isaac Downs Project has undertaken key infrastructure works, including the Peak Downs Highway underpass, allowing reduced haulage time and costs between the mining area and the CHPP washplant.

Mining operations within the bulk sample pit are currently taking place at the Isaac Downs area, with the dragline expected to commence operations at Isaac Downs at the end of the first quarter of 2022. This is the point at which full scale production will commence from Isaac Downs and the estimated point of completion of the development.

### (G) COVID-19 IMPACTS

The Consolidated Entity continues to follow recommendations from Queensland Health and the Australian Government to provide a COVID-19 safe workplace.

COVID-19 impacts have not been significant to the Consolidated Entity in the period. The company does not expect any negative impacts to the financial statements nor triggers for any significant uncertainties with respect to events or conditions which may adversely impact the Consolidated Entity as at the reporting date or subsequently as a result of the COVID-19 pandemic.

Consistent with the mining industry there has been an increase in absenteeism in early 2022 due to COVID-19 cases. The company will continue to work with its contractors on protocols to minimise the spread and impacts to operations.

### (H) DEBT REFINANCE

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

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

### (I) INVESTMENT IN METRES INCORPORATED JOINT VENTURE

On 13 July 2021, the Consolidated Entity announced the completion of the Millennium and Mavis Downs Mine acquisition from Peabody Energy Australia, via MetRes Pty Ltd, the 50/50 joint venture between Stanmore Resources Limited and M Resources.

Auger mining commenced in August 2021, in line with operational schedules, with MetRes having reached the milestone of its first coal shipment within five months from acquisition.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

### (A) OPERATIONS

Financial Year 2022 is expected to be a truly transformational year for the company. As well as the transition of its mining operations from Isaac Plains to Isaac Downs, the Consolidated Entity announced on 8 November 2021 that it has executed a definitive agreement with BHP to acquire BHP's 80% interest in the BMC (BHP Mitsui Coal Pty Ltd) joint venture.

At the same time, Stanmore Resources Limited announced its intention to fund the acquisition with a combination of debt and equity, and has since announced on 7 January 2022 that it has successfully executed documentation with certain financiers in respect of a US\$625m debt facility.

Stanmore Resources Limited is well placed to take advantage of the high coal sales prices in the first quarter of 2022, due to the lagging effect on sales pricing of certain fixed pricing sales contracts.

### (B) EXPLORATION AND DEVELOPMENT

On 16 February 2022, the Consolidated Entity announced an decrease to the coal and reserves under the relevant *Australasian Code for Reporting Exploration Results and Ore Reserves* (JORC Code). The total Recoverable Coal Reserves across all tenements formally declared and published are now 160.0Mt, and the total Marketable Coal Reserves are 125.4Mt.

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

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS (CONTINUED)

### (C) MANAGING RISKS

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

The major risks associated with an investment in the Consolidated Entity are summarised below. The Consolidated Entity identifies and actively manages the material risks as part of its risk management governance framework and internal control systems.

#### (i) Safety risks

Safety remains of critical importance in the planning, organisation and execution of the group's exploration and operational activities. The group is committed to providing and maintaining a working environment in which all associated with our business are not exposed to hazards that will jeopardise their health and safety.

#### (ii) Operating risks

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

The group has also previously identified a limited remaining life at Isaac Plains and Isaac Plains East.

The timely mining assent for Isaac Downs received in Q3 2021 has ensured the availability of mining areas to ensure continuity of coal flows to meet contracted obligations. The Consolidated Entity continues to mitigate risks by identifying potential additional mining opportunities at Isaac Plains, Isaac Plains East and Isaac Plains Underground.

The group's announcement on 8 November 2021 that it has executed an agreement with BHP to acquire BHP's 80% interest in the BMC joint venture will also reduce the risk regarding the reliance on the performance of the Isaac Plains Complex.

#### (iii) Market risks

The key drivers for the business' financial performance are commodity price and foreign currency markets. The group 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.

The group sells export coal in United States Dollars and is therefore exposed to movements in currency rates. The group may from time to time use mechanisms to hedge a portion of its currency risk where deemed appropriate by management and the Board. The market price for Stanmore Resource's products is impacted by many factors which could be favourable or unfavourable for the group.

In order to diversify its customer base and to minimise the reliance on key customers, the group is continuing to work on identifying new customers and markets in 2022 where it makes financial sense to do so.

#### (iv) Geological risks

Resource and Reserve estimates are prepared by external experts in accordance with the *JORC Code 2012* and *JORC Code 2004* (as applicable) for reporting.

Coal reserves are estimated using various assumptions regarding loss and dilution, drilling depth and other geotechnical constraints. Reserves are sensitive to cost and revenue assumptions used due to geological structure of deposits, which means that all other factors being the same, if the cost assumption is lower or the price assumption is higher, more reserves are estimated. Some of the deposits are more sensitive to the cost and revenue assumptions used than others due to the characteristics and geological structure of those deposits. Due care is taken with each estimation, but is expected to change as more detailed planning is undertaken.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS (CONTINUED)

### (C) MANAGING RISKS (CONTINUED)

#### (v) Regulatory and land access risks

The group's operations and projects are subject to State and Federal laws and regulations regarding mining, environmental protection, land access and native title. These laws and regulations regulate the conduct of mining operations, set requirements in relation to landholder compensation, environmental protection and certain aspects of health, and provide for penalties and other consequences for the breach of such laws.

There is also an obligation to rehabilitate areas impacted by mining activities, which includes the group providing financial assurances in respect of the likely costs and expenses that may be incurred when taking action to rehabilitate areas impacted by mining activities. The *Mineral and Energy Resources (Financial Provisioning) Act 2018* has changed the method by which such financial assurance is calculated but the cost of this change to the group has not been material. The rehabilitation provision recorded in these accounts closely mirrors these obligations.

In order to undertake exploration and production activities, it is first necessary to apply for and obtain necessary government permits, leases and approvals that authorise such activities. To secure such exploration and mining approvals, or to undertake activities within the area of a granted mining tenement, native title, land access and overlapping tenure are matters that need to be addressed.

The group seeks to develop strong, long-term effective relationships with landholders and other stakeholders, with a focus on developing mutually acceptable compensation and access arrangements. The group seeks to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations. In addition, the group engages experienced lawyers, consultants and other technical advisors to provide expert advice where necessary to ensure it manages its compliance obligations appropriately.

#### (vi) Climate change risks

The operations of the Consolidated Entity are focused on the production of coal for use in the steel making industry. Considering the nature of the industry in which the Consolidated Entity operates, both physical and transitional climate changes risks have the potential to impact the company's assets, production and the markets where our product is sold. Transitional risks being those climate change risks associated with the transition to the lower-carbon economy and include policy, legal technology and market related risks, and physical risks being those which have direct financial implications to the Consolidated Entity. Physical risks refer to risks that are event-driven (such as weather events like cyclones, fires and floods) or are 'chronic' risks which are those that are caused by longer-term shifts in climate patterns (including sustained movement in temperature).

There is an increasing interest by stakeholders regarding the potential risks and opportunities to our business and the broader sector as a result of shifts towards a lower-carbon economy. Climate change is a complex risk that requires action at all levels of society. It can heighten existing physical and non-physical risks and introduce new ones that can affect business performance in the near and long terms. We continue to work with the industry on this important topic and develop our response to the *Taskforce on Climate Related Financial Disclosures* (TCFD) framework to improve our disclosure and tracking of climate-related risks and opportunities.

The Consolidated Entity also has a role to play in mitigating emissions generated by its operations. Business and operational risks associated with changes caused by climate change and the measures that will be taken to mitigate those risks and overall emissions are considered during the group's business planning cycle.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS (CONTINUED)**

### **(C) MANAGING RISKS (CONTINUED)**

#### **(vii) Indigenous engagement**

As part of the Isaac Downs approval process, it was recognised that increased collaboration was required with the traditional owners of the land on which the company operates, the Barada Barna people.

Through a process of facilitation and recognition of the need for reconciliation, the company is dedicated to developing a working and collaborative relationship with the Barada Barna people. The company has committed to developing a Reconciliation Action Plan working committee. This process will not only strengthen ties with the Barada Barna people, but pave the way for true reconciliation within the broader meaning.

The company and the Barada Barna people have developed a Native Title Consent Agreement and reviewed a Cultural Heritage Management Plan. Further, the company aims to facilitate and implement a Reconciliation Action Plan process that develops long-term strategies including increasing Indigenous employment and business opportunities which will enable the Barada Barna people to become more involved in the company and encourage a strong working relationship between both parties.

#### **(viii) Sovereign risks**

The group has limited influence over the direction and development of government policy. Successive changes to the Australian resources policy, including taxation policy, have impacted Australia's competitiveness and reduced the attractiveness of Australian coal projects to foreign investors. The group's view is 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.

#### **(ix) Access to capital**

At 31 December 2021 the group remains well funded with cash reserves and a revolving finance facility expected to be sufficient to meet the business' operating costs. The group'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 development of the group's tenements. Should these avenues be delayed or fail to materialise, the group may need to raise additional funding through debt, equity or farm out/sell down to allow the group to continue as a going concern and meet its debts as and when they fall due.

There is no guarantee that additional funding through debt will be available, or if it is, there is no guarantee that such new funding will be on terms acceptable to the group. Global credit markets have been severely constrained in the past, and the ability to obtain new funding or refinance may in the future be significantly reduced. Increasingly, financial institutions have made public statements in relation to their unwillingness to finance certain types of coal mines and coal-fired power stations.

If the group is unable to obtain sufficient funding, either due to banking and capital market conditions generally, or due to factors specific to the coal sector, the group may not have sufficient cash to meet its ongoing capital requirements or the ability to expand its business.

Following the on-market takeover by Golden Investments in 2020, the group has been able to access funding through our parent entity, GEAR. See details of the debt refinance on page 16 of this report. As at the date of this report, GEAR has a credit rating of B1 by rating agency Moody's and B+ by rating agency Fitch. This has reduced the risk the group may not have access to capital. Any present risk is still being actively monitored by Stanmore Resources Limited.

In respect of the BMC transaction, Stanmore Resources Limited has also signed definitive agreements with certain financiers for a US\$625 million senior debt facility, demonstrating the group's ability to access funds when required. Stanmore Resources Limited continues to explore a number of avenues in relation to working capital initiatives.

#### **(x) Access to insurance cover**

There is a risk that the policies of financial institutions with respect to the funding of coal projects may, in the future, extend to an unwillingness to provide insurance products to coal producers and associated companies on terms that are currently provided to such companies. This could result in a material increase in the cost to Stanmore Resources of obtaining appropriate levels of insurance or Stanmore Resources being unable to secure adequate insurance cover.

## Remuneration report (audited)

This report details the nature and amount of remuneration for each Director of Stanmore Resources Limited and its controlled entities, 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 Consolidated Entity. The Consolidated Entity's Directors and KMP during 2021 were:

### Non-executive and executive Directors (see pages 6 to 9 for details about each Director)

Mr Dwi Suseno
Mr Marcelo Matos
Mr Jimmy Lim
Mr Mark Trevan
Mr Richard Majlinder
Ms Mary Carroll (until 2 July 2021)

### Other key management personnel

Name	Position
Mr Frederick Kotzee	Chief Financial Officer (until 12 August 2021)
Mr Jon Romcke	General Manager Development
Mr Leandro Pires	General Manager Operations
Mr Shane Young	Chief Financial Officer (from 12 August 2021)

### (A) REMUNERATION POLICY OVERVIEW

The Consolidated Entity'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 compensations strategy for the Consolidated Entity's employees is a key factor in ensuring employees are engaged and motivated to improve the group's performance over the long term. The Board's intention is to maximise stakeholder benefit by the retention of 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 group's cost structure and the practices of its peers.

The Board formally reviews Board and senior executive performance on an annual basis.

The following describes the Consolidated Entity's remuneration arrangements for KMP.

### (B) ELEMENTS OF REMUNERATION

#### (i) Fixed annual remuneration (FR)

##### *Chief Executive Officer and Senior Management fixed remuneration*

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

The Remuneration and Nominations Committee reviews the performance and remuneration of the management team. The process consists of a review of company and individual performance, relevant comparative remuneration both in the market and internally, and, where appropriate, external advice on policies and remuneration practices.

## **(B) ELEMENTS OF REMUNERATION (CONTINUED)**

### **(i) Fixed annual remuneration (FR) (continued)**

#### *Non-Executive Director fixed remuneration*

The Board seeks to aggregate remuneration at a level which provides the Consolidated Entity 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 Resources 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 Resources Limited's shareholders is \$750,000 per annum (31 December 2020: \$750,000 p.a.).

The Non-Executive Director's fee was \$50,000 per annum (31 December 2020: \$50,000 p.a.). Committee fees were \$10,000 per annum for the Chair and \$5,000 per annum for members. The Board, at the recommendation of the Remuneration and Nomination Committee after undertaking a benchmarking remuneration review, determined to increase the Non-Executive Director's Fees to \$113,000 per annum, fees for the Chair of a committee to \$22,600 per annum and \$11,300 per annum for members of a committee.

In addition, the Board also determined to pay to the Non-Executive Directors a once off fee in recognition of the significant additional work performed with respect to the acquisition of the BMC assets.

The maximum aggregate fees paid is within the Shareholder's annual agreed limit.

The total Non-Executive Director remuneration for the year was \$541,033 (31 December 2020: \$126,731).

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 Resources Limited or otherwise relating to the business of the group.

The fixed remuneration of Non-Executive Directors for the year ending 31 December 2021 is detailed in this Remuneration Report.

### **(ii) 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 Senior Management, 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.

For the year ended 31 December 2021, performance targets for STI and LTI were formalised and agreed by the Board.

For the 6-month financial period to 31 December 2020, no formal STI and LTI performance targets were set, due to the shortened performance period.

### **(iii) Incentive outcomes**

As noted previously, the STI for the period ended 31 December 2020 was based on the Board's discretion, after considering management's performance, and no LTI scheme was in place for the period.

# Directors' report

(CONTINUED)

## (B) ELEMENTS OF REMUNERATION (CONTINUED)

The incentive outcomes for the STI and LTI scheme for the year ended 31 December 2021 are shown below.

### (iv) Short-term incentives

Incentive	Award structure	Outcome/discussion
<b>FY21 STI</b>	Preconditions: zero fatalities/company can fund STI	Preconditions (achieved): zero fatalities/company can fund STI
<b>FY21 STI</b>	Based on multiple key performance indicators: TRIFR*/HPIFR**/ROM T/FOB cash costs/Working Capital	The key performance indicators were met to varying levels, resulting in a total accrued payout of 122% of target. All KMP met eligibility requirements. FY21 STI amounts are highlighted below.

\* TRIFR refers to 'Total Recordable Injury Frequency Rate'

\*\* HPIFR refers to 'High Potential Injury Frequency Rate'

In FY21, all KMP were entitled to a payment under the STI scheme. The FY21 STI is due to be paid in late February 2022.

The STI for the year ended 31 December 2021 is ultimately subject to Board discretion, based on management performance, and calculated in line with the STI and LTI targets for the financial year, and is shown below:

	Target STI		FY21		Target STI		December 2020	
	Base of Salary %	Target Amount \$	Awarded \$	Base of Salary %	Base of Salary %	Target Amount \$	Awarded \$	Base of Salary %
Jon Romcke	40%	141,312	172,337	49%	39%	67,275	51,750	30%
Marcelo Matos	50%	271,360	330,938	61%	52%	91,887	70,667	40%
Leandro Pires	40%	135,168	164,844	49%	39%	23,803	17,852	30%
Shane Young	40%	152,000	185,372	49%	-	-	-	-

### (v) Long-term incentives

Incentive	Award structure	Outcome/discussion
<b>FY21 LTI</b>	LTI is based on the Relative Total Shareholders Return (TSR) and Working Average Cost of Capital (WACC) performance measures, relative to a fixed measurement point.	Due to the expected impact of the Group's proposed acquisition of BHP's 80% interest in the BMC joint venture, the current LTIP award structure was not applied for the current period. The Board have approved a discretionary cash LTIP award for eligible members for the period up to the expected acquisition date during Q2 2022.

As at 31 December 2021, 144,898 (FY19 and FY20) rights remain in relation to previously disclosed LTIP scheme.



