STANMORE COAL LIMITED
AND ITS SUBSIDIARIES

A.B.N. 27 131 920 968

CONSOLIDATED FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

STANMORE COAL LIMITED
CORPORATE DIRECTORY

AUSTRALIAN BUSINESS NUMBER
27 131 920 968

DIRECTORS

Neville Sneddon
Nicholas Jorss
Chris McAuliffe
Patrick O'Connor
Stephen Bizzell
Viv Forbes

COMPANY SECRETARY

Andrew Roach
Duncan Cornish

ADMINISTRATION AND REGISTERED OFFICE

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Note 1 Marketable Reserves Note: The Isaac Plains Marketable Coal Reserve of 3.7 Mt is derived from a run of mine (ROM) Coal Reserve of 5.0 Mt that is JORC compliant based with a predicted yield of 73%. The 3.7 Mt Marketable Reserve is included in the 30.1 Mt JORC Resource (10.0 Mt Measured + 9.1 Mt Indicated + 11.0 Mt Inferred Resource).

The Range Marketable Coal Reserve of 94 Mt is derived from a run of mine (ROM) Coal Reserve of 117.5 Mt that is JORC compliant based on a 14.8% ash product and predicted yield of 80%. The 94 Mt Marketable Reserve is included in the 287 Mt total JORC Resource (18 Mt Measured + 187 Mt Indicated + 82 Mt Inferred Resource).

Competent Persons Statement:

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

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

The information in this report relating to coal reserves for The Range is based on information compiled by Mr Richard Hoskings who is a member of Minserve Pty Ltd. Mr Hoskings is a mining engineer, a Fellow of the Australian Institute of Mining and Metallurgy (AusIMM) and has the relevant experience (30+ years) in relation to the mineralisation being reported to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2012 Edition)". Mr Hoskings consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Stanmore Coal Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2015 (referred to in this report as Stanmore Coal or the Group). All amounts are quoted in thousands of dollars unless otherwise stated.

Directors

The names of persons who were directors of Stanmore Coal Limited during the whole of the half-year and up to the date of this report are:

- Neville Sneddon
- Nicholas Jorss
- Chris McAuliffe
- Patrick O'Connor
- Stephen Bizzell
- Viv Forbes

Financial Results

For the half-year ended 31 December 2015, the Company reports an operating loss after providing for income tax of $6.4M (2014: loss of $1.2M). The current period result reflects significant due diligence and transaction costs related to the acquisition of the Isaac Plains Coal Mine. In addition, ownership costs from transaction completion through to 31 December 2015 were incurred including key contractual payments for infrastructure commitments. These costs have been funded by the vendor compensation payment amounts which in aggregate total approximately $55 million. These payments were partially received on completion with the majority of the remaining balance to be paid within 12 months. As at 31 December 2015, $33 million had been received with approximately $22 million recorded as a receivable.

The half year Consolidated Statement of Cash Flows classifies the vendor compensation receipts as Investing Cash Flows and payments to meet onerous contract obligations as Operating Cash Flows, although the items were commercially linked through the acquisition of the Isaac Plains Coal Mine. Further commentary will be provided in the full year accounts as to the timing and treatment of future vendor compensation receipts and onerous contract payments.

As at 31 December 2015 the Company holds $30.5 million in cash reserves. The Company is focused on the efficient, low cost restart to mining operations at Isaac Plains which is on track for first coal in April 2016.

Safety

During the six month period to 31 December 2015 the Company continued its strong safety record. No reportable incidents were recorded over approximately 9,900 hours of drilling and exploration activity, and through recommissioning activities at the Isaac Plains Coal Mine, directly and through contractors.

Safety is of critical importance in the planning, organisation and execution of Stanmore Coal's exploration and development activities. Stanmore Coal is committed to providing and maintaining a working environment in which its employees are not exposed to hazards that will jeopardise an employee's health, safety or the health and safety of others associated with our business. The Company, through its contractors, administer a comprehensive Safety and Health Management system which is designed to minimise the risk of an uncontrolled safety and health event and to continuously improving safety culture within the organisation.