## (B) ELEMENTS OF REMUNERATION (CONTINUED)

KMP*	FY	No. of Rights	Vesting date**	Target	Salary package value at Stretch*** (\$)	Price**** (\$)	Value of Rights***** (\$)	Total Value (\$)
Jon Romcke	FY20	36,342	30-Jun-22	30%	207,000	1.42	0.37	13,447
Jon Romcke	FY19	108,556	30-Jun-21	30%	191,711	0.88	0.45	48,850
		<b>144,898</b>						<b>62,297</b>

\* KMP employed as at 31 December 2021

\*\* Retest available after 12 months if no Rights have vested on vesting date

\*\*\* Stretch target based on 2x Target %

\*\*\*\* Based on the 10-day VWAP of shares in the 24 hours following the release of the annual results

\*\*\*\*\* Accounting value of rights issued

Below is a summary of the performance conditions for vesting for FY20 Rights granted:

Performance Level	ATSR* of SMR** CAGR***	% of Stretch/Max. Vesting	June 2022 Share Price for Vesting
Stretch	20%	100%	\$2.46
Between Target and Stretch	>15%<20%	Pro-rata	Pro-rata
Target	15%	50%	\$2.17
Between Threshold and Target	>10%<15%	Pro-rata	Pro-rata
Threshold	10%	0%	\$1.90
Below Threshold****	<10%	0%	\$0.00

\* Absolute Total Shareholder Return

\*\* Stanmore Resources Limited

\*\*\* Compound Annual Growth Rate (CAGR)

\*\*\*\* Subject to retest in FY23 at CAGR

Below is a summary of the performance conditions for vesting for FY19 Rights granted:

Performance Level	ATSR* of SMR** CAGR***	% of Stretch/Max. Vesting	June 2022 Share Price for Vesting
Stretch	36.24%	100%	\$2.20
Between Target and Stretch	>26.23%<36.24%	Pro-rata	Pro-rata
Target	26.23%	50%	\$1.75
Between Threshold and Target	>14.33%<26.23%	Pro-rata	Pro-rata
Threshold	14.33%	0%	\$1.30
Below Threshold****	<14.33%	0%	\$0.00

\* Absolute Total Shareholder Return

\*\* Stanmore Resources Limited

\*\*\* Compound Annual Growth Rate (CAGR)

\*\*\*\* Subject to retest in FY22 at CAGR

In relation to the Rights, one retest is available 12 months after the end of the measurement period only if no vesting occurred in relation to the first test following the completion of the measurement period. The FY19 Rights noted above did not meet conditions for vesting, and will be subject to a retest in FY22.

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

# Directors' report

(CONTINUED)

## (B) ELEMENTS OF REMUNERATION (CONTINUED)

### (vi) General incentive and remuneration consultants

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

The *Corporations Act 2001* 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 act.

No advice was sought during the period under review.

## (C) LINK BETWEEN REMUNERATION AND PERFORMANCE

### (i) Statutory performance indicators

	2021	December 2020*	June 2020	2019	2018
Profit/(loss) attributable to the Group (\$'000)	10,413	(16,120)	34,893	91,598	5,966
Revenue (\$'000)	382,948	136,309	364,485	403,059	208,081
Share price at period end (\$/Share)	1.035	0.81	0.78	1.425	0.87
Basic earnings per share (c/Share)	3.9	(6)	13.2	35.1	2.4
Diluted earnings per share (c/Share)	3.9	(6)	13.2	35.6	2.3
Shareholder dividends paid (c/Share)	-	-	11	5	-

\* 6-month period to 31 December 2020

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

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

### (ii) Chief Executive Officer

Stanmore Resources Limited has an Executive Service Agreement (ESA) with Mr Marcelo Matos for the position of Chief Executive Officer which commenced on 27 November 2020. Mr Matos received a base remuneration of \$542,000 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 serious misconduct or bankruptcy.

Mr Matos is eligible to participate in the STI and LTI schemes. Under the ESA, the target annual STI is 50% of base remuneration. The target LTI is 50% of base remuneration.

## **(C) LINK BETWEEN REMUNERATION AND PERFORMANCE (CONTINUED)**

### **(iii) Senior management**

#### *General Manager Operations*

Stanmore Resources Limited has an ESA with Mr Leandro Pires for the position of General Manager Operations which commenced on 26 October 2020. For the period to 31 December 2021, Mr Pires received a base remuneration of \$338,000 (31 December 2020: \$330,000) 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 serious misconduct or bankruptcy.

Mr Pires is eligible to participate in the STI and LTI schemes. The target annual STI is 40% of base remuneration, and the target LTI is 40% of base remuneration.

#### *General Manager Development*

Stanmore Resources Limited has an ESA with Mr Jon Romcke for the position of General Manager Development which commenced on 21 August 2017. For the period to 31 December 2021, Mr Romcke received a base remuneration of \$353,000 (31 December 2020: \$345,000) per annum plus statutory superannuation. The ESA provides for termination by either party by providing two month's written notice, or immediately in the case of serious misconduct or bankruptcy.

Mr Romcke is eligible to participate in the STI and LTI schemes. The target annual STI is 40% of base remuneration, and the target LTI is 40% of base remuneration.

#### *Chief Financial Officer (Appointed 12 August 2021)*

Stanmore Resources Limited has an ESA with Mr Shane Young for the position of Chief Financial Officer which commenced on 12 August 2021. For the period to 31 December 2021, Mr Young received a base remuneration of \$380,000 (31 December 2020: nil) 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 serious misconduct or bankruptcy.

Mr Young is eligible to participate in the STI and LTI schemes. The target annual STI is 40% of base remuneration, and the target LTI is 40% of base remuneration.

#### *Chief Financial Officer (Resigned 12 August 2021)*

Stanmore Resources Limited had an ESA with Mr Frederick Kotzee for the position of Chief Financial Officer which commenced on 21 September 2020. For the period to 31 December 2021, Mr Kotzee received a base remuneration of \$342,000 (31 December 2020: \$380,000) per annum plus statutory superannuation. On 12 May 2021, Mr Kotzee resigned from his position and finished with the company on 12 August 2021.

Prior to his resignation, Mr Kotzee was eligible to participate in the STI and LTI schemes. The maximum annual STI was 39% (Stretch) of his remuneration package, and the maximum LTI was 30% of his remuneration package at Target performance and a further 30% of his remuneration package at Stretch performance.

# Directors' report

(CONTINUED)

## (D) REMUNERATION DETAILS

The following table details the components of remuneration for KMP of the company, for both the year ended 31 December 2021 and the 6-months to 31 December 2020.

2021	Short-term employee benefits			Post-employment benefits		Total \$
	Cash salary and Fees \$	Cash bonus \$	Other non-monetary benefits \$	Super-annuation \$	LTIP \$	
<b>Directors</b>						
Mr Dwi Suseno <sup>1</sup>	-	-	-	-	-	-
Mr Jimmy Lim	212,817	-	-	-	-	212,817
Mr Marcelo Matos	540,763	327,405	10,440	23,120	384,427	1,286,155
Mr Mark Trevan	132,689	-	-	13,269	-	145,958
Ms Mary Carroll <sup>2</sup>	22,823	-	-	2,177	-	25,000
Mr Richard Majlinder	142,962	-	-	14,296	-	157,258
<b>Sub-total Directors</b>	<b>1,052,054</b>	<b>327,405</b>	<b>10,440</b>	<b>52,862</b>	<b>384,427</b>	<b>1,827,188</b>
<b>Senior Management</b>						
Mr Jon Romcke	353,280	169,749	13,729	22,703	211,968	771,429
Mr Frederick Kotzee <sup>3</sup>	212,917	-	38,997	15,895	-	267,809
Mr Leandro Pires	337,920	277,944	1,373	24,789	168,960	810,986
Mr Shane Young <sup>4</sup>	147,615	185,372	-	10,423	63,333	406,743
<b>Sub-total Senior Management</b>	<b>1,051,732</b>	<b>633,065</b>	<b>54,099</b>	<b>73,810</b>	<b>444,261</b>	<b>2,256,967</b>
<b>Total Director and Senior Management remuneration</b>	<b>2,103,786</b>	<b>960,470</b>	<b>64,539</b>	<b>126,672</b>	<b>828,688</b>	<b>4,084,155</b>

1. Mr Suseno is a nominee from Golden Investments. Any remuneration in relation to his role as Director of multiple GEAR entities is paid for by GEAR with no apportionment to the Consolidated Entity
2. Ms Carroll resigned, effective 2nd July 2021
3. Mr Kotzee resigned, effective 12 August 2021
4. Mr Young commenced, effective 12 August 2021

## (D) REMUNERATION DETAILS (CONTINUED)

2020	Short-term employee benefits			Post-employment benefits		Share based payments	Total \$
	Cash salary and Fees \$	Cash bonus \$	Other non-monetary benefits \$	Super-annuation \$	Termination benefits \$	Cash settled (Rights) \$	
<b>Directors</b>							
Mr Jimmy Lim	32,500	-	-	-	-	-	32,500
Mr Marcelo Matos	193,067	70,667	4,768	10,626	-	-	279,128
Mr Mark Trevan	29,505	-	-	2,803	-	-	32,308
Ms Mary Carroll	24,587	-	-	2,336	-	-	26,923
Mr Richard Majlinder	31,963	-	-	3,037	-	-	35,000
<b>Sub-total Directors</b>	<b>311,622</b>	<b>70,667</b>	<b>4,768</b>	<b>18,802</b>	-	-	<b>405,859</b>
<b>Senior Management</b>							
Mr Jon Romcke	185,769	80,924	6,226	11,681	-	-	284,600
Mr Frederick Kotzee	167,762	31,148	120,126	11,681	-	-	330,717
Mr Leandro Pires	62,192	17,852	452	4,172	-	-	84,668
Mr Craig McCabe	150,329	48,280	2,075	6,103	-	-	206,787
Mr Brendan Schilling	60,577	17,238	-	5,424	99,761	-	183,000
Mr Bernie O'Neill	160,558	63,674	-	10,847	182,667	50,000	467,746
Mr Ian Poole	8,192	-	-	778	3,976	-	12,946
<b>Sub-total Senior Management</b>	<b>795,379</b>	<b>259,116</b>	<b>128,879</b>	<b>50,686</b>	<b>286,404</b>	<b>50,000</b>	<b>1,570,464</b>
<b>Total Director and Senior Management remuneration</b>	<b>1,107,001</b>	<b>329,783</b>	<b>133,647</b>	<b>69,488</b>	<b>286,404</b>	<b>50,000</b>	<b>1,976,323</b>

## (E) ADDITIONAL STATUTORY INFORMATION

### (i) Cash bonuses, performance-related bonuses and share-based payments

For the financial year ending 31 December 2021, the details of the STIP and LTIP incentives awarded and payable are shown on page 22.

Current Rights on issue to KMP (FY21 and FY20) are outlined below:

	FY20 Rights issued	FY20 Rights vested	FY20 Rights forfeited	Net FY20 Rights
Jon Romcke	145,366	72,683	36,341	36,342
	FY19 Rights issued	FY19 Rights vested	FY19 Rights forfeited	Net FY19 Rights
Jon Romcke	217,113	108,557	-	108,557

# Directors' report

(CONTINUED)

## (E) ADDITIONAL STATUTORY INFORMATION (CONTINUED)

### (ii) Equity instruments – shareholdings

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

	Balance at 1 January 2021	Granted as remuneration	Bonus issue	Exercise of Rights	Net Change Other*	Balance FY21
Jon Romcke**	1,104	–	–	–	–	1,104

\* The net change in shareholding for all KMP relates to the sale of shares on market

\*\* Shares held directly and beneficially

### (iii) Equity instruments – options

The Consolidated Entity had no Options on issue at 31 December 2021.

### (iv) Equity instruments – rights

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

	Opening balance	Rights issued	Rights vested	Rights forfeited	Closing balance	Vesting FY22*	Vesting FY23**
Jon Romcke	144,898	–	–	–	144,898	108,556	36,342

\* Following the on-market takeover by Golden Investments, the Rights granted in FY19 have vested at 50%, with the balance subject to relevant vesting criteria set prior to change of control

\*\* Following the on-market takeover by Golden Investments, the Rights granted in FY20 have vested at 50%, with 25% lapsed and the remaining 25% to vest subject to relevant vesting criteria set prior to change of control

### (v) Other transactions with key management personnel

There were no transactions with Directors or Director-related entities during the year ended 31 December 2021.

### (vi) Loans given to key management personnel

There were no loans to KMP during the year ended 31 December 2021.

## End of Remuneration Report

## INSURANCE OF OFFICERS AND INDEMNITIES

### (A) INSURANCE OF OFFICERS

Each of the Directors and the Company Secretary of Stanmore Resources have entered into a deed whereby the company has provided certain contractual rights of access to books and records of Stanmore Resources to those Directors and the Company Secretary. The company has insured all its Directors and Executive Officers. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The *Corporations Act 2001* does not require disclosure of the information in these circumstances.

### (B) INDEMNITY OF AUDITORS

To the extent permitted by law, the company has agreed to indemnify its auditors, Ernst & Young, as part of its terms of its audit engagement agreement against claims by third parties arising from the audit. The company has made no payment to indemnify Ernst & Young during or since the financial year.

## **INSURANCE OF OFFICERS AND INDEMNITIES (CONTINUED)**

### **SHARES UNDER OPTION**

At the date of this report, there were nil unissued ordinary shares under Options and 144,898 potential unissued ordinary shares under Rights as follows:

- (a) 108,556 unlisted Rights vesting subject to various performance hurdles in 2021 or, in the event that no vesting at all occurs, the Rights may be retested vesting in 2022, subject to escalated performance hurdles and other agreed conditions; and
- (b) 36,342 unlisted Rights vesting subject to various performance hurdles in 2022 or, in the event that no vesting at all occurs, the Rights may be retested vesting in 2023, subject to escalated performance hurdles and other agreed conditions.

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

During the year ended 31 December 2021, there were 270,417,381 fully paid ordinary shares in Stanmore Resources Limited on issue.

During the year ended 31 December 2021, no new Rights were granted to KMP as part of the Stanmore Resources Limited Rights Plan, and no Rights were forfeited. During the 6-month period ended 31 December 2020, no Rights were forfeited and none vested.

### **CHANGES TO CAPITAL STRUCTURE**

At the date of this report, the Consolidated Entity had 270,417,381 ordinary shares (inclusive of 11,040 employee shares), nil unlisted options and 144,898 Rights on issue.

### **EVENTS SINCE THE END OF THE FINANCIAL YEAR**

No events have occurred since 31 December 2021, other than those disclosed within Note 27.

### **ROUNDING OF AMOUNTS**

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars unless otherwise stated.

### **DIVIDENDS PAID OR RECOMMENDED**

No dividend has been declared for the financial year.

### **ENVIRONMENTAL REGULATION**

The Consolidated Entity is subject to environmental regulation in respect of its operating and 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 COMPANY**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

# Directors' report

(CONTINUED)

## AUDIT AND NON-AUDIT SERVICES

The board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by Ernst & Young, the auditor of the Consolidated Entity:

	2021 \$	6 months to 31 December 2020 \$
<b>Taxation services</b>		
Ernst & Young Australian firm: Tax advisory services	<b>146,825</b>	24,910
<b>Total remuneration for taxation services</b>	<b>146,825</b>	24,910
<b>Other services</b>		
Ernst & Young Australian firm: Transaction due diligence services	<b>387,469</b>	13,940
<b>Total remuneration for other services</b>	<b>387,469</b>	13,940
<b>Total remuneration for non-audit services</b>	<b>534,294</b>	38,850

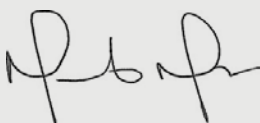
## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 31.

## CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Stanmore Resources Limited support and have adhered to the principles of corporate governance. Stanmore Resources Limited's Corporate Governance Statement can be found on the company's website and ASX platform ([www.stanmore.net.au/corporate-governance](http://www.stanmore.net.au/corporate-governance)).

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



**Mr Marcelo Matos**

Director

Brisbane  
16/02/2022



# Auditor's Independence Declaration



**Building a better  
working world**

Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000 Australia  
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333  
Fax: +61 7 3011 3100  
ey.com/au

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

As lead auditor for the audit of the financial report of Stanmore Resources Limited for the financial year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Tom du Preez', written in a cursive style.

Tom du Preez  
Partner  
16 February 2022

# Consolidated statement of profit or loss

	Note	2021 \$'000	6 months to 31 December 2020 \$'000
Revenue from contracts with customers	2	<b>382,948</b>	136,309
Cost of sales	3(b)	<b>(312,540)</b>	(142,928)
<b>Gross profit/(loss)</b>		<b>70,408</b>	(6,619)
Other expenses	3(b)	<b>(42,133)</b>	(21,671)
Other income	3(a)	<b>5,226</b>	11,747
<b>Operating profit/(loss)</b>		<b>33,501</b>	(16,543)
Finance income	3(c)	<b>1,803</b>	27
Finance costs	3(c)	<b>(17,060)</b>	(5,438)
<b>Finance costs - net</b>		<b>(15,257)</b>	(5,411)
Share of net (loss) of joint ventures	23(b)	<b>(2,409)</b>	-
<b>Profit/(loss) before income tax</b>		<b>15,835</b>	(21,954)
Income tax (expense)/benefit	4	<b>(5,422)</b>	5,834
<b>Profit/(loss) for the year/period</b>		<b>10,413</b>	(16,120)
Profit/(loss) is attributable to:			
Owners of Stanmore Resources Limited		<b>10,413</b>	(16,120)
<b>Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per share (cents per share)	20	<b>3.9</b>	(6.0)
Diluted earnings/(loss) per share (cents per share)	20	<b>3.9</b>	(6.0)

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

# Consolidated statement of comprehensive income

	2021 \$'000	6 months to 31 December 2020 \$'000
<b>Profit/(loss) for the period</b>	<b>10,413</b>	(16,120)
<b>Other comprehensive income for the year/period</b>	-	-
<b>Total comprehensive income/(loss) for the year/period</b>	<b>10,413</b>	(16,120)
Total comprehensive income/(loss) for the period is attributable to:		
Owners of Stanmore Resources Limited	<b>10,413</b>	(16,120)

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

# Consolidated statement of financial position

	Note	2021 \$'000	31 December 2020 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	62,859	5,041
Trade and other receivables	7	52,408	21,264
Inventories	8	11,748	67,184
Other current assets	12	60,742	5,599
Current tax receivables		-	5,520
<b>Total current assets</b>		<b>187,757</b>	<b>104,608</b>
<b>Non-current assets</b>			
Trade and other receivables	7	15,000	-
Property, plant and equipment	9	64,903	64,819
Capitalised development costs	10	88,758	44,336
Exploration and evaluation	10	43,220	41,141
Mine properties	10	21,848	17,298
Intangible assets	11	2,015	2,519
Other non-current assets	12	21,571	20,048
<b>Total non-current assets</b>		<b>257,315</b>	<b>190,161</b>
<b>Total assets</b>		<b>445,072</b>	<b>294,769</b>

	Note	2021 \$'000	31 December 2020 \$'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	83,492	40,692
Borrowings	14	97,075	19,421
Lease liabilities	15	180	117
Derivative financial instruments	16	6,121	-
Current tax liabilities		6,285	-
Employee benefit obligations	18	2,537	811
Provisions	17	5,659	9,497
<b>Total current liabilities</b>		<b>201,349</b>	<b>70,538</b>
<b>Non-current liabilities</b>			
Borrowings	14	6,739	9,104
Lease liabilities	15	450	612
Employee benefit obligations	18	54	60
Provisions	17	43,150	34,231
Deferred tax liabilities	4	30,443	27,786
<b>Total non-current liabilities</b>		<b>80,836</b>	<b>71,793</b>
<b>Total liabilities</b>		<b>282,185</b>	<b>142,331</b>
<b>Net assets</b>		<b>162,887</b>	<b>152,438</b>
<b>EQUITY</b>			
Issued capital	21	121,747	121,725
Share based payment reserves	32	2,337	2,323
Retained earnings		38,803	28,390
Total equity attributable to the owners of Stanmore Resources Limited		162,887	152,438
<b>Total equity</b>		<b>162,887</b>	<b>152,438</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Consolidated statement of changes in equity

	Note	Issued capital \$'000	Retained earnings \$'000	Share based payment reserve \$'000	Total \$'000
<b>Balance at 1 July 2020</b>		121,725	44,510	2,348	168,583
Loss for the period		-	(16,120)	-	(16,120)
<b>Total comprehensive loss for the period</b>		-	<b>(16,120)</b>	-	<b>(16,120)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Share-based payments	21(a)	-	-	(25)	(25)
<b>Balance at 31 December 2020</b>		<b>121,725</b>	<b>28,390</b>	<b>2,323</b>	<b>152,438</b>

	Note	Issued capital \$'000	Retained earnings \$'000	Share based payment reserve \$'000	Total \$'000
<b>Balance at 1 January 2021</b>		121,725	28,390	2,323	152,438
Profit for the period		-	10,413	-	10,413
<b>Total comprehensive profit for the period</b>		-	<b>10,413</b>	-	<b>10,413</b>
<b>Transactions with owners in their capacity as owners:</b>					
Deferred tax recognised directly in equity	21(a)	22	-	-	22
Share-based payments	21(a)	-	-	14	14
		22	-	14	36
<b>Balance at 31 December 2021</b>		<b>121,747</b>	<b>38,803</b>	<b>2,337</b>	<b>162,887</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated statement of cash flows

	Note	2021 \$'000	6 months to 31 December 2020 \$'000
<b>Operating activities</b>			
Receipts from customers		369,953	116,751
GST refunds		27,714	14,827
Payments to suppliers and employees		(257,331)	(148,967)
Interest received		1,803	27
Interest and other finance costs paid		(23,786)	(3,030)
Income tax received/(paid)		9,062	4,692
<b>Net cash inflow (outflow) from operating activities</b>	6	<b>127,415</b>	<b>(15,700)</b>
<b>Investing activities</b>			
Payments for property, plant and equipment		(15,355)	(9,996)
Payments for capitalised development, exploration and evaluation assets		(44,422)	(3,513)
Payments for mine property assets		(1,791)	(190)
Payments of vendor royalties	17	(4,122)	-
Payments for loan receivable principal		(28,950)	-
Payments for refundable security bonds		(41,345)	-
Payment for acquisition of Joint Venture	24	(2,409)	-
<b>Net cash (outflow) from investing activities</b>		<b>(138,394)</b>	<b>(13,699)</b>
<b>Financing activities</b>			
Proceeds from borrowings		79,733	19,609
Repayment of borrowings		(9,297)	(3,553)
Benefit of principal lease liability		(116)	1
Payments for financial securities		(1,523)	(13,861)
<b>Net cash inflow from financing activities</b>	5(c)	<b>68,797</b>	<b>2,196</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>57,818</b>	<b>(27,203)</b>
Cash and cash equivalents at the beginning of the financial year		5,041	32,244
Cash and cash equivalents at end of year	5(a)	62,859	5,041

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

# Notes to the financial statements

## 1. BASIS OF PREPARATION OF FULL YEAR REPORT

The financial statements of Stanmore Resources Limited for the reporting period ended 31 December 2021 covers the Consolidated Entity consisting of Stanmore Resources Limited and its subsidiaries as required by the *Corporations Act 2001*.

The group had changed its financial year to 31 December to align with its parent entity. As a result, the results presented in this financial report, which is for a period of 12 months ended 31 December 2021, are not entirely comparable with the comparative period stated, being the 6-month period 1 July 2020 to 31 December 2020.

The financial statements are presented in the Australian currency.

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

The principal activities of the Consolidated Entity are the exploration, development, production and sale of metallurgical coal in Queensland, Australia.

The consolidated general-purpose financial report of the Consolidated Entity for the period ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 16/02/2022. 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*, the 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 (IASB);
- 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 January 2021. Refer to Note 1(i) or 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 1(i)(i)

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

### (A) KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Consolidated Entity's accounting policies, managements 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 2: Revenue	Page 40
Note 10: Capitalised development costs	Page 54
Note 10: Mine properties	Page 56
Note 10: Exploration and evaluation	Page 56
Note 17: Onerous contracts provision	Page 61
Note 17: Rehabilitation provision	Page 61
Note 17: Vendor royalties – contingent consideration	Page 62
Note 32: Share-based payments	Page 82



## **1. BASIS OF PREPARATION OF FULL YEAR REPORT (CONTINUED)**

### **(B) GOING CONCERN**

As disclosed in the Directors' report, the group is in the process of transitioning its core mining operations from Isaac Plains and Isaac Plains East during Q1 2022 to Isaac Downs where full scale production is scheduled to commence once the Drag Line has been walked across and initial development activities are completed.

In addition to this, the group has also announced the acquisition of 80% of the shares in BMC from BHP which will be funded through a combination of debt and equity.

In respect of the BMC transaction, at the date of this report, the group has signed definitive agreements with certain financiers for a US\$625 million senior debt facility. As announced by Stanmore Resources Limited on 8 November 2021, the Group is proposing to part fund the balance of the completion payment for the BMC transaction through an entitlement offer. Further details of the proposed entitlement offer are expected to be announced after key conditions precedent for the transaction have been substantially progressed.

In respect of the existing operations and transition from Isaac Plains and Isaac Plains East, the Directors have considered projected cash flow information for the 12 months from the date of the approval of these financial statements under multiple scenarios (which includes the ability to slow or defer spending), including conservative pricing forecasts and the group's access to undrawn working capital facilities as disclosed in Note 14. On 16 February 2022, the group has also extended the GEAR facility maturity date by another year to 30 June 2023.

Based on the above, the group is expected to continue to operate within the available cash levels and is confident in its ability to complete the required capital and debt to be raised to continue to fund the ongoing operations and complete the BMC transaction. The company is also in the process of assessing raising further debt to assist with future capital development and has capacity under the ASX Listing Rules to raise further funds through the issue or placement of securities.

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

### **(C) DEBT FACILITY**

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

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

As at 31 December 2021, US\$67.6m (A\$93.2m) has been drawn down under this facility.

### **(D) COVID-19**

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

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

### **(E) BASIS OF CONSOLIDATION**

Subsidiaries are all those 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.

# Notes to the financial statements

(CONTINUED)

## 1. BASIS OF PREPARATION OF FULL YEAR REPORT (CONTINUED)

### (E) BASIS OF CONSOLIDATION (CONTINUED)

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.

### (F) 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.

### (G) 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.

### (H) 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.

### (I) NEW AND AMENDED STANDARDS AND INTERPRETATIONS ADOPTED BY THE CONSOLIDATED ENTITY

The group has applied all the standards and amendments for the first time for their annual reporting period commencing 1 January 2021. These amendments had no impact on the financial statements of the Group.

#### (i) Early adoption of AASB 2020-3 Annual Improvements 2018-2020 and Other Amendments

The group has chosen to early adopt AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments, in relation to changes made to AASB 116. As a result, discreet revenues and operating costs of the Isaac Downs Bulk Sample Pit are to be recognised within the consolidated statement of profit or loss. There is no previously measured pre-production revenues that required restatement in the prior period.

## 2. REVENUE

	2021 \$'000	6 months to 31 December 2020 \$'000
Revenue from contracts with customers	<b>382,948</b>	136,309
<b>Total revenue</b>	<b>382,948</b>	136,309

## 2. REVENUE (CONTINUED)

### (A) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2021 \$'000	31 December 2020 \$'000
<b>Revenue from external customers</b>		
Metallurgical coal/Asia	<b>296,293</b>	121,930
Metallurgical coal/Europe	<b>58,388</b>	10,725
Thermal coal/Asia	<b>28,267</b>	3,654
<b>Total segment revenue</b>	<b>382,948</b>	136,309

### (B) RECOGNITION AND MEASUREMENT

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

#### (i) Contracts with customers – coal sales

##### *General recognition*

Revenue from the sale of coal is recognised in the profit or loss when performance obligations have been met, which is deemed to be when control of the coal has been transferred from the Consolidated Entity to the customer. Typically, the transfer of control and the recognition of a sale occurs when the coal passes the ship rail when loading at the port, unless the sale is made on stockpile at which point the transfer of control will occur when the sales agreement is exercised. All coal is shipped through the Dalrymple Bay Coal Terminal and all coal sold during the year ended 31 December 2021 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.

##### *Coking Coal Quarterly Index Linked Price Contracts recognition*

Coking Coal Sales contracts with Stanmore Resources customers generally contain quarterly pricing provisions as is customary in the coking coal markets. Sales contracts with regular customers are linked to the relevant coking coal index with index adjustments based on the term agreements/relationship, Isaac Plains specific variations to the index benchmark, or other contractual reasons.

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

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

Due to the volatility in the coking coal price indices, management reviews the index price at the of the quarter. Coal sales are then adjusted, based on the final index price, which has been agreed with customers. If the price has not yet been signed off on all contracts, management will make judgements on the risks associated with the customer and adjust the provisional price based on the contract. The risk weighted price would then be used rather than the quarterly index price which has not yet been agreed with the customer.

# Notes to the financial statements

(CONTINUED)

## 2. REVENUE (CONTINUED)

### (B) RECOGNITION AND MEASUREMENT (CONTINUED)

#### (i) Contracts with customers – coal sales (continued)

##### *Thermal coal contracts sales*

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

##### *Key judgements*

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

## 3. OTHER INCOME AND EXPENSE ITEMS

### (A) OTHER INCOME

	Note	2021 \$'000	6 months to 31 December 2020 \$'000
Revaluation in rehabilitation provision	17	602	(36)
Onerous contract re-measurement	17	1,191	1,893
Fair value movement – vendor royalty – contingent consideration	17	2,154	9,665
Other income		1,279	225
		<b>5,226</b>	11,747

### (B) BREAKDOWN OF COST OF SALES AND OTHER EXPENSES

	2021 \$'000	6 months to 31 December 2020 \$'000
Mining costs	164,705	83,374
Processing costs	24,602	16,551
Transport and logistics	47,151	21,700
State royalties	36,570	9,944
Private royalties	5,128	1,213
Production overheads	27,848	7,311
Other production costs	6,536	2,835
<b>Total cost of sales</b>	<b>312,540</b>	142,928

### 3. OTHER INCOME AND EXPENSE ITEMS (CONTINUED)

#### (B) BREAKDOWN OF COST OF SALES AND OTHER EXPENSES (CONTINUED)

	2021 \$'000	6 months to 31 December 2020 \$'000
Other expenses	42,133	21,671
<b>Total other expenses</b>	<b>42,133</b>	<b>21,671</b>

Other expenses include the following specific items:

	2021 \$'000	6 months to 31 December 2020 \$'000
<i>Employee benefits expenses</i>		
Salaries and wages	6,346	3,219
Employee superannuation	424	185
Share-based payments	14	(35)
<b>Total employee benefits expenses</b>	<b>6,784</b>	<b>3,369</b>

	2021 \$'000	6 months to 31 December 2020 \$'000
<i>Depreciation and amortisation</i>		
Plant and equipment	15,135	6,529
Mine properties	10,986	7,838
Intangibles	504	252
Right of use asset	136	63
<b>Total depreciation and amortisation</b>	<b>26,761</b>	<b>14,682</b>

	2021 \$'000	6 months to 31 December 2020 \$'000
<i>Other overhead expenses</i>		
Short term lease payments	221	174
Other overhead expenses	8,367	3,446
<b>Total other overhead expenses</b>	<b>8,588</b>	<b>3,620</b>

# Notes to the financial statements

(CONTINUED)

## 3. OTHER INCOME AND EXPENSE ITEMS (CONTINUED)

### (C) FINANCE INCOME AND COSTS

	2021 \$'000	6 months to 31 December 2020 \$'000
<b>Finance income</b>		
Interest	1,803	27
<b>Finance income</b>	<b>1,803</b>	<b>27</b>
<i>Finance costs</i>		
Interest paid – external parties	5,416	406
Interest amortisation unwinding	1,570	1,697
Movement in foreign currency, including derivatives	7,534	2,408
Borrowing costs	2,484	898
Interest charge – lease liability	56	29
<b>Finance costs expensed</b>	<b>17,060</b>	<b>5,438</b>
<b>Net finance costs</b>	<b>15,257</b>	<b>5,411</b>

### (D) RECOGNITION AND MEASUREMENT

#### (i) Cost of sales

Cost of sales 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 accrual basis at the time the sale is recognised, in line with movements through inventory and survey information from site. Refer to Note 18 on page 63.

#### (ii) Wages and salaries, annual leave and sick leave

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

Expenses for sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

Where the group has liabilities that are not expected to be settled wholly within 12 months after the end of the reporting period, such as long service leave, these obligations are measured at the present value of the expected future payments to be made in respect of the services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as close as possible, the estimated future cash flows.