Review of Operations

During the six months to 31 December 2015, the Company completed the acquisitions of the Isaac Plains Coal Mine and the adjacent development project known as Isaac Plains East (formerly Wotonga). In December 2015 the Company appointed Golding Contractors Pty Ltd (Golding) as the head contractor at Isaac Plains with a scope of services including overburden removal, coal mining and operation of the coal processing plant. The majority of recommissioning works was undertaken in November and December 2015 with the dragline overhaul completed in January under budget. Minor works are ongoing at the coal processing plant with first coal on schedule for April 2016. Mining will commence at a target rate of 1.1 million tonnes per annum of product coal, selling a high proportion of metallurgical coal with a thermal coal by product.

The Company has been focused on exploration delineation activities at Isaac Plains East with core drilling, 2D seismic and line of oxidation drilling within the targeted mining area underway since October 2015. It is anticipated that the program will enable the Company to place a maiden JORC Resource within Isaac Plains East with mining studies to follow. Long lead items, such as environmental monitoring, relating to the approval process for the project have also commenced.

Within the balance of Stanmore's portfolio only minimal exploration and compliance works have been undertaken, with the exception of the Clifford Project. Further field exploration and laboratory quality analysis was undertaken at the Clifford Project in conjunction with funding partners JOGMEC. This program resulted in a maiden JORC Resource[1] of 370Mt, with 80Mt Indicated Resource and 290Mt Inferred Resource across the Liberty and Grange deposits. Both deposits showed encouraging initial in-situ strip ratios of 7:1 and 6:1, respectively, with further onsite exploration activities and laboratory quality analysis commenced in 1Q2016.

Project	JORC Reserves[1]	JORC Resources[2]			
	ROM Reserve (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Isaac Plains	5	10	9	11	30
The Range	118	18	187	82	287
Belview	-	-	50	280	330
Mackenzie[3]	-	-	26	117	143
Tennyson	-	-	-	161	161
Clifford[4]	-	-	80	290	370
Total	**123**	**28**	**352**	**941**	**1,321**

The Company continues to assess various business development opportunities which have the potential to add value to existing projects or on a stand-alone basis.

[1] Refer to Marketable Reserves Note (p. 1)

[2] Refer to Competent Persons Statement (p. 1)

[3] 100% ownership basis. Stanmore Group effective ownership for Mackenzie is 98%

[4] 100% ownership basis. Stanmore Group effective ownership for Clifford is 60% assuming full JOGMEC farm-in of 40% is concluded

Project Update

The following table summarises the status of each of the Company's key assets:

Project	Status
Isaac Plains **Open cut coking coal mine**	• Current reserves support over 3 years of open cut mining at an initial rate of 1.1Mt per annum of product coal • Optimised mine plan and low cost mining approach result in a reduction of FOB unit costs by around 35% (compared to prior operations), placing the mine in the 2nd quartile of a margin-adjusted global metallurgical coal cost curve • Mine restart on track for 1H 2016 after awarding a 3-year mining contract to Golding Contractors • Dragline recommissioning completed on time and under budget • Exploration program underway to confirm JORC Resource status for Isaac Plains East and Isaac Plains Underground expansion opportunities • Isaac Plains East will benefit from operational and capital synergies from acquired assets, including the Bucyrus 1370W dragline, coal handling facility, train load out and rail spur facilities, office facilities and workshops • Marketing activities have seen strong interest from Asian customers with off-take discussions currently under negotiation
Belview **Underground Coking Coal**	• 330Mt JORC Inferred Resource[5] • Coal quality analysis work to date confirms the project can produce a high quality coking coal plus secondary PCI product • Located adjacent to Blackwater rail line which connects to the coal loading terminals of Gladstone
Lilyvale **Underground Coking Coal**	• Historical geological data indicates the Project area hosts the German Creek seam at a typical coal thickness of 2.2-2.5m • Region is not expected to be geologically complex and the German Creek seam is mined as a high quality coking coal in adjoining underground mines • Located close to an existing rail line that connects to an existing coal loading terminal
The Surat Basin ***The Range* - Open Cut Thermal Coal** **and** ***Clifford* - Open Cut Thermal Coal**	• Substantial resource position established at The Range - 118 Mt JORC ROM Reserve[6], 287 Mt total JORC Resource[1] (18Mt Measured, 187 Mt Indicated + 82Mt Inferred) Maiden JORC resource[1] of 370Mt at Clifford Project (80Mt Indicated, 270Mt Inferred) • Fourth exploration period at Clifford funded by JOGMEC • The Range EIS was approved by the State in February 2013 • No material level of expenditure required on the Range prior to development of rail infrastructure and decision to proceed.

5 Refer to Competent Persons Statement (p. 1)

6 Refer to Marketable Reserves Note (p. 1)

Capital Management

As part of the transaction to acquire the Isaac Plains Coal Mine, the Company signed a US$42 million debt facility with Taurus Mining Finance Fund (Taurus) in November 2015. The facility provides for US$30 million to be used for cash-backed guarantees and US$12 million as an available working capital facility. The facility has a term of 2 years and attracts interest payable at 10% for drawn amounts and 2% for undrawn. As a result of finalising the Financial Assurance and infrastructure bonding requirements, the Company has reduced the quantum of guarantee funds drawn from Taurus by approximately A$10 million, resulting in significant savings in guarantee fees over the term of the financing arrangement. Given the structure of the facility, amounts relating to cash-backed guarantees are off-balance sheet as contingent liabilities. Any amounts drawn under the working capital facility will be recorded as a US dollar loan. As at 31 December 2015 the Company has not drawn on the working capital facility.

The Company continues to investigate business development opportunities which hold synergies with the operations of Isaac Plains or potential value in their own right. Various funding options in order to transact are available to the Company and each potential transaction will be assessed judiciously by management and the Board. As Isaac Plains production ramps up the Company will also investigate, amongst other things, potential joint venture arrangements, offtake agreements and other opportunities which add value to shareholders.

In relation to the Clifford Project the Company has commenced the fourth farmin period with JOGMEC. The fourth period is the final period of the total $4.5 million in exploration funding invested. By the end of the fourth period JOGMEC will have earned up to a 40% economic interest in the Clifford Project by sole-funding the exploration activities and JOGMEC has the right to assign that interest to a Japanese nominee company in the future. Approximately $3.5 million of in-the-ground expenditure has been invested to date.

Outlook

The Board of Stanmore Coal is pleased with the progress made to restart the Isaac Plains coking coal mine, with first coal targeted for April 2016. In calendar 2016 the Company anticipates the completion of an extensive confirmatory exploration program at Isaac Plains East and will carry out further assessment on a near term, low cost expansion opportunity via underground mining off the existing Isaac Plains highwall.

The company is pleased with exploration progress achieved at the Clifford Project during the period. Our Japanese funding partners have contributed substantial financial resources and we look to maintain and strengthen these key relationships over the life of the project. The Clifford Project and The Range are high quality thermal coal assets with very attractive coal parameters including high energy and low emissions.

The Company remains well funded with significant value enhancing opportunities ahead given the transition to coal producer through the acquisition of Isaac Plains. Management, the Board and all staff remain committed to driving shareholder value through the efficient, low cost restart of operations whilst continuing to assess business development opportunities. The Company's diversified portfolio of development and exploration projects, in addition to near term operations, put it in a strong position to benefit as coal markets regain strength.

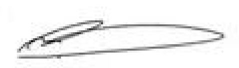
Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on page 7 to these half-year financial statements.

Rounding of Amounts to the Nearest Thousand Dollars

The company satisfies the requirements of Class Order 98/100 issued by the Australian Securities and Investments Commission relating to "rounding off" of amounts in the Directors' Report and the financial statements to the nearest thousand dollars. Amounts have been rounded off in the Directors' Report and financial statements in accordance with that Class Order.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Nicholas Jorss
Managing Director

Brisbane
11 March 2016

DECLARATION OF INDEPENDENCE

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

As lead auditor for the review of Stanmore Coal Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 11 March 2016

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Consolidated Entity	
		31 December 2015 $ '000s	**31 December 2014 $ '000s**
Revenue		162	336
Other Income		956	250
Pre-production mining expenses	2	(693)	-
Borrowing costs		(600)	(4)
Employee benefits expenses		(1,209)	(904)
Share based payment expenses		(31)	(105)
Depreciation and amortisation expenses		(12)	(19)
Legal expenses		(18)	(10)
Consulting and business development expenses		(51)	(221)
Transaction acquisition costs	2	(3,847)	-
Other administrative expenses		(1,033)	(522)
Loss before income tax expense		**(6,376)**	**(1,199)**
Income tax expense		-	-
Loss for the half-year attributable to members of Stanmore Coal Limited		**(6,376)**	**(1,199)**
Other comprehensive income		**-**	**-**
Items that will not be reclassified to profit or loss		**-**	**-**
Items that will be reclassified to profit or loss		**-**	**-**
Total comprehensive loss for the half-year attributable to members of Stanmore Coal Limited		**(6,376)**	**(1,199)**
		Cents	Cents
Loss per share attributable to owners of Stanmore Coal Limited:			
Basic loss per share		(2.9)	(0.6)
Diluted loss per share		(2.9)	(0.6)