#### (iii) Leases

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

#### 4. INCOME TAX EXPENSE

##### (A) INCOME TAX EXPENSE

	2021 \$'000	6 months to 31 December 2020 \$'000
Current income tax (benefit)	9,368	(10,372)
Prior year adjustments	(6,603)	-
Deferred income tax expense/(benefit)	2,657	4,538
<b>Income tax expense</b>	<b>5,422</b>	<b>(5,834)</b>

##### (B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	2021 \$'000	6 months to 31 December 2020 \$'000
<b>Prima facie tax expense (30%) on profit/(loss) before income tax</b>	<b>4,751</b>	<b>(6,586)</b>
<i>Add tax effect of:</i>		
Non-deductible expenses	8	3
Accounting distribution – MetRes Pty Ltd	723	-
Prior period taxes over/(under) recognised	(60)	749
<b>Income tax expense/(benefit)</b>	<b>5,422</b>	<b>(5,834)</b>

(c) Deferred tax balances

	2021 \$'000	6 months to 31 December 2020 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Deductible temporary differences	18,815	17,981
Taxable temporary differences	(49,258)	(45,767)
<b>Net deferred tax liabilities</b>	<b>(30,443)</b>	<b>(27,786)</b>

Deferred tax assets will only be recognised when:

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

# Notes to the financial statements

(CONTINUED)

## 4. INCOME TAX EXPENSE (CONTINUED)

### (D) 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 adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

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

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

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

<b>31 December 2021</b>	<b>Opening balance \$ '000</b>	<b>Recognised in profit or loss \$ '000</b>	<b>Closing balance \$ '000</b>	<b>Deferred tax asset \$ '000</b>	<b>Deferred tax liability \$ '000</b>
Provision for rehabilitation	7,974	(392)	<b>7,582</b>	7,582	-
Provision for onerous contracts	988	(482)	<b>506</b>	506	-
Property, plant and equipment	(5,306)	(10,373)	<b>(15,679)</b>	-	(15,679)
Vendor private royalty	4,157	(1,545)	<b>2,612</b>	2,612	-
Exploration and development costs	(20,257)	(12,463)	<b>(32,720)</b>	-	(32,720)
Unrealised FX	502	2,245	<b>2,747</b>	2,747	-
Other	(3,814)	5,297	<b>1,483</b>	1,737	(254)
Vendor receivable	(129)	129	-	-	-
Provision for impairment – exploration and development	3,631	-	<b>3,631</b>	3,631	-
Rail loop benefit	(756)	151	<b>(605)</b>	-	(605)
Overburden in advance	(14,776)	14,776	-	-	-
<b>TOTAL</b>	<b>(27,786)</b>	<b>(2,657)</b>	<b>(30,443)</b>	<b>18,815</b>	<b>(49,258)</b>



#### 4. INCOME TAX EXPENSE (CONTINUED)

##### (D) RECOGNITION AND MEASUREMENT (CONTINUED)

31 December 2020	Opening balance \$ '000	Recognised in profit or loss \$ '000	Closing balance \$ '000	Deferred tax asset \$ '000	Deferred tax liability \$ '000
Provision for rehabilitation	8,989	(1,015)	<b>7,974</b>	7,974	-
Provision for onerous contracts	1,609	(621)	<b>988</b>	988	-
Property, plant and equipment	(5,470)	164	<b>(5,306)</b>	-	(5,306)
Vendor private royalty	6,795	(2,638)	<b>4,157</b>	4,157	-
Exploration and development costs	(18,529)	(1,728)	<b>(20,257)</b>	-	(20,257)
Unrealised FX	426	76	<b>502</b>	502	-
Other	(2,626)	(1,188)	<b>(3,814)</b>	729	(4,543)
Vendor receivable	(1,284)	1,155	<b>(129)</b>	-	(129)
Provision for impairment - exploration and development	3,631	-	<b>3,631</b>	3,631	-
Rail loop benefit	(832)	76	<b>(756)</b>	-	(756)
Overburden in advance	(15,957)	1,181	<b>(14,776)</b>	-	(14,776)
<b>TOTAL</b>	<b>(23,248)</b>	<b>(4,538)</b>	<b>(27,786)</b>	<b>17,981</b>	<b>(45,767)</b>

##### (i) Tax consolidation

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

#### 5. CASH AND CASH EQUIVALENTS

	2021 \$'000	31 December 2020 \$'000
<b>Current assets</b>		
Cash at bank and in hand	<b>62,859</b>	5,041

##### (A) RECONCILIATION TO CASH FLOW STATEMENT

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

	2021 \$'000	31 December 2020 \$'000
Balances as above	<b>62,859</b>	5,041
Balances per consolidated statement of cash flows	<b>62,859</b>	5,041

# Notes to the financial statements

(CONTINUED)

## 5. CASH AND CASH EQUIVALENTS (CONTINUED)

### (B) RECOGNITION AND MEASUREMENT

For the purposes of the consolidated statement of cash flows, cash and cash equivalents includes (1) cash on hand and at bank; (2) deposits held at call with financial institutions; (3) 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.

### (C) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Chattel mortgage \$ '000	Lease liabilities \$ '000	Short-term loan \$ '000	Working capital facility \$ '000	Insurance premium funding facility \$ '000	Total \$ '000
<b>Net debt as at 1 January 2021</b>	11,373	729	2,693	12,983	1,476	29,254
Cash inflows	-	-	-	75,795	3,938	79,733
Cash outflows	(2,730)	(116)	(2,693)	-	(3,874)	(9,413)
Foreign exchange movements	-	-	-	4,386	-	4,386
Non-cash changes	467	17	-	-	-	484
<b>Net debt as at 31 December 2021</b>	<b>9,110</b>	<b>630</b>	<b>-</b>	<b>93,164</b>	<b>1,540</b>	<b>104,444</b>

	Chattel mortgage \$ '000	Lease liabilities \$ '000	Short-term loan \$ '000	Working capital facility \$ '000	Insurance premium funding facility \$ '000	Total \$ '000
<b>Net debt as at 1 July 2020</b>	12,469	823	-	-	-	13,292
Cash inflows	-	1	2,693	13,189	3,727	19,610
Cash outflows	(1,302)	-	-	-	(2,251)	(3,553)
Non-cash changes	206	(95)	-	(206)	-	(95)
<b>Net debt as at 31 December 2020</b>	<b>11,373</b>	<b>729</b>	<b>2,693</b>	<b>12,983</b>	<b>1,476</b>	<b>29,254</b>

## 6. CASH FLOW INFORMATION

### (A) CASH GENERATED FROM OPERATIONS

	2021 \$'000	6 months to 31 December 2020 \$'000
<b>Reconciliation of profit/(loss) after income tax to net cash flow from operating activities</b>		
<b>Profit/(loss) for the period</b>	<b>10,413</b>	(16,120)
<i>Adjust for non-cash items:</i>		
Depreciation and amortisation and disposal of fixed assets	<b>26,761</b>	14,682
Non-cash employee benefits expense – share-based payments	<b>14</b>	(25)
Loss joint ventures	<b>2,409</b>	–
Non-cash movement in onerous contracts	<b>(951)</b>	(1,595)
Non-cash movement in rehabilitation provisions	<b>(602)</b>	468
Non-cash movement in contingent considerations	<b>(1,028)</b>	(8,508)
Foreign exchange loss	<b>4,853</b>	–
Forward foreign exchange contracts	<b>6,121</b>	–
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	<b>(17,194)</b>	(16,549)
(Increase)/decrease in inventories	<b>55,436</b>	11,680
(Increase)/decrease in prepayments	<b>(13,798)</b>	(2,732)
(Increase)/decrease in income taxes receivable	<b>11,805</b>	(5,680)
(Decrease)/increase in deferred tax liabilities	<b>2,679</b>	4,538
Increase/(decrease) in trade and other payables	<b>40,739</b>	8,778
Increase/(decrease) in provisions for onerous contracts	<b>(654)</b>	(476)
Increase/(decrease) in rehabilitation provisions	<b>(1,307)</b>	(3,851)
Increase/(decrease) in contingent considerations	<b>–</b>	(284)
Increase/(decrease) in provisions for employee benefits	<b>1,719</b>	(26)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>127,415</b>	(15,700)

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

# Notes to the financial statements

(CONTINUED)

## 7. TRADE AND OTHER RECEIVABLES

	2021 \$'000	6 months to 31 December 2020 \$'000
<b>Current</b>		
Trade receivables at amortised cost	<b>35,783</b>	19,030
GST receivable	<b>6,156</b>	1,957
Other receivables	<b>233</b>	277
Loans to related parties	<b>10,236</b>	–
	<b>52,408</b>	21,264
<b>Non-current</b>		
Loans to related parties	<b>15,000</b>	–
	<b>15,000</b>	–

During the period, the company provided MetRes Pty Ltd, a 50% owned Joint Venture (see Note 24), with a secured, total finance facility up to A\$50m, including a working capital debt facility of A\$15m to the Joint Venture to cover initial working capital requirements, and an additional A\$35m debt facility as required. The loan is fully secured against the underlying property, plant & equipments, and mine properties of the Joint Venture. A total of \$28.95m was drawn as at 31 December 2021, less an offsetting cash prepayment of \$3.714m.

### (A) RECOGNITION AND MEASUREMENT

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

#### (i) Impairment

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

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

## 8. INVENTORIES

	2021 \$'000	31 December 2020 \$'000
<b>Current assets</b>		
ROM coal inventories	<b>3,423</b>	3,546
Product coal stocks	<b>8,325</b>	14,385
Overburden in advance	-	49,253
	<b>11,748</b>	67,184

### (A) RECOGNITION AND MEASUREMENT

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

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

Inventories are classified as follows:

- overburden in advance material extracted through the pre-strip mining process and includes blasting activities;
- run of mine material (ROM) extracted through the mining process and awaiting process at the coal handling and preparation plant; and
- 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.

### (B) INTERPRETATION 20 - STRIPPING COSTS IN THE PRODUCTION PHASE OF A SURFACE MINE

In open pit mining operations, overburden and other waste materials must be removed to allow extractions of the coal minerals underneath. Previously, the costs of overburden removal are capitalised separately as Inventory under AASB 102, to the extent that a future benefit from the stripping activity is expected to be realised from future coal extraction. In the current year, Isaac Downs was in development within mining from the bulk sample pit and ongoing development which is scheduled to be completed in the coming months.

# Notes to the financial statements

(CONTINUED)

## 9. PROPERTY, PLANT AND EQUIPMENT

	2021 \$'000	31 December 2020 \$'000
<b>Plant and equipment</b>		
At cost	95,979	89,788
Accumulated depreciation	(43,885)	(29,020)
	<b>52,094</b>	60,768
<b>Buildings and improvements</b>		
At cost	3,141	2,366
Accumulated depreciation	(856)	(587)
	<b>2,285</b>	1,779
<b>Furniture and office equipment</b>		
At cost	132	137
Accumulated depreciation	(121)	(123)
	<b>11</b>	14
<b>Right of use asset</b>		
At cost	735	718
Accumulated depreciation	(223)	(87)
	<b>512</b>	631
<b>Capital work in progress</b>		
At cost	10,001	1,627
	<b>10,001</b>	1,627
	<b>64,903</b>	64,819

### (A) RECOGNITION AND MEASUREMENT

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

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

## 9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (A) RECOGNITION AND MEASUREMENT (CONTINUED)

#### (i) Movements in carrying amounts

Year ended 31 December 2021	Plant and equipment \$'000	Buildings and improvements \$'000	Furniture and office equipment \$'000	Right of use asset \$'000	Capital work in progress \$'000	Total \$'000
Opening net book amount	60,768	1,779	14	631	1,627	<b>64,819</b>
Additions	-	-	-	17	15,338	<b>15,355</b>
Transfers	6,184	775	5	-	(6,964)	<b>-</b>
Depreciation charge	(14,858)	(269)	(8)	(136)	-	<b>(15,271)</b>
<b>Closing net book amount</b>	<b>52,094</b>	<b>2,285</b>	<b>11</b>	<b>512</b>	<b>10,001</b>	<b>64,903</b>

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

#### (ii) Revaluation, depreciation methods and useful lives

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

The depreciation rates used for each class of assets are:

- Plant and equipment 5-25% straight line/units of production
- Furniture and office equipment 5-25% straight line
- Buildings and improvements 5-10% straight line
- Right-of-use asset 18% straight line

The group assesses at each reporting date whether there is an indication that an asset (or Cash Generating Unit – CGU) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's Fair Value Less Cost of Disposal and its Value in Use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the asset is tested as part of a larger CGU to which it belongs. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

# Notes to the financial statements

(CONTINUED)

## 9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (A) RECOGNITION AND MEASUREMENT (CONTINUED)

#### (ii) Revaluation, depreciation methods and useful lives (continued)

The group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the group's CGUs to which the individual assets are allocated, based on the life-of-mine plans. The estimated cash flows are based on expected future production, metal selling prices, operating costs and forecast capital expenditure. As part of the Group's impairment assessment, the Group considers the expected future demand for its product, impact of known climate policies and potential policy responses to climate change. Based on the Group's research, demand for its product will continue over the life of the CGU.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period which they arise.

#### (iii) Right-of-use asset

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

At the commencement date of the lease, the Consolidated Entity recognises a lease liability and a corresponding right-of-use asset. The lease liability is initially recognised at present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, and are discounted using the interest rate determined using the lessee's incremental borrowing rate. The right-of-use asset is initially measured at cost which includes any direct costs, and subsequently measured at costs less any depreciation and impairment.

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

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

## 10. CAPITALISED DEVELOPMENT, EXPLORATION AND MINE PROPERTIES

	2021 \$'000	31 December 2020 \$'000
<b>Capitalised development costs</b>		
Cost	88,758	44,336
	88,758	44,336
<b>Exploration and evaluation assets</b>		
Cost	55,325	53,246
Accumulated impairment	(12,105)	(12,105)
	43,220	41,141
<b>Mine properties</b>		
Cost	64,164	48,627
Accumulated depreciation	(42,316)	(31,329)
	21,848	17,298
	153,826	102,775



## 10. CAPITALISED DEVELOPMENT, EXPLORATION AND MINE PROPERTIES (CONTINUED)

Year ended 31 December 2021	Capitalised development costs \$'000	Exploration and evaluation assets \$'000	Mine properties \$'000	Total \$'000
Opening net book amount	44,336	41,141	17,298	<b>102,775</b>
Additions	44,422	2,079	15,536	<b>62,037</b>
Depreciation charge	-	-	(10,986)	<b>(10,986)</b>
Closing net book amount	88,758	43,220	21,848	<b>153,826</b>

Period ended 31 December 2020	Capitalised development costs \$'000	Exploration and evaluation assets \$'000	Mine properties \$'000	Total \$'000
Opening net book amount	314	93,075	24,946	<b>118,335</b>
Transfers	43,550	(43,550)	-	-
Additions	472	3,721	190	<b>4,383</b>
Depreciation charge	-	-	(7,838)	<b>(7,838)</b>
Provision for impairment	-	(12,105)	-	<b>(12,105)</b>
Closing net book amount	44,336	41,141	17,298	<b>102,775</b>

### (A) RECOGNITION AND MEASUREMENT - CAPITALISED DEVELOPMENT

Capitalised Development expenditure includes costs transferred from Exploration and Evaluation when the Consolidated Entity can demonstrate:

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

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

#### (i) Key judgements

Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generating potential of the project, discount rates to be applied and the expected period of which cash flows are expected to be received.

In respect of the development costs incurred at Isaac Downs, full scale production is set to commence upon completion of the development in the first quarter of 2022, and once the dragline has been walked across costs would be reclassified to Mine properties and amortisation will commence.

As at 31 December 2021, the carrying amount of Capitalised Development costs was \$88.758m (31 December 2020: \$44.336m).

# Notes to the financial statements

(CONTINUED)

## 10. CAPITALISED DEVELOPMENT, EXPLORATION AND MINE PROPERTIES (CONTINUED)

### (B) RECOGNITION AND MEASUREMENT – EXPLORATION AND EVALUATION

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

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

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

#### (i) Key judgements

The Consolidated Entity performs impairment testing on specific exploration assets as required in AASB 6 para. 20. The accumulated impairment on these exploration and evaluation assets remained unchanged at \$12.105m.

### (C) RECOGNITION AND MEASUREMENT – MINE PROPERTIES

Mining property assets include costs transferred from Capitalised Development following start of production, and the rehabilitation asset capitalised to offset rehabilitation provisions when disturbance occurs. Following transfer from Capitalised Development, all subsequent development costs are capitalised to the extent that commercial viability conditions continue to be satisfied.

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

#### (i) Key judgements

Due to the expectation that saleable coal will be produced as a result of the initial mine development, management judgement is required in relation to when a mine is considered to have started production, and therefore transferred to Mine Properties and depreciated. As a result of this exercise, no costs have been transferred during the financial year.

The Consolidated Entity assesses at the end of each period whether there are any impairment indicators in relation to Mine Property assets. As a result of this assessment, no impairment indicators were noted for this financial year.

## 11. INTANGIBLE ASSETS

	2021 \$'000	31 December 2020 \$'000
<b>Infrastructure intangible asset</b>		
Gross value	2,015	2,519
		<b>Infrastructure \$'000</b>
<b>Year ended 31 December 2021</b>		
Opening net book amount		2,519
Amortisation charge		(504)
<b>Closing net book amount</b>		2,015

## 11. INTANGIBLE ASSETS (CONTINUED)

Period ended 31 December 2020	Infrastructure \$'000
Opening net book amount	2,771
Amortisation charge	(252)
<b>Closing net book amount</b>	<b>2,519</b>

### (A) IMPAIRMENT OF INTANGIBLE 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 CGU to which the asset belongs.

### (B) INTANGIBLE ASSETS

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

## 12. OTHER ASSETS

	2021 \$'000	31 December 2020 \$'000
<b>Other current assets</b>		
Prepayments	<b>19,397</b>	5,599
BMC Deposit	<b>41,345</b>	-
	<b>60,742</b>	5,599
<b>Other non-current assets</b>		
Term deposits	<b>3,710</b>	3,711
Security bonds	<b>15,915</b>	14,391
Other	<b>1,946</b>	1,946
	<b>21,571</b>	20,048

### (A) RECOGNITION AND MEASUREMENT

Other current assets related to BMC deposits and operational costs paid in advance of the period to which the Consolidated Entity will receive the benefit from those goods and services.

Non-current assets relate to cash security bond payments made to key operational suppliers, and term deposits with the Consolidated Entity's banking provider which are secured against the Consolidated Entity's bank guarantee facilities.

The increase in the period is due to the Consolidated Entity making a deposit payment of US\$30m (A\$41.345m) in relation to the recently announced acquisition of 80% of the BMC joint venture from BHP, as well as \$12.845m of financing fees prepaid in relation to the US\$625m BMC financing loan.

# Notes to the financial statements

(CONTINUED)

## 13. TRADE AND OTHER PAYABLES

	2021 \$'000	31 December 2020 \$'000
<b>Current liabilities</b>		
Trade and other payables	83,389	40,588
Statutory liabilities	103	104
	<b>83,492</b>	40,692

### (A) RECOGNITION AND MEASUREMENT

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

## 14. INTEREST BEARING LOANS AND BORROWINGS

	2021			31 December 2020		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Chattel Mortgage	2,371	6,739	9,110	2,269	9,104	11,373
Revolving facility	93,164	-	93,164	12,983	-	12,983
Short-term loan	-	-	-	2,693	-	2,693
Insurance premium funding	1,540	-	1,540	1,476	-	1,476
<b>Total interest-bearing loans and borrowings</b>	<b>97,075</b>	<b>6,739</b>	<b>103,814</b>	19,421	9,104	28,525

### (A) FINANCING ARRANGEMENTS

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

	2021 \$'000	31 December 2020 \$'000
<b>Facility A – Bank guarantee facility – NAB</b>		
Facility A – Total available facility	5,354	5,284
Facility A – Facility utilised	(3,588)	(3,588)
Available facility	1,766	1,696
<b>Facility B – Revolving facility – GEAR</b>		
Facility B – Total available facility	96,472	51,935
Facility B – Facility utilised	(93,164)	(12,983)
Available facility	3,308	38,952

## 14. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

### (A) FINANCING ARRANGEMENTS (CONTINUED)

	2021 \$'000	31 December 2020 \$'000
<b>Facility C – Chattel mortgage – 6060</b>		
Facility C – Total loan amount	13,684	13,684
Facility C – Loan balance outstanding	9,111	11,373
Facility C – Total loan	9,111	11,373
<b>Facility D – Short term loan</b>		
Facility D – Total loan amount	-	2,693
Facility D – Loan balance outstanding	-	2,693
Facility D – Total loan	-	2,693
<b>Facility E – Insurance and premium funding</b>		
Facility E – Total funding amount	3,938	3,727
Facility E – Funding balance outstanding utilised	1,540	1,476
Facility E – Total funding	1,540	1,476

### (B) RECOGNITION AND MEASUREMENT

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

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

The Consolidated Entity has also a finance facility with GEAR in respect to a US\$70m secured loan facility (Facility B).

The key terms of the US\$70m facility are:

- US\$70m facility until 30 June 2022;
- upfront commitment fee of 2.0%;
- interest rate on drawn funds of 8.0% per annum; and
- interest rate on undrawn funds of 2.0% per annum.

As at 31 December 2021, US\$67.6m (A\$93.164m) has been drawn down under this facility (31 December 2020: US\$10m, A\$12.983m).

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

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

The Consolidated Entity enters into short-term agreements to access financing for the annual insurance premiums. The facility is fully repaid in during the relevant insurance periods (Facility E).

# Notes to the financial statements

(CONTINUED)

## 15. LEASE LIABILITY

	2021 \$'000	31 December 2020 \$'000
Lease liabilities current	180	117
Lease liabilities non-current	450	612
<b>Total lease liability</b>	<b>630</b>	<b>729</b>

### (A) RECOGNITION AND MEASUREMENT

The lease liability recognised relates to property leases recognised under AASB 16 Leases. Refer to Note 9 on page 52 for the recognition and measurement policy for lease liabilities.

	2021 \$'000	31 December 2020 \$'000
<b>Reconciliation of movements</b>		
Opening balance	729	823
Depletions through settlement	(172)	(29)
Remeasurement against right-of-use asset	17	(94)
Unwinding discount	56	29
<b>Closing balance</b>	<b>630</b>	<b>729</b>

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 \$'000	31 December 2020 \$'000
Derivative financial instruments	6,121	-
<b>Total derivative financial instruments</b>	<b>6,121</b>	<b>-</b>

### (A) RECOGNITION AND MEASUREMENT

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

## 17. PROVISIONS

	2021			31 December 2020		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Onerous contracts provision	395	1,291	1,686	615	2,676	3,291
Rehabilitation provision	2,559	35,856	38,415	1,868	24,711	26,579
Vendor Royalties – Contingent consideration	2,705	6,003	8,708	7,014	6,844	13,858
	<b>5,659</b>	<b>43,150</b>	<b>48,809</b>	<b>9,497</b>	<b>34,231</b>	<b>43,728</b>

## 17. PROVISIONS (CONTINUED)

### (A) RECONCILIATION OF MOVEMENTS

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

2021	Onerous contracts provision \$'000	Rehabilitation provision \$'000	Vendor Royalties \$'000	Total \$'000
Opening balance	3,291	26,579	13,858	43,728
Additions – current period disturbance	–	13,745	–	13,745
Adjustments through remeasurement	(1,191)	(602)	(2,154)	(3,947)
Depletions through settlement	(654)	(1,650)	(4,122)	(6,426)
Unwinding of discount via profit and loss	240	343	1,126	1,709
<b>Closing balance</b>	<b>1,686</b>	<b>38,415</b>	<b>8,708</b>	<b>48,809</b>

2020	Onerous contracts provision \$'000	Rehabilitation provision \$'000	Vendor Royalties \$'000	Total \$'000
Opening balance	5,362	29,962	22,650	57,974
Additions – current period disturbance	–	190	–	190
Adjustments through remeasurement	(1,893)	36	(9,665)	(11,522)
Depletions through settlement	(476)	(3,851)	(284)	(4,611)
Unwinding of discount via profit and loss	298	242	1,157	1,697
<b>Closing balance</b>	<b>3,291</b>	<b>26,579</b>	<b>13,858</b>	<b>43,728</b>

### (B) ONEROUS CONTRACTS PROVISION

#### (i) Recognition and measurement

The Consolidated Entity assesses onerous contracts at each reporting date by evaluating conditions specific to each contract and the current business plan. Where a contract provides capacity above that required to meet the business plan or for a longer period than the current extent of the business plan, the contract is deemed onerous and the onerous portion of the contract is recognised as a liability using an estimate of future onerous cash flows discounted to a net present value. Any re-measurement of the assessed level of onerous contracts is taken through profit or loss in the period in which the assessment is made.

During the year ended 31 December 2021 a total of \$654,000 of onerous contracts were settled through payment, with the unwinding of the discount being \$240,000 and \$1.191m through consolidated statement of profit or loss for re-measurement.

### (C) REHABILITATION PROVISION

#### (i) Recognition and measurement

The provision for rehabilitation closure costs relates to areas disturbed during the 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 disturbance, cost estimates and other key inputs. The amount of provision relating to rehabilitation of areas caused by mining disturbance is capitalised against Mine Properties as incurred, to the extent there is a future economic benefit, otherwise the re-measurement is recognised in the profit or loss. Any unwinding discounting is recognised in the profit or loss.

# Notes to the financial statements

(CONTINUED)

## 17. PROVISIONS (CONTINUED)

### (C) REHABILITATION PROVISION (CONTINUED)

#### (i) Recognition and measurement (continued)

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

During the year ended 31 December 2021, a decrease in the rehabilitation provision of \$1.650m was recognised due to the rehabilitation works completed at Isaac Plains Complex (31 December 2020: \$3.851m). Clearing has continued in line with mining operations of \$13.745m. A corresponding asset is recognised in Mine Properties.

The discount rate used in the calculation of the provision at 31 December 2021 equalled 1.81% (31 December 2020: 0.98%).

### (D) VENDOR ROYALTIES - CONTINGENT CONSIDERATION

#### (i) Recognition and measurement

During the business combination of Isaac Plains in 2015, AASB 3 Business Combination 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 Australia Dollar equivalent of 160 (adjusted for CPI) and coal is produced and from either Isaac Plains or Isaac Plains East. Each royalty is capped at predetermined amount for each vendor. Once the price threshold and production requirements are met, the royalty is payable at \$2 per product tonne (2015 dollars) to each of the two vendors of Isaac Plains.

As part of the historical acquisition of the Isaac Downs mining rights, a royalty stream is payable to the vendors in the event that benchmark Hard Coking Coal prices are above an Australia Dollar equivalent of 170 (adjusted for CPI) and coal is produced from Isaac Downs mining area. The royalty is capped at a predetermined amount, and once the price threshold and production requirements are met, the royalty is payable at \$1 per product tonne (2018 dollars) to the vendor.

Royalties across all royalty streams were paid during the year ended 31 December 2021 to the vendors and, as a result, the remaining cap is \$17.2m.

#### (ii) Key judgements and estimates

The valuation above was performed using a discounted cash flow methodology which was consistent with that used in the previous financial year. 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 price curve based on a compilation of short-term (12 months) price from the Group's coal marketing agent M Resources Pty Ltd, and long-term estimates by Wood McKenzie;
- A\$/US\$ foreign exchange forward curve estimates are based on market consensus curves; and
- Coal sales based on the current mining plans of the Isaac Plains Complex, including the Isaac Plains mine, the Isaac Plains East mine (commenced July 2018), and the Isaac Downs mine.

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. Interactions between the sensitivities in the coking coal price and the US\$/A\$ foreign exchange rate. As the coal commodity is currently traded in US\$, the interaction between the index price and the foreign exchange rate could both magnify and mitigate each other depending on the timing and direction of movements of both indexes.



## 17. PROVISIONS (CONTINUED)

### (D) VENDOR ROYALTIES – CONTINGENT CONSIDERATION (CONTINUED)

A matrix is shown below of changes in the Hard Coking Coal index and the A\$/US\$ exchange rate. The numbers are shown in millions and the highlighted number in blue is the current valuation:

		Hard Coking Coal Index curve				
		+10%	+5%	Current	-5%	-10%
FX Index curve	+10%	8.708	8.708	7.289	3.334	3.334
	+5%	8.708	8.708	8.708	7.289	3.334
	Current	8.708	8.708	8.708	8.708	6.763
	-5%	8.708	8.708	8.708	8.708	8.708
	-10%	8.708	8.708	8.708	8.708	8.708

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

		Hard Coking Coal Index curve				
		+10%	+5%	Current	-5%	-10%
FX Index curve	+10%	-	-	-16.3%	-61.7%	-61.7%
	+5%	-	-	-	-16.3%	-61.7%
	Current	-	-	-	-	-22.3%
	-5%	-	-	-	-	-
	-10%	-	-	-	-	-

### (E) OTHER PROVISIONS

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

## 18. PROVISION FOR EMPLOYEE BENEFITS

	2021			31 December 2020		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Provision for annual leave	431	-	431	217	-	217
Provision for STI bonus	1,812	-	1,812	300	-	300
Provision for long service leave	294	54	348	294	60	354
<b>Total employee benefit obligations</b>	<b>2,537</b>	<b>54</b>	<b>2,591</b>	811	60	871

### (A) RECOGNITION AND MEASUREMENT

Refer to Note 3(d)(ii) for accounting policies.

# Notes to the financial statements

(CONTINUED)

## 19. DIVIDENDS AND FRANKING CREDITS

### (A) DIVIDENDS

#### (i) Ordinary shares

	2021 \$'000	6 months to 31 December 2020 \$'000
Dividends provided for or paid during the year	-	-

#### (ii) Dividends not recognised at the end of the reporting period

	2021 \$'000	6 months to 31 December 2020 \$'000
No dividend proposed for 31 December 2021	-	-

### (B) FRANKED CREDITS

	Consolidated entity	
	2021 \$'000	6 months to 31 December 2020 \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2021 – 30.0%)	2,693	7,539

## 20. EARNINGS PER SHARE

### (A) BASIC EARNINGS PER SHARE

	2021 \$'000	31 December 2020 \$'000
Basic earnings per share (cents)	3.9	(6.0)

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

### (B) DILUTED EARNINGS PER SHARE

	2021 Cents	6 months to 31 December 2020 \$'000
Diluted earnings per share (cents)	3.9	(6.0)

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

## 20. EARNINGS PER SHARE (CONTINUED)

### (C) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	Earnings per share	
	2021 Number	6 months to 31 December 2020 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	270,417,000	270,417,000
<i>Adjustments for calculation of diluted earnings per share:</i>		
Weighted average number of long-term incentive rights issued	145,000	145,000
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	270,562,000	270,562,000

## 21. EQUITY SECURITIES ISSUED

### (A) SHARE CAPITAL

	2021 Shares	6 months to 31 December 2020 Shares	2021 \$'000	6 months to 31 December 2020 \$'000
<b>Ordinary shares</b>	<b>270,417,381</b>	270,417,381	<b>121,725</b>	121,725
Fully paid	270,417,381	270,417,381	121,725	121,725

#### (i) Movements in ordinary shares:

Details	Number of shares (thousands)	Total \$'000
<b>Opening balance 1 July 2020</b>	<b>270,417</b>	<b>121,725</b>
Balance 31 December 2020	270,417	121,725
Opening balance 1 January 2021	270,417	121,725
<b>Balance 31 December 2021</b>	<b>270,417</b>	<b>121,725</b>

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

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

The shares issued as part of the Employee shares issued are subject to a trading lock of three years, or until such time as the employee resigns from the Consolidated Entity – these are referred to as deferred shares. As at 31 December 2021, 11,040 deferred shares were still subject to trading lock. Excluding 11,040 deferred shares, there are 270,404,133 tradable shares. The difference between the original issued shares under the Employee shares relate to employees that have left the Consolidated Entity and had the holding lock removed from their shares.

#### (ii) Options

As at 31 December 2021, no options were held by or issued to employees of the Consolidated Entity (31 December 2020: nil).

# Notes to the financial statements

(CONTINUED)

## 21. EQUITY SECURITIES ISSUED (CONTINUED)

### (A) SHARE CAPITAL (CONTINUED)

#### (iii) Rights issue

All rights on issue at 31 December 2021 are shown below:

No. of shares	Exercise price	End of measurement period	Conditions
108,556	Nil	30 June 2021	Share price targets based on ASTR CAGR in FY20. If no vesting occurs in FY21, then retest in FY22. See note 30 for further details.
36,342	Nil	30 June 2022	Share price targets based on ASTR CAGR in FY21. If no vesting occurs in FY22, then retest in FY23. See note 30 for further details.

### (B) CAPITAL MANAGEMENT

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

The Consolidated Entity's capital comprises equity as shown in the consolidated statement of financial position. There are no externally imposed capital requirements.

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

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

### (C) 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.

## 22. FINANCIAL RISK MANAGEMENT

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 instruments.

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 to these risks on the results of the Consolidated Entity where such impacts may be material.

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

## 22. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (A) CREDIT RISK

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

The Consolidated Entity's maximum exposure to credit risk at the end of the reporting 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:

	2021 \$'000	2020 \$'000
Cash and cash equivalents	62,859	5,041
Term deposits	3,710	3,711
Trade and other receivables	52,408	21,264
Security bonds	15,915	14,391
Loans to related parties	28,950	-
<b>Credit risk exposure</b>	<b>163,842</b>	<b>44,407</b>

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

The Consolidated Entity's credit risk exposure is influenced by mainly by the individual characteristics of each customer. Given the Consolidated Entity trades predominately with recognised, credit worthy third parties, the credit risk is determined to be low. The group assessed the expected credit losses in relation to trade and other receivables in the current and prior years to be immaterial and no low allowance has been recorded. Bank deposits are held with the National Australia Bank Limited. The National Australia Bank has a long-term credit rating with rating agency S&P of AA-.

### (B) LIQUIDITY RISK

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

The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The Consolidated Entity's working capital, being current assets less current liabilities, has decreased from \$34.070m at 31 December 2020 to \$(13.592)m at 31 December 2021, primarily due to the presentation of the Group's finance facility being presented within current liabilities.