The above Consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	31 December 2015 $ '000s	30 June 2015 $ '000s
ASSETS			
Current Assets			
Cash and cash equivalents	3	30,475	15,199
Restricted cash		85	83
Trade and other receivables		22,024	186
Other current assets		3,668	11
Total Current Assets		**56,252**	**15,479**
Non-Current Assets			
Property, plant and equipment	8	29,797	1,995
Exploration and evaluation assets	4	25,397	21,565
Capitalised development costs		20,106	20,108
Other non-current assets	8	4,968	156
Total Non-Current Assets		**80,268**	**43,824**
TOTAL ASSETS		**136,520**	**59,303**
LIABILITIES			
Current Liabilities			
Trade and other payables		1,908	545
Current onerous contracts	8	15,525	-
Current rehabilitation liabilities	8	1,900	-
Total Current Liabilities		**19,333**	**545**
Non-Current Liabilities			
Non-Current onerous contracts	8	33,200	-
Non-Current rehabilitation liability	8	31,094	-
Other provisions	8	475	-
Total Non-Current Liabilities		**64,769**	**-**
TOTAL LIABILITIES		**84,102**	**545**
NET ASSETS		**52,418**	**58,758**
EQUITY			
Issued capital	5	97,368	97,368
Option Reserve		4,340	4,304
Accumulated Losses		(49,290)	(42,914)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF STANMORE COAL LIMITED		**52,418**	**58,758**

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

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Issued Capital $ '000s	Convertible Note Reserve $ '000s	Accumulated Losses $ '000s	Option Reserve $ '000s	Total Equity $ '000s
At 1 July 2014	**88,359**	**9,027**	**(30,766)**	**4,098**	**70,718**
Total comprehensive income for the half-year					
Loss for the half-year	-	-	(1,199)	-	**(1,199)**
	-	-	(1,199)	-	**(1,199)**
Transactions with owners in their capacity as owners					
Issue of share capital	-	-	-	-	**-**
Costs associated with issue of share capital	-	-	-	-	**-**
Share-based payments	-	-	-	109	**109**
	-	-	-	109	**109**
At 31 December 2014	**88,359**	**9,027**	**(31,965)**	**4,207**	**69,628**
At 1 July 2015	**97,368**	**-**	**(42,914)**	**4,304**	**58,758**
Total comprehensive income for the half-year					
Loss for the half-year	-	-	(6,376)	-	**(6,376)**
	-	-	(6,376)	-	**(6,376)**
Transactions with owners in their capacity as owners					
Issue of shares	-	-	-	-	**-**
Costs associated with issue of share capital	-	-	-	-	**-**
Reclassification of convertible notes previously disclosed as liabilities	-	-	-	-	**-**
Share-based payments	-	-	-	36	**36**
	-	-	-	36	**36**
At 31 December 2015	**97,368**		**(49,290)**	**4,340**	**52,418**

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

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Consolidated Entity	
		31 December 2015	**31 December 2014**
		$ '000s	**$ '000s**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		785	1,022
Payments to suppliers and employees (including payments of Goods & Services Tax)		(4,399)	(1,545)
Payments for onerous contracts		(1,400)	-
Interest received		122	295
Interest paid		(18)	-
Net cash outflow from operating activities		**(4,910)**	**(228)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for security and other deposits		(26)	249
Payments for property plant & equipment		(3,552)	(3)
Receipts relating to exploration grants		923	989
Receipts relating to vendor payments		31,798	-
Payments for exploration, evaluation and development assets		(4,732)	(1,725)
Net cash outflow from investing activities		**24,411**	**(490)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowing costs paid		(4,225)	-
Net cash outflow from financing activities		**(4,225)**	**-**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**15,276**	**(718)**
Cash and cash equivalents at beginning of period		15,199	17,830
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3	**30,475**	**17,112**

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

1. BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australia Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001, as appropriate for for-profit oriented entities.