# Notes to the financial statements

(CONTINUED)

## 22. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (B) LIQUIDITY RISK (CONTINUED)

#### (i) Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities:

31 December 2021	Carrying amount \$'000	Contractual cash flows \$'000	Less than 6 months \$'000	Between 6 and 12 months \$'000	Between 1 and 3 years \$'000	Over 3 years \$'000
<b>Financial liabilities</b>						
Trade payables	90,446	90,446	90,446	-	-	-
Other payables	107	107	107	-	-	-
Lease liabilities	630	737	89	91	386	171
Contingent consideration – vendor royalties payable	8,708	10,890	2,001	1,230	4,890	2,769
Chattel mortgage	9,110	9,839	1,365	1,365	5,461	1,647
Revolving facility	93,164	93,164	-	93,164	-	-
Short term loan	-	-	-	-	-	-
Insurance premium funding	1,540	1,599	1,599	-	-	-
Derivative financial instruments	6,121	6,121	6,121	-	-	-
<b>Total financial liabilities</b>	<b>209,826</b>	<b>212,903</b>	<b>101,728</b>	<b>95,850</b>	<b>10,737</b>	<b>4,587</b>
31 December 2020	Carrying amount \$'000	Contractual cash flows \$'000	Less than 6 months \$'000	Between 6 and 12 months \$'000	Between 1 and 3 years \$'000	Over 3 years \$'000
<b>Financial liabilities</b>						
Trade payables	40,588	40,588	40,588	-	-	-
Other payables	104	104	104	-	-	-
Lease liabilities	729	909	85	87	369	368
Contingent consideration – vendor royalties payable	13,858	14,946	3,716	3,667	4,046	3,517
Chattel mortgage	11,373	12,569	1,365	1,365	5,461	4,378
Revolving facility	12,983	12,983	-	12,983	-	-
Short term loan	2,693	2,707	2,707	-	-	-
Insurance premium funding	1,476	1,491	1,491	-	-	-
<b>Total financial liabilities</b>	<b>83,804</b>	<b>86,297</b>	<b>50,056</b>	<b>18,102</b>	<b>9,876</b>	<b>8,263</b>

Further information regarding commitments is included in Note 25 on page 76.

## 22. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (C) CURRENCY RISK

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

The Consolidated Entity's potential currency exposures comprise:

#### (i) Coal sales denominated in US\$

Coal sales for export coal are denominated in US\$. The Consolidated Entity is therefore exposed to volatility in the US\$:A\$ exchange rates.

The Consolidated Entity generally aligns all coking coal prices to relevant coking coal indexes, while thermal coal sales are generally sold on the spot market via negotiation with relevant counter parties. The Consolidated Entity does not use any derivative products to mitigate fluctuations in the relevant coal price indexes.

#### (ii) Revolving finance facility

On 2 July 2021, the Consolidated Entity signed an amendment to increase the available facility under its existing finance facility with its parent entity, GEAR, from US\$ 40m to US\$70m, with US\$67.6m (A\$93.164m) drawn down as at 31 December 2021.

As noted above, the Consolidated Entity coal sales are denominated in US\$, which provides a natural economic hedge in relation to adverse foreign currency movements that affect the drawn down facility position, and the current policy is not to hedge foreign exchange risk.

#### (iii) Expenses denominated in currencies other than A\$

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

As at 31 December 2021, the effect on profit or loss as a result of changes in the foreign exchange rates would be:

	Carrying amount \$'000	Decrease in FX rate by 5% Profit or loss \$'000	Increase in FX rate by 5% Profit or loss \$'000
<b>31 December 2021</b>			
Cash and cash equivalents – US\$	51,028	2,551	(2,551)
Trade receivables – US\$	35,444	1,772	(1,772)
Revolving facility – US\$	(93,164)	(4,658)	4,658
Derivative financial instruments – US\$	(4,441)	(222)	222
Tax charge of 30%	–	167	(167)
<b>After tax increase/(decrease)</b>	<b>–</b>	<b>(390)</b>	<b>390</b>

# Notes to the financial statements

(CONTINUED)

## 22. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (C) CURRENCY RISK (CONTINUED)

	Carrying amount \$'000	Decrease in FX rate by 5% Profit or loss \$'000	Increase in FX rate by 5% Profit or loss \$'000
<b>31 December 2020</b>			
Cash and cash equivalents – US\$	4,670	246	(222)
Trade receivables – US\$	19,543	1,029	(931)
Revolving facility – US\$	(12,984)	(683)	618
Tax charge of 30%	-	(177)	160
<b>After tax increase/(decrease)</b>	<b>-</b>	<b>415</b>	<b>(375)</b>

### (D) MARKET RISK

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

### (E) INTEREST RISK

Interest rate risk arises principally from cash and cash equivalents. The objective of interest rate risk management is to manage and control interest 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:

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total carrying amount \$'000	Weighted average effective interest rate %
<b>31 December 2021</b>					
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	62,859	-	-	62,859	0.30%*
Restricted cash	-	3,710	-	3,710	0.48%**
Receivables	-	28,950	38,459	67,409	9%***
Security deposits	-	-	57,260	57,260	-
<b>Total financial assets</b>	<b>62,859</b>	<b>32,660</b>	<b>95,719</b>	<b>191,238</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>					
Trade and other payables	-	-	83,390	83,390	-
Other payables	-	-	107	107	-
Vendor royalties – contingent consideration	-	-	8,708	8,708	-
Derivative financial instruments	-	-	6,121	6,121	-
Lease liabilities	-	630	-	630	-
Chattel Mortgage	-	9,110	-	9,110	4.47%
Revolving facility	-	93,164	-	93,164	8%
Insurance premium fundings	-	1,540	-	1,540	-
<b>Total financial liabilities</b>	<b>-</b>	<b>104,444</b>	<b>98,326</b>	<b>202,770</b>	<b>-</b>

\* 0.3% based on cash rate of 0.1% plus 0.2% margin per NAB

\*\* Same as period ended 31 December 2020: no change to rates on term deposits

\*\*\* MetRes utilised interest rate



## 22. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (E) INTEREST RISK (CONTINUED)

31 December 2020	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average effective interest rate %
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	5,041	-	-	5,041	0.30%
Restricted cash	-	3,711	-	3,711	0.48%
Receivables	-	-	21,264	21,264	-
Security deposits	-	-	14,391	14,391	-
<b>Total financial assets</b>	<b>5,041</b>	<b>3,711</b>	<b>35,655</b>	<b>44,407</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>					
Trade payables	-	-	40,588	40,588	-
Chattel Mortgage	-	11,373	-	11,373	4.55%
Vendor royalties – contingent consideration	-	-	13,858	13,858	-
Lease liabilities	-	-	729	729	-
Other payables	-	-	104	104	-
Revolving facility	-	12,983	-	12,983	8%
Short term loan facility	-	2,693	-	2,693	5.5%
Insurance premium fundings	-	1,476	-	1,476	2.3%
<b>Total financial liabilities</b>	<b>-</b>	<b>28,525</b>	<b>55,279</b>	<b>83,804</b>	<b>-</b>

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

# Notes to the financial statements

(CONTINUED)

## 22. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (E) INTEREST RISK (CONTINUED)

As at 31 December 2021, the effect on profit and equity as a result of changes in the interest rate would be as follows:

31 December 2021	Carrying amount \$'000	Increase in interest rate by 1%		Decrease in interest rate by 1%	
		Profit or loss \$'000	Equity \$'000	Profit or loss \$'000	Equity \$'000
Cash and cash equivalents	62,859	629	629	(629)	(629)
Tax charge of 30%	-	(189)	(189)	189	189
<b>After tax increase/(decrease)</b>	<b>-</b>	<b>440</b>	<b>440</b>	<b>(440)</b>	<b>(440)</b>

31 December 2020	Carrying amount \$'000	Increase in interest rate by 1%		Decrease in interest rate by 1%	
		Profit or loss \$'000	Equity \$'000	Profit or loss \$'000	Equity \$'000
Cash and cash equivalents	5,041	50	50	(50)	(50)
Tax charge of 30%	-	(15)	(15)	15	15
<b>After tax increase/(decrease)</b>	<b>-</b>	<b>35</b>	<b>35</b>	<b>(35)</b>	<b>(35)</b>

### (F) FAIR VALUES

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 9 Financial Instruments: Disclosure which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Consolidated Entity completed a level 3 valuation on contingent consideration (Note 17(d)). The carrying value of a significant portion of all financial assets and financial liabilities approximate the fair values due to their short-term nature. There were no transfers between the levels during the period.

31 December 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Vendor royalties contingent consideration held at fair value through profit or loss	-	-	8,708
Derivative financial instruments held at fair value through profit or loss	-	6,121	-
<b>Total financial liabilities</b>	<b>-</b>	<b>6,121</b>	<b>8,708</b>

31 December 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Vendor royalties contingent consideration held at fair value through profit or loss	-	-	13,858
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>13,858</b>

There were no other financial assets or liabilities carried at fair value as at 31 December 2021. The carrying amount of all other financial assets and financial liabilities measured at amortised costs approximates their fair value.

## 23. INTERESTS IN OTHER ENTITIES

### (A) MATERIAL SUBSIDIARIES

The group's principal subsidiaries at 31 December 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Principal activities	Place of business/ country of incorporation	Ownership interest held by the group	
			2021 %	2020 %
Comet Coal & Coke Pty Limited	Coal exploration	Australia	100	100
Belview Coal Pty Ltd	Coal exploration	Australia	100	100
Mackenzie Coal Pty Limited	Coal exploration	Australia	100	100
Stanmore Coal Custodians Pty Ltd*	Trustee of Stanmore Employee Share Trust	Australia	100	100
Emerald Coal Pty Ltd	Coal exploration	Australia	100	100
New Cambria Pty Ltd	Coal exploration	Australia	100	100
Kerlong Coking Coal Pty Ltd	Coal exploration	Australia	100	100
Stanmore Surat Coal Pty Ltd	Coal exploration	Australia	100	100
Theresa Creek Coal Pty Ltd	Coal exploration	Australia	100	100
Stanmore Wotonga Pty Ltd	Coal exploration and mining	Australia	100	100
Stanmore IP Coal Pty Ltd	Coal mining	Australia	100	100
Stanmore IP South Pty Ltd	Coal exploration and mining	Australia	100	100
Stanmore Bowen Coal Pty Ltd	Coal exploration and mining	Australia	100	100
Isaac Plains Coal Management Pty Ltd	Coal exploration and mining	Australia	100	100
Isaac Plains Sales & Marketing Pty Ltd	Coal exploration and mining	Australia	100	100
Stanmore SMC Holdings Pty Ltd	Coal exploration and mining	Australia	100	–
Stanmore Green Pty Ltd	Renewable energy	Australia	100	–

\* Previously Bowen River Coal Pty Ltd

### (B) INTERESTS IN JOINT ARRANGEMENTS

Set out below are the significant farm in arrangements of the group as at 31 December 2021. The proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% ownership interest		Nature of relationship
		2021 %	2020 %	
MetRes Pty Ltd	Australia	50	–	Joint venture
Clifford Joint Venture	Australia	60	60	Farm in arrangement
Lilyvale Joint Venture	Australia	85	85	Farm in arrangement
Mackenzie Joint Venture	Australia	95	95	Farm in arrangement

# Notes to the financial statements

(CONTINUED)

## 23. INTERESTS IN OTHER ENTITIES (CONTINUED)

### (B) INTERESTS IN JOINT ARRANGEMENTS (CONTINUED)

During the period, the group purchased 50% of the issued shares in an incorporated joint venture, MetRes Pty Ltd (the JV), totalling \$2.408m as at 31 December 2021.

MetRes Pty Ltd is deemed to be a joint venture under relevant accounting standards, and will be accounted for by using the equity method.

### 24. INTERESTS IN JOINT ARRANGEMENTS

The group has a 50% interest in MetRes Pty Limited, a joint venture between Stanmore Resources Limited and M Resources to acquire the Millennium and Mavis Downs Mine. The group's interest in MetRes Pty Limited is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2021 \$'000
<b>Summarised balance sheet</b>	
Current assets	23,484
Other current assets	11,245
Non-current assets	36,876
Current liabilities	(65,192)
Non-current liabilities	(15,827)
<b>Equity</b>	<b>(9,414)</b>

The position above is inclusive of the following:

- Cash and cash equivalents – \$8,718k
- Current financial liabilities excluding accounts payable – \$41,235k
- Non-Current financial liabilities excluding accounts payable and provision – \$2,502k

	2021 \$'000
Group's share in equity – 50%	-
Goodwill	-
<b>Carrying amount</b>	<b>-</b>

	2021 \$'000
<b>Summarised statement of comprehensive income</b>	
Revenue from contracts with customers	8,103
Cost of sales	(21,040)
Depreciation and amortisation	(5,117)
Interest expense	(1,563)

## 24. INTERESTS IN JOINT ARRANGEMENTS (CONTINUED)

	2021 \$'000
<b>Profit/(Loss) before tax</b>	<b>(19,617)</b>
<b>Income tax expense</b>	
Income tax expense	<b>(5,885)</b>
<b>Loss for the year</b>	<b>(13,732)</b>
<b>Total comprehensive income for the year</b>	<b>(13,732)</b>
<b>Group's share of profit/(loss) for the year</b>	<b>(2,409)</b>

The Group's full share of losses is \$6.865m for the period to 31 December 2021, of which \$4.456m is unrecognised as the losses that exceed the Group's investment in MetRes Pty Ltd.

The joint venture had no other contingent liabilities or commitments as at 31 December 2021 for which the Group is jointly liable.

### (A) RECOGNITION AND MEASUREMENT

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The group's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture. If The Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses.

After the entity's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group will resume recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The financial statements of the joint venture are prepared for the same reporting period as the group. When necessary, adjustments are made to bring the accounting policies in line with those of the group.

After application of the equity method, the group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the joint control over the joint venture, the group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

# Notes to the financial statements

(CONTINUED)

## 25. COMMITMENTS

### (A) EXPLORATION AND MINING

The commitments to be undertaken are as follows:

	2021 \$'000	6 months to 31 December 2020 \$'000
<b>Payable</b>		
Within one year	244	818
Later than one year but not later than five years	788	1,994
Later than five years	12	395
	<b>1,044</b>	<b>3,207</b>

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

### (B) LOW VALUE LEASES

The commitments to be undertaken are as follows:

	2021 \$'000	6 months to 31 December 2020 \$'000
<b>Payable</b>		
Within one year	10	10
Later than one year but not later than five years	6	6
	<b>16</b>	<b>16</b>

### (C) CAPITAL COMMITMENTS

The commitments to be undertaken are as follows:

	2021 \$'000	6 months to 31 December 2020 \$'000
<b>Payable</b>		
Within one year	8,213	7,257

The Consolidated Entity has non-cancellable, open purchase orders for committed capital works.

#### (i) Land acquisitions

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

## 25. COMMITMENTS (CONTINUED)

### (C) CAPITAL COMMITMENTS (CONTINUED)

#### (ii) Isaac Plains Complex royalty

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

- the saleable value of all product coal owned by the group at that time and processed through the Isaac Plains infrastructure; and
- any processing or handling fees arising from the treatment of third-party coal processed through the Isaac Plains infrastructure.

The royalty payable increased to 1% during 2017 and this finance facility has since been cancelled (see Note 14 on page 58), but the royalty streams stay on foot and associated costs are included within cost of sales as private royalties (Note 3 on page 42).

#### (iii) Isaac Plains east landholder agreement

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

- a royalty of \$0.60/product tonne sold (increasing by 2.5% p.a.) from July 2018 when the published Hard Coking Coal Price for any quarter is greater than US\$200/t (increasing by 2.5% p.a.) from July 2017.

## 26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### (A) CONTINGENT LIABILITIES

	2021 \$'000	31 December 2020 \$'000
Utility providers	3,377	3,377
Other	211	211
	<b>3,588</b>	3,588

### (B) CONTINGENT ASSETS

The group had no contingent assets at 31 December 2021 (2020: nil).

## 27. EVENTS OCCURRING AFTER THE REPORTING PERIOD

### (A) INTENDED ACQUISITION OF 80% OF BMC JOINT VENTURE AND ASSOCIATED DEBT FACILITY

As announced on 8 November 2021, Stanmore Resources Limited has executed a definitive agreement with BHP to acquire BHP's 80% interest in the BMC (BHP Mitsui Coal Pty Ltd) joint venture. Consideration for the acquisition comprises of US\$1.2bn cash with a potential follow-up payment of up to US\$150m after two years, the value of which is dependent on the prevailing coal price exceeding certain targets.

Completion of the acquisition is anticipated to occur during the second quarter of 2022, subject to certain conditions precedent.

Stanmore Resources Limited intends to fund the acquisition with a combination of debt and equity, and announced on 7 January 2022 that Stanmore have signed a definitive agreement, through its wholly owned subsidiary Stanmore SMC Holdings Pty Ltd, with certain financiers in respect of a US\$625m debt facility.

The debt facility is an amortising loan note facility which matures five years from first utilisation, and is secured against all the assets of Stanmore SMC Holdings and its 100% subsidiary Dampier Coal (the "Borrower Group"). The security includes Dampier Coal's 80% shareholding in BMC, however, the security does not extend to BMC's assets and operations and there is no recourse to Stanmore Resources Limited's existing assets and operations, all of which sit outside the Borrower Group.