The Company is of a kind referred to in ASIC Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this financial report and Directors' Report have been rounded off in accordance with this Class Order to the nearest thousand dollars, unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for derivatives, available-for-sale financial assets and held-for-trading investments that have been measured at fair value. The entity is a for-profit entity for the purposes of Australian Accounting Standards.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2015 and any public announcements made by Stanmore Coal Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

(a) Going concern

The half year financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the Company to continue to adopt the going concern assumption will depend upon a number of factors including the success of the mine operations or the successful exploration and subsequent exploitation of the Company's tenements. Should these avenues be delayed or fail to materialise, the Group expects to have the ability to successfully raise additional funding through debt, equity or farmout / selldown to allow the Group to continue as a going concern and meet its debts as and when they fall due.

(b) Comparatives

When required by Accounting Standards, comparatives have been adjusted to conform to changes in presentation for the current half-year.

(c) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

(c) Intangible assets (continued)

Rail loop benefit

The rail loop benefit acquired in a business combination is amortised on a straight-line basis over the period of their expected benefit, being the remaining contractual life of 8 years.

2. INDIVIDUALLY SIGNIFICANT ITEMS

A number of significant items were recorded in the half year to 31 December 2015 as a result of the transaction execution and subsequent transfer of ownership for the Isaac Plains Coal Mine. Transaction acquisition costs primarily related to due diligence consulting ($1,511k), legal fees ($866k) and stamp duty assessed on the dutiable of the transaction ($1,348k). Subsequent to transaction completion, $693k in ownership costs were incurred mainly relating to the key infrastructure and other contracts at the mine site. These costs were funded from the compensation payments received from the vendors of Isaac Plains.

There were no other individually significant items for the half-year ended 31 December 2015.

3. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents of $30.475 million at 31 December 2015, includes $1.9 million held on term deposit with various financial institutions. The treasury strategy employed by the group seeks to optimise fixed income earnings for funds which are deemed to be surplus to short term requirements. At all times these funds on term deposit are immediately callable and accessible by the group. The remaining balance of $28.575 million in cash and cash equivalents is held in several operating accounts for day to day working capital and other short to medium term requirements.

4. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are $25.397 million at 31 December 2015. The movement from 30 June 2015 (increase of $3.832 million) represents the acquisition cost of MDL 135 and (part) MDL 137 ($2 million) and subsequent exploration activities carried out onsite. The movement also includes gross exploration across the rest of the portfolio less exploration funding received from our partner (Japan Oil Gas and Metal National Corporation) at the Clifford Project.

5. EQUITY SECURITIES ISSUED

	Consolidated Entity		Consolidated Entity	
	31 December 2015 No.	30 June 2015 No.	31 December 2015 $ '000s	30 June 2015 $ '000s
(a) Ordinary shares				
At the beginning of the period / year	222,497,435	209,124,058	97,368	88,359
- (1)	-	13,373,377	-	9,027
- Share issue costs	-	-	-	(18)
At end of the period / year	222,497,435	222,497,435	97,368	97,368

(1) On 4 May 2015, 13,373,377 Convertible Notes held by Greatgroup Investments Limited was converted into ordinary shares of the Company at a ratio of 1:1.

6. 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) in assessing performance and determining the allocation of resources. The consolidated entity is managed primarily on a geographic basis, that is, the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the Board which is at the consolidated entity level. The Consolidated entity does not currently have any products or services it derives revenue from however the first product revenue is anticipated within the full year given the recommencement of mining activities at Isaac Plains.

Accordingly, management currently identifies the consolidated entity as having only one reportable segment, being the exploration and development of coal assets in Australia as Isaac Plains is pre-production. There have been no changes in the operating segments during the half-year. Accordingly, all significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

7. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Isaac Plains East acquisition

On 4 September 2015 the Company completed the acquisition of MDL 135 and (part) MDL 137 for an initial cash payment of $2 million. The transaction terms include two contingent consideration items, namely:

- A further $2 million payable upon grant of a Mining Lease; and
- A royalty capped at $3 million payable at $1 per tonne of production for coal that is mined within the new Mining Lease.

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

Debt finance facility

In November 2015 the Company signed a debt facility with Taurus which provides US$30 million to cash-back certain bank guarantees related to Isaac Plains and a US$12 million for general project working capital purposes. Given the structure of the arrangement with Taurus, the facility is backed-to-back with a major financial institution which provides letters of credit on the Company's behalf. This arrangement, amongst other things, avoids foreign currency translation risk as the guarantees are denominated in Australian dollars. The letters of credit arrangement is off-balance sheet except in circumstances where the Company is in default under the facility agreement or the underlying infrastructure contract. If a default were to occur then the debt would convert into a US dollar loan from Taurus which would result in balance sheet recognition. At the date of the half year financial statements there is no default occurring or subsisting.