# Notes to the financial statements

(CONTINUED)

## 27. EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONTINUED)

### (B) ISAAC DOWNS MINING SERVICE AGREEMENT

As announced on 19 January 2022, ESPA Pacific were awarded the Isaac Downs Open-cut mining services contract, with a current value of \$564m.

Awarding of this contract marks a major milestone in moving to full production at the Isaac Downs Mine, following completion of all regulatory approvals in the third quarter of 2021.

In conjunction of the awarding of this contract, Stanmore Resources Limited will transition to an owner-operator model for the Coal Handling and Preparation Plant (CHPP).

### (C) EXTENSION OF GEAR LOAN FACILITY REPAYMENT TERMS

As announced on 16 February 2022, the group have extended the GEAR facility maturity date by another year to 30 June 2023. All other terms of the agreement remain unchanged as a result of the extension.

## 28. KEY MANAGEMENT PERSONNEL

Total key management personnel compensation:

	2021 \$	6 months to 31 December 2020 \$
<b>Total key management personnel compensation</b>		
Short term employee benefits	<b>3,128,795</b>	1,609,933
Post employment benefits	<b>126,672</b>	79,988
Termination benefits	-	286,404
Long term benefits	<b>828,688</b>	-
	<b>4,084,155</b>	1,976,325

## 29. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of Stanmore Resources Limited, its related practices and non-related audit firms:

	2021 \$	6 months to 31 December 2020 \$
<b>Statutory audit services</b>		
Amounts paid/payable to Ernst & Young for audit or review of the financial statements for the entity or any entity in the group	<b>122,451</b>	105,000
Amounts paid/payable to BDO Audit Pty Ltd for audit or review of the financial statements for the entity or any entity in the group	-	93,069
	<b>122,451</b>	198,069



## 29. REMUNERATION OF AUDITORS (CONTINUED)

	2021 \$	6 months to 31 December 2020 \$
<b>Other assurance services required to be performed by the group's auditor</b>		
Amounts paid/payable to Earnst & Young for other assurance services for the entity or any entity in the group	5,000	-
	<b>5,000</b>	<b>-</b>
	2021 \$	6 months to 31 December 2020 \$
<b>Taxation services</b>		
Amounts paid/payable to related entities of Ernst & Young for non-audit taxation services performed for the entity or any entity in the group	146,825	24,910
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 group	-	57,276
	<b>146,825</b>	<b>82,186</b>
	2021 \$	6 months to 31 December 2020 \$
<b>Other services</b>		
Amounts paid/payable to related entities of Ernst & Young for other non-audit services performed for the entity or any entity in the group	387,469	13,940
Amounts paid/payable to related entities of BDO Audit Pty Ltd for other non-audit services performed for the entity or any entity in the group	-	14,300
	<b>387,469</b>	<b>28,240</b>

# Notes to the financial statements

(CONTINUED)

## 30. PARENT ENTITY FINANCIAL 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 disclosure in regard to the parent entity, Stanmore Resources Limited. The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the Consolidated Entity's accounting policy.

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as follows:

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

### (A) SUMMARY FINANCIAL INFORMATION

The individual financial statements for the parent entity, Stanmore Resources Limited, show the following aggregate amounts:

	2021 \$'000	31 December 2020 \$'000
Current assets	6,351	7,082
Non-current assets	88,833	84,388
<b>Total assets</b>	<b>95,184</b>	91,470
Current liabilities	10,321	986
Non-current liabilities	7,400	21,977
<b>Total liabilities</b>	<b>17,721</b>	22,963
Issued capital	121,747	121,725
Share-based reserve	2,337	2,323
Retained earnings	(38,176)	(55,541)
<b>Total shareholders' equity</b>	<b>85,908</b>	68,507
<b>Profit/(loss) for the year/period</b>	<b>(8,446)</b>	6,849
<b>Total comprehensive income/(loss)</b>	<b>(8,446)</b>	6,849

### (B) GUARANTEES

Under the terms of the Secured Financing Facility entered into in November 2015, Stanmore Resources 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.

### (C) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The parent entity did not have any contingent liabilities or contingent assets as at 31 December 2021 or 31 December 2020.

### (D) CAPITAL COMMITMENTS

The parent entity did not have any capital commitments as at 31 December 2021 or 31 December 2020.

### 31. SEGMENT INFORMATION

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 Consolidated Entity level. All segments are located within Australia.

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

#### (A) DESCRIPTION OF SEGMENTS

##### (i) Accounting policies adopted

Unless otherwise stated, all amount 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.

##### (ii) 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.

##### (iii) 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.

##### (iv) Unallocated items

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

The Consolidated Entity's income taxes are managed on a group basis and are not allocated to reportable segments.

##### (v) Major customers

The Consolidated Entity has several customers to whom it sells export grade coal. The Consolidated Entity supplies one such external customer who accounts for 33% of revenue. The next most significant customer accounts for 16% of revenue.

#### (B) SEGMENT RESULTS

The segment information for the reportable segments for the year ended 31 December 2021 is as follows:

31 December 2021	Isaac Plains Complex \$'000	Exploration and Development \$'000	Unallocated operations \$'000	Adjustments and eliminations \$'000	Total %
Total segment revenue	382,948	–	–	–	382,948
Segment operating result	60,477	–	(2,624)	–	57,853
Depreciation and amortisation	(25,726)	–	(1,035)	–	(26,761)
Net finance expense	(15,622)	–	365	–	(15,257)
Income tax expense	–	–	(5,422)	–	(5,422)
<b>Net profit/(loss) after tax</b>	<b>19,129</b>	<b>–</b>	<b>(8,716)</b>	<b>–</b>	<b>10,413</b>
<b>Total segment assets</b>	<b>360,944</b>	<b>43,223</b>	<b>57,766</b>	<b>(16,856)</b>	<b>445,077</b>
<b>Total segment liabilities</b>	<b>268,043</b>	<b>–</b>	<b>24,826</b>	<b>(10,678)</b>	<b>282,191</b>

# Notes to the financial statements

(CONTINUED)

## 31. SEGMENT INFORMATION (CONTINUED)

### (B) SEGMENT RESULTS (CONTINUED)

The segment information provided to the CODM for the reportable segments for the period ended 31 December 2020 is as follows:

31 December 2020	Isaac Plains Complex \$'000	Exploration and Development \$'000	Unallocated operations \$'000	Adjustments and eliminations \$'000	Total %
Total segment revenue	136,309	-	-		136,309
Segment operating result	1,684	-	(3,545)		(1,861)
Depreciation and amortisation	(14,682)	-	-		(14,682)
Net finance expense	(5,411)	-	-		(5,411)
Income tax expense	-	-	5,834		5,834
<b>Net profit/(loss) after tax</b>	<b>(18,409)</b>	<b>-</b>	<b>2,289</b>		<b>(16,120)</b>
<b>Total segment assets</b>	237,298	41,141	15,630	700	294,769
<b>Total segment liabilities</b>	121,409	-	9,710	11,212	142,331

## 32. SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 31 December 2021. Share-based payments to Directors, executives and employees.

### (A) SHARES

During the year ended 31 December 2021, there were no shares granted to eligible employees (31 December 2020: nil).

### (B) RIGHTS

The amount recognised as share-based payment expense in the consolidated statement of profit or loss and other comprehensive income is as follows:

	31 December 2021 \$'000	31 December 2020 \$'000
Share-based payments	14	(35)

These amounts have been recognised in equity in the consolidated statement of financial position as follows:

	31 December 2021 \$'000	31 December 2020 \$'000
Shared based payment reserve	14	25

### (C) OPTIONS

During the year ended 31 December 2021, no options granted to eligible employees as share-based payments (31 December 2020: nil).

## 32. SHARE-BASED PAYMENTS (CONTINUED)

### (D) RECOGNITION AND MEASUREMENT

The fair value of shares, options or rights granted to employees and consultants are recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees or consultants become unconditionally entitled of the instruments. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Stanmore Resources 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 targets.

During the year ended 31 December 2021, no rights were granted to employees as long-term incentive. The terms and conditions of previous grants are as follows:

Grant date	Measurement date	Exercise price	Balance at start of the period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at end of the period
05/11/2018	30/06/2021	–	219,066	–	–	(110,510)	108,556
24/10/2019	30/06/2022	–	89,905	–	–	(53,563)	36,342
			308,971	–	–	(164,073)	144,898

#### (i) Performance rights pricing model

The fair value of performance rights granted under the previous LTI program was based on the Absolute Shareholder Total Return (ASTR), measured using a Monte Carlo Simulation model incorporating the probability of the performance hurdles being met. The following table lists the inputs to the models used for the periods ended 30 June 2020 and 30 June 2019, prior to the modification following change of control:

	Tranche 1 (issued in FY19)	Tranche 2 (issued in FY20)
Performance hurdle	ASTR	ASTR
Grant date	5 November 2018	24 October 2019
Vesting date	31 July 2021	31 July 2022
Fair value at grant date	\$0.45	\$0.37
Share price	\$0.94	\$1.13
Exercise price	\$0.00	\$0.00
Dividend yield	0%	4.47%
Expected measurement period	30 June 2021 – 30 June 2022	30 June 2022 – 30 June 2023
Risk-free interest rate	2.09%	0.73%
Expected volatility	60%	50%

#### (ii) Key estimates

The Consolidated Entity uses estimates to determine the fair value of equity instruments issued to Directors, executives and employees. The estimates include volatility, risk free rates and consideration of satisfaction of performance criteria for recipients of equity instruments.

# Notes to the financial statements

(CONTINUED)

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

### (B) SUBSIDIARIES

Interests in subsidiaries are set out in Note 23.

### (C) KEY MANAGEMENT PERSONNEL COMPENSATION

Disclosures relating to KMP are set out in Note 28.

### (D) TRANSACTIONS WITH OTHER RELATED PARTIES

During the year, the Consolidated Entity has negotiated an increase to the financing agreements with its parent entity, GEAR. These negotiations were deemed to be on market terms, and further details are shown within Note 14.

M Resources Pty Ltd continues to exclusively manage Stanmore Resources Limited's global sales contract and relationships. M Resources Pty Ltd is also a minority shareholder of the group, and fees totalling \$5.454m were incurred for the year ended 31 December 2021 (31 December 2020: \$1.227m) for services provided on market terms.

During the year, the Company provided MetRes Pty Ltd, a 50% owned Joint Venture, with a secured, total finance facility of up to A\$50m. See Note 7 for further information.

## 34. DEED OF CROSS GUARANTEE

Stanmore Resources Limited and its wholly owned subsidiaries (as shown in note 23) with the exception of Stanmore SMC Holdings Pty Ltd, are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*.

### (A) CONSOLIDATED STATEMENT OF PROFIT OR LOSS, STATEMENT OF COMPREHENSIVE INCOME AND SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS

The above companies represent a 'closed group' for the purposes of the instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Stanmore Resources Limited, they also represent the 'extended closed group'.

Set out below is a consolidated statement of profit or loss, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 31 December 2021 of the closed group consisting of Stanmore Resources Limited and its wholly owned subsidiaries, excluding Stanmore SMC Holdings Pty Ltd.

### 34. DEED OF CROSS GUARANTEE (CONTINUED)

#### (A) CONSOLIDATED STATEMENT OF PROFIT OR LOSS, STATEMENT OF COMPREHENSIVE INCOME AND SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS (CONTINUED)

2021  
\$'000

<i>Consolidated statement of comprehensive income</i>	
<b>Revenue from continuing operations</b>	<b>382,948</b>
Other income	4,623
Cost of sales of goods	(312,540)
Other expenses from ordinary activities	(14,666)
Employee benefits expense	(6,784)
Depreciation and amortisation expense	(26,761)
Finance costs	(7,604)
Share of net profits of associates and joint ventures accounted for using the equity method	(2,409)
<b>Profit before income tax</b>	<b>16,807</b>
Income tax expense	(5,714)
<b>Profit for the period</b>	<b>11,093</b>
<b>Other comprehensive income</b>	
<b>Other comprehensive income for the period, net of tax</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>11,093</b>
<i>Summary of movements in consolidated retained earnings</i>	
<b>Retained earnings at the beginning of the financial year</b>	<b>28,389</b>
Profit for the period	11,093
<b>Retained earnings at the end of the financial year</b>	<b>39,482</b>

# Notes to the financial statements

(CONTINUED)

## 34. DEED OF CROSS GUARANTEE (CONTINUED)

### (B) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Set out below is a consolidated statement of financial position as at 31 December 2021 of the closed group.

	2021 \$'000
<b>Current assets</b>	
Cash and cash equivalents	62,859
Trade and other receivables	52,409
Inventories	11,748
Other financial assets at amortised cost	47,897
<b>Total current assets</b>	<b>174,913</b>
<b>Non-current assets</b>	
Receivables	15,000
Capitalised development costs	88,758
Exploration and evaluation	43,223
Mine properties	21,849
Other financial assets	21,572
Property, plant and equipment	64,426
Intangible assets	2,015
<b>Total-non-current assets</b>	<b>256,843</b>
<b>Total assets</b>	<b>431,756</b>



### 34. DEED OF CROSS GUARANTEE (CONTINUED)

#### (B) CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

2021  
\$'000

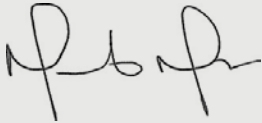
<b>Current liabilities</b>	
Trade and other payables	75,137
Borrowings	97,076
Lease liabilities	180
Derivative financial instruments	6,121
Current tax liabilities	6,285
Provisions	6,407
<b>Total current liabilities</b>	<b>191,206</b>
<b>Non-current liabilities</b>	
Borrowings	6,739
Lease liabilities	450
Deferred tax liabilities	26,590
Provisions	43,205
<b>Total non-current liabilities</b>	<b>76,984</b>
<b>Total liabilities</b>	<b>268,190</b>
<b>Net assets</b>	<b>163,566</b>
<b>Equity</b>	
Contributed equity	121,747
Reserves	2,337
Retained earnings	39,482
<b>Total equity</b>	<b>163,566</b>

# Directors' declaration

The Directors' of the Consolidated Entity declare that:

- (a) The consolidated financial statements, comprising the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of cash flows, and accompanying notes are in accordance with the Corporations Act 2001, and:
  - (i) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial year ended on that date, and
- (b) The Consolidated Entity has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with International Financial Reporting Standards;
- (c) In the Directors' opinion, there are reasonable grounds to believe that the Consolidate Entity will be able to pay its debts as and when they become due and payable;
- (d) The remuneration disclosures included on pages 20 to 28 of the Directors' report (as part of audited Remuneration Report) for the year ended 31 December 2021 comply with section 300A of the *Corporations Act 2001*; and
- (e) The Directors have been given the declarations by the CEO and CFO required by section 295A of the *Corporations Act 2001*.

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



**Mr Marcelo Matos**

Director

Brisbane  
16/02/2022

# Independent auditor's report



Building a better  
working world

Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000 Australia  
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333  
Fax: +61 7 3011 3100  
ey.com/au

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

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Stanmore Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, 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:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the year ended on that date; and
- b. 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

# Independent auditor's report

(CONTINUED)



# EY

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## Vendor Royalty - Contingent Consideration Liability

Why significant	How our audit addressed the key audit matter
<p>The Group recognised contingent consideration at 31 December 2021 of \$8.7 million, relating predominantly to its acquisition of Isaac Downs in July 2018.</p> <p>As detailed in note 17 to the financial report, the contingent consideration is a production-based royalty, payable when benchmark hard coking coal prices exceed a threshold coal price.</p> <p>The carrying amount of the royalty payable is estimated based on forecast hard coking coal prices, foreign exchange rates and production volumes, capped at a maximum amount payable as determined within the Royalty Deed.</p> <p>The contingent consideration is a key audit matter due to: the size of the liability; the judgement involved in forecasting hard coking coal prices, foreign exchange rates and production volumes; and the profit and loss volatility that can result from movements in these key input assumptions.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>• Assessed the methodology used to recognise and measure the liability for consistency with Australian Accounting Standards and the requirements of the Royalty Deed.</li><li>• Tested the mathematical accuracy of the model used to calculate the liability.</li><li>• Compared the production volumes used in the model to the Board approved budget and life-of-mine model for the Isaac Downs mine.</li><li>• In conjunction with our valuation specialists, evaluated the forecast coal prices and foreign exchange rates used to measure the liability with reference to market prices (where available) and broker consensus data.</li><li>• Assessed the adequacy of the disclosures made in the financial statements, including disclosure of significant judgements and estimates adopted by management.</li></ul>

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report and the shareholder information that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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



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### **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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 have 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

# Independent auditor's report

(CONTINUED)



- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 28 of the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Stanmore Resources Limited for the year ended 31 December 2021, 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.

A stylized, handwritten signature of Ernst &amp; Young in black ink.

Ernst & Young

A handwritten signature of Tom du Preez in black ink, written over a horizontal line.

Tom du Preez  
Partner  
Brisbane  
16 February 2022

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# Shareholder information

## A. DISTRIBUTION OF EQUITY SECURITIES

The number of Ordinary Shares by size of holding as at 8 April 2022 are:

Range	Ordinary shares		Shares	
	Securities	%	No. of holders	%
100,001 and over	885,040,645	98.19%	108	7.08%
10,001 – 100,000	13,518,093	1.50%	403	26.43%
5,001 – 10,000	1,456,137	.16%	196	12.85%
1,001 – 5,000	1,234,806	.14%	458	30.03%
1 – 1000	132,017	.01%	360	23.61%
<b>TOTAL</b>	<b>901,381,698</b>	<b>100%</b>	<b>1,525</b>	<b>100.00%</b>

The number of shareholders holding less than a marketable parcel of 297 securities (\$1.685 on 8 April 2022) is 168 and they hold 4,580 securities.

# Shareholder information

(CONTINUED)

## B. SUBSTANTIAL HOLDERS

The names of the twenty largest holders of quoted equity securities as at 8 April 2022 are listed below:

Ordinary shares	Number of shares	% of total shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	599,668,260	66.53%
CITICORP NOMINEES PTY LIMITED	47,422,396	5.26%
LATIMORE FAMILY PTY LTD <LATIMORE FAMILY A/C>	31,836,070	3.53%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	31,259,672	3.47%
UBS NOMINEES PTY LTD	26,399,437	2.93%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	26,307,882	2.92%
LATIMORE FAMILY PTY LTD <LATIMORE FAMILY TRUST A/C>	22,727,273	2.52%
NATIONAL NOMINEES LIMITED	15,175,161	1.68%
OLD FORRESTER PTY LTD <OLD FORRESTER FAM A/C>	14,006,584	1.55%
BNP PARIBAS NOMS PTY LTD <IB AU NOMS RETAILCLIENT DRP>	7,199,677	.80%
BNP PARIBAS NOMS PTY LTD <DRP>	5,256,952	.58%
LATIMORE FAMILY PTY LTD <LATIMORE FAMILY A/C>	5,151,516	.57%
TREASURY SERVICES GROUP PTY LTD <NERO RESOURCE FUND A/C>	5,145,640	.57%
ARGO INVESTMENTS LIMITED	3,181,819	.35%
ARGO INVESTMENTS LIMITED	3,000,000	.33%
SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	2,723,036	.30%
BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP>	2,356,511	.26%
M RESOURCES PTY LTD	1,878,945	.21%
TRI-STAR E&P PTY LTD	1,818,182	.20%
SIR RONALD ALFRED BRIERLEY	1,466,667	.16%
<b>TOTAL OF 20 LARGEST HOLDERS</b>	<b>853,981,680</b>	<b>94.74%</b>
<b>TOTAL ORDINARY SHARES</b>	<b>901,381,698</b>	<b>100.00%</b>

## C. RESTRICTED SECURITIES

There are 11,040 restricted shares on issue as at 8 April 2022.

## D. VOTING RIGHTS

All ordinary shares carry one vote per share without restriction. Options and performance rights do not carry voting rights.



# Reserves and Resources

## Stanmore Coal Reserves as at end December 2021

Project Name	Tenement	Coal Reserves			Marketable Coal Reserves			Competent Person	Report Date
		Proved	Probable	Total	Proved	Probable	Total		
Isaac Plains East Opencut	ML 700016, ML 700017, ML 700018, ML 700019	0.9	0.6	1.5	0.7	0.5	1.2	H	Feb-22
Isaac Plains Underground	ML 70342, ML 700018, ML 700019	11.8	7.7	19.5	9.5	6.1	15.6	F	Feb-21
Isaac Downs opencut	ML 700046, ML 700047, ML 700048	21.1	0.4	21.5	14.2	0.3	14.4	H	Feb-22
<b>Isaac Plains Complex</b>		<b>33.8</b>	<b>8.8</b>	<b>42.5</b>	<b>24.3</b>	<b>6.9</b>	<b>31.2</b>		
The Range opencut	EPC 1112, EP 2030		117.5	117.5		94.2	94.2	G	Jul-11
<b>Total Coal Reserves</b>		<b>33.8</b>	<b>126.3</b>	<b>160.0</b>	<b>24.3</b>	<b>101.1</b>	<b>125.4</b>		

### Coal Type Ration - Coking:Thermal (% of Marketable Coal Reserve)

Isaac Plains East	99%:1%	F - Mr Benjamin Smith - Xenith
Isaac Plain Underground	77%:23%	H - Mr Tony O'Connell - Optimal
Isaac Downs	96%:4%	G - Mr Richard Hoskings - Minserve
The Range	100% Thermal	

### Competent Person

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

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

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

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

# Reserves and Resources

(CONTINUED)

## Stanmore Coal Resources as at end December 2021

Project Name	Tenement	Coal Type*	Measured Resources	Indicated Resources	Inferred Resources	Total Resources	Competent Person**	Report Date
Isaac Plains	ML 70342, ML 700018, ML 700019	C, T	24.3	16.0	5	45	A	Dec-21
Isaac Plains East	ML 700016, ML 700017, ML 700019, EPC 755	C, T	6.4	9.8	18	34	D	Jan-22
Isaac Downs	ML 700046, ML 700047, ML 700048	C, T	29.2	2.9	0	32	B	Feb-22
Isaac South	EPC755	C, T	11.9	14.5	25	52	C	Jun-18
<b>Isaac Plains Complex</b>	<b>Sub Total</b>		<b>71.8</b>	<b>43.2</b>	<b>48</b>	<b>163</b>		
Clifford	EPC 1274, EPC 1276	T	0	200.0	430	630	A	Aug-16
The Range	EPC 1112, EPC 2030	T	18.1	187.0	81	286	A	Oct-12
<b>Surat Basin Complex</b>	<b>Sub Total</b>		<b>18.1</b>	<b>387.0</b>	<b>511</b>	<b>916</b>		
Mackenzie	EPC 2081	C, T	0	25.7	117	143	A	Nov-11
Belview	EPC 1114, EPC 1186, EPC 1798	C, PCI	0	50.0	280	330	A	Mar-15
Tennyson	EPC 1168, EPC 1580	T	0	0.0	140	140	A	Nov-12
Lilyvale	EPC 1687, EPC 2157	C	0	0	33	33	A	Feb-19
<b>Total Coal Resources</b>			<b>89.9</b>	<b>505.9</b>	<b>1129</b>	<b>1725</b>		

### \*Coal Types Potential Legend

C - Coking Coal, semi-soft or greater potential  
 PCI - Pulverised Coal Injection  
 T - Export Thermal grade

### \*\*Competent Person

A - Mr Troy Turner - Xenith Consulting  
 B - Mr Toby Prior - Measured Group  
 C - Mr Mal Blaik - JB Mining  
 D - Dr Bronwyn Leonard - Stanmore Resources

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

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

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

## INCORPORATED JOINT VENTURE INTERESTS

### METRES PTY LTD

MetRes Pty Ltd (MetRes) is a 50% Stanmore owned, incorporated joint venture with M Resources Pty Ltd. M Mining Pty Ltd, a wholly owned subsidiary of M Resources, is the Joint Venture's manager and operator.

For accounting purposes, Stanmore reports MetRes on an equity accounted basis and therefore no production or sales volumes for MetRes are included in Stanmore's financial results.

However, to demonstrate Stanmore's effective ownership interest in MetRes's Resources and Reserves, these are further detailed, in the tables below. MetRes Resources and Reserves are shown on a 50% interest basis, that is only half of the present total JORC Resource or Reserve is noted.

### MetRes Coal Reserves as at end December 2021 (at 50% Stanmore ownership interest)

Project Name	Tenement	Coal Reserves			Marketable Coal Reserves			Competent Person*	Report Date
		Proved	Probable	Total	Proved	Probable	Total		
Millennium/ Mavis Opencut & Auger	ML 70313, ML 70344, ML 70401, ML 70485,	0.1	0.2	0.3	0.1	0.2	0.2	J	Dec-21
Millennium/ Mavis Underground	ML 70457 ML 70483	0.9	2.0	3.0	0.8	1.7	2.5	F	Feb-22
<b>Millennium Mavis/ Complex</b>	<b>TOTAL RESERVES</b>	<b>1.0</b>	<b>2.2</b>	<b>3.2</b>	<b>0.9</b>	<b>1.8</b>	<b>2.7</b>		

#### Coal Type Ration - Coking:PCI (% of Marketable Coal Reserve)

Open-cut & Auger	48% Coking: 52% PCI
Underground	54% Coking: 46% PCI

#### \*Competent Person

F - Mr Benjamin Smith - Xenith
J - Mr Sunil Kumar - Xenith

**Note 1:** All Coal Reserves are reported under requirements of The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') 2012

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

**Note 3:** Coal Reserves are shown on a 50% interest basis, that is only half of the present total JORC Reserve is noted in the Table above

# Reserves and Resources

(CONTINUED)

## MetRes Coal Resources as at end December 2021 (at 50% Stanmore ownership interest)

Project Name	Tenement	Coal Type*	Measured Resources	Indicated Resources	Inferred Resources	Total Resources	Competent Person**	Report Date
Millennium	ML 70313, ML 70344, ML 70401	C, PCI	2.7	3.2	2	8	A	Jan-22
Mavis Downs	ML 70485, ML 70457, ML 70483	C, PCI	3.5	5.5	1.5	10	A	Jan-22
<b>Millennium Complex</b>	<b>TOTAL RESERVES</b>		<b>6.2</b>	<b>8.7</b>	<b>4</b>	<b>18</b>		

### \*Coal Types Potential Legend

C - Coking Coal, semi-soft or greater potential

PCI - Pulverised Coal Injection

### \*\*Competent Person

A - Mr Troy Turner - Xenith Consulting

**Note 1:** All Coal Resources are reported under requirements of The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') 2012

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

**Note 3:** Coal Resources are shown on a 50% interest basis, that is only half of the present total JORC Resource is noted in the Table above

# Other Information

## RESOURCES AND RESERVES NOTE

As part of the market release dated 16 February 2022 of the Stanmore Annual Financial Report for the period ended 31 December 2021, Stanmore included a summary of the results of the mining entity's annual review of its Coal Resources and Coal Reserves, including a comparison of the Resources and Reserves holdings against that from the previous year. These results were titled "December 2021 Annual Coal Resources & Reserve Summary" and "Coal Resource and Reserve update for Isaac Plains Complex".

All Coal Reserves Estimates are a modified sub-set of the applicable underlying Resource Estimate; therefore, all Resources are inclusive of any Estimated Reserves.

All Marketable Coal Reserves are derived from the ROM Coal Reserves; therefore, Marketable Coal Reserves are a sub-set of ROM Coal Reserves.

The summary tables of all Coal Resources and all Coal Reserves, as announced on 16 February 2022, have been provided at Appendix 2 of the report announced on 16 February 2022.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcements made on 16 February 2022 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 16 February 2022 continue to apply and have not materially changed.

## COMPETENT PERSONS STATEMENT

The information in this report relating to Coal Resources for the Isaac Plains Mine, Millennium/Mavis Downs, Clifford, The Range, Mackenzie, Belview, Tennyson and Lilyvale, is based on information prepared by consultants under the guidance of Mr Troy Turner who is Managing Director of Xenith Consulting Pty Ltd. Mr Turner is a qualified Geologist, BAppSc (Geology) from University of Southern Queensland, and a member of the Australian Institute of Mining and Metallurgy. Mr Turner has over 25 years' relevant experience, to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking and qualifies as Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Turner consents to the inclusion of these Resource Estimates in reports disclosed by the Company in the form and context in which it appears.

The information in this report relating to Coal Resources for Isaac Plains East Mine is based on information prepared by Dr Bronwyn Leonard who is a full-time employee of Stanmore Resources and has held the position of Superintendent Mine Geology at Isaac Plains since October 2017. Dr Leonard is a qualified Geologist with a degree from University of Canterbury, and a PhD from James Cook University majoring in Geology/Earth Sciences and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Dr Leonard has over 15 years' experience in exploration and resource modelling, to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking and qualifies as Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Leonard consents to the inclusion of this Resource Estimate in reports disclosed by the Company in the form and context in which it appears.

The information in this report relating to Coal Resources for the Isaac Downs Mine is based on information prepared by Mr Toby Prior who is Principal Geologist and Director of Measured Group Pty Ltd. Mr Prior is a qualified Geologist, BAppSc (Geology) from University of Southern Queensland, and a member of the Australian Institute of Mining and Metallurgy. Mr Prior has over 24 years' relevant experience, to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking and qualifies as Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Prior consents to the inclusion of this Resource Estimate in reports disclosed by the Company in the form and context in which it appears.

## Other information

(CONTINUED)

The information in this report relating to Coal Resources for Isaac South is based on information compiled by Mr Mal Blaik who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a Principal Consultant of JB Mining Services Pty Ltd. Mr Blaik is a qualified Geologist, BSc App Geol (Hons) from University of Queensland, 1979. Mr Blaik has more than 30 years' experience in Coal Geology, having sufficient relevant experience 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". Mr Blaik consents to the inclusion of this Resource Estimate in reports disclosed by the Company in the form and context in which it appears.

The information in this report relating to the opencut Coal Reserves estimates for Isaac Plains Complex (IPE-IPM) and for Isaac Downs are based on information compiled by Mr Tony O'Connell, who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr O'Connell is the Principal Mining Consultant of Optimal Mining Solutions Pty Ltd and holds a bachelor's degree in Mining Engineering from University of Queensland and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr O'Connell has over 20 years' experience in the estimation, assessment, evaluation, and economic extraction of Coal Reserves. Mr O'Connell consents to the inclusion of these Reserve Estimates in reports disclosed by the Company in the form and context in which it appears.

The information in this report relating to the Millennium/Mavis Opencut and Auger Coal Reserve estimate is based on information compiled by Mr Sunil Kumar, who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Kumar is Principal Mining Engineer at Xenith Consulting Pty Ltd and has over 25 years' experience in the opencut coal mining industry and as such has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Kumar consents to the inclusion of this Reserve Estimate in reports disclosed by the Company in the form and context in which it appears.

The information in this report relating to Isaac Plains Underground and Millennium/Mavis Underground Coal Reserve estimates, is based on information compiled by Mr Benjamin Smith, who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and Mine Manager's Association of Australia (MMAA). Mr Smith is an associate of Xenith Consulting Pty Ltd and is a qualified Mining Engineer, holding a Master of Engineering (Mining Management) and Graduate Diploma (Mine Ventilation) from the University of New South Wales, and a Bachelor of Engineering (Mining, Honours) and Bachelor of Commerce (Management) from the University of Wollongong. Mr Smith also holds a First-Class Certificate of Competency for opencut and underground (Mine Manager) in New South Wales, a Second-Class Certificate of Competency (Undermanager) in New South Wales, a Third-Class Certificate of Competency (Deputy) in New South Wales, and a Mine Ventilation Officer's Certificate of Competency in New South Wales. He has over 24 years' experience domestically and internationally in underground coal mining, risk and mine planning and design, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Smith consents to the inclusion of these Reserve Estimates in reports disclosed by the Company in the form and context in which it appears.

The information in this report relating to the Range Coal Reserve estimate is based on information compiled by Mr Richard Hoskings, who is a Mining Engineer and Member of the Minserve Group Pty Ltd and a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Hoskings has over 40 years' experience in the opencut coal mining industry and as such has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Hoskings consents to the inclusion of this Reserve Estimate in reports disclosed by the Company in the form and context in which it appears.

# Corporate information

## **DIRECTORS**

Dwi Suseno  
Jimmy Lim  
Marcelo Matos  
Mark Trevan  
Richard Majlinder

## **COMPANY SECRETARY**

Rees Fleming

## **REGISTERED OFFICE AND PRINCIPAL BUSINESS OFFICE\***

Level 15, 133 Mary Street  
Brisbane Qld 4000  
Phone: + 61 7 3238 1000

## **COUNTRY OF INCORPORATION**

Australia

## **SHARE REGISTRY**

Link Market Services  
Level 21, 10 Eagle St  
Brisbane Qld 4000  
Phone: 1300 554 474  
Fax: +61 2 9287 0303

## **AUDITOR**

Ernst & Young  
Level 51, 111 Eagle Street  
Brisbane QLD 4000  
Phone: 07 3011 3333  
[www.ey.com/au](http://www.ey.com/au)

## **STOCK EXCHANGE LISTING**

Australian Securities Exchange  
ASX Code: SMR

## **INTERNET ADDRESS**

[www.stanmore.net.au](http://www.stanmore.net.au)

## **AUSTRALIAN BUSINESS NUMBER**

ABN 27 131 920 968

\* The registered address will change to Level 32,  
12 Creek Street, Brisbane Qld, 4000 on or about 3 May 2022.



Level 15, 133 Mary Street  
Brisbane Qld 4000  
Phone: + 617 3238 1000  
[stanmore.net.au](http://stanmore.net.au)