Isaac Plains Acquisition

Refer Note 8 for contingent assets and liabilities identified as a result of the transaction to acquire the Isaac Plains Coal Mine.

The Directors are not aware of any other change in contingent assets liabilities since the last annual reporting date.

8. BUSINESS COMBINATION

On 27 November 2015, Stanmore IP Coal Pty Ltd (subsidiary of Stanmore Coal Limited) completed the acquisition of 100% of the issued share capital of Isaac Plains Coal Management Pty Ltd and the assets and liabilities of the Isaac Plains Coal Joint Venture, a coal mine in Queensland's Bowen Basin. This acquisition provides Stanmore with an established coking coal mine capable of re-instatement of mining activity.

Key judgements – Business Combination

The acquisition has been deemed an acquisition of a business, rather than an acquisition of assets, having regard to the inputs and processes acquired which are necessary to the recommencement of mining activities. Several inputs and processed were not acquired, however they been determined to be readily replaceable in the current market as evidenced by the Company's plan to recommence activities within several months of transaction completion. On this basis the rules of AASB 3 *Business Combinations* have been applied to the acquisition.

Details of the provisional purchase consideration of all the assets and liabilities acquired are as follows:

PURCHASE CONSIDERATION	**$ '000s**
Cash paid	-
Contingent consideration	400
Total purchase consideration	**400**

ASSETS AND LIABILITIES ACQUIRED	**Fair Value $ '000s**
Vendor Compensation Payments Receivable	55,300
Property, plant & equipment	23,765
Mining Rights	-
Intangibles – Rail loop benefit	4,800
Net Deferred Tax Asset (Liability)	55
Provision – Onerous Contracts	(49,800)
Provision - Rehabilitation	(33,100)
Bargain gain on acquisition	(620)
Net Assets acquired	**400**

(a) Contingent Consideration

The contingent consideration relates to a royalty stream payable to the vendors of Isaac Plains in the event that benchmark Hard Coking Coal prices are above an Australian Dollar equivalent of 160 (adjusted for CPI) and coal is produced and sold from either Isaac Plains or Isaac Plains East. Each royalty is capped at predetermined amounts for each vendor, reflecting the compensation payments received from each vendor, but some of the vendor payments are dependent on uncertain future contract expenditure. Therefore, until these payments are known, the actual amount of the cap is unknown and can only be estimated. The estimated maximum contingent consideration, assuming price thresholds are reached, is approximately $52 million (2015 dollars). 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. The fair value of the contingent consideration of $400 thousand has been estimated by calculating the present value of expected future cash flows from the Isaac Plains coal mine using a range of coal price revenue scenarios. At balance date 31 December 2015, the contingent consideration value has been assessed as $380 thousand, a slight decrease from the acquisition date. This is due to slight deterioration in the coal market up to balance date which impacted the net present value calculation by $20 thousand. Contingent Consideration has been recognised within Other Provisions as a Non-Current Liability.

(b) Receivables

The vendors of Isaac Plains agreed to pay a series of compensation payments, the majority up front with the balance paid in instalments, to cover certain underutilised contracts and general working capital requirements. The gross amount of compensation payments is unknown as a portion is linked to an estimate of payments that may or may not occur. The fair value of the receivable is estimated to be $55 million and determined by calculating the present value of expected future cash inflows from the vendors. As at 31 December 2015 the remaining vendor compensation receivable is $21.6 million.

(c) Onerous Contracts

The Company acquired various long term contracts necessary for mining activities at Isaac Plains including rail haulage, port allocations, water supply, electricity supply and accommodation. Based on the current Isaac Plains mine plan, a portion of these contracts will be underutilised and the fixed charges incurred above the deemed requirement has been recognised as an onerous contract liability. The fair value of onerous contracts has been estimated by calculating the present value of expected future cash outflows for the onerous portion of each contract, discounted at a rate reflecting the risk profile of each contract.

(d) Provision for rehabilitation

The Company assumed the liability for future rehabilitation of mining activities at the Isaac Plains coal mine. The fair value of the rehabilitation liability has been determined by calculating the present value of expected future cash outflows to undertake the rehabilitation of the Isaac Plains coal mine, using an appropriate discount rate in accordance with standard market practice.

(e) Bargain gain on acquisition

The Company's acquisition of Isaac Plains for nominal consideration was an arm's length transaction between non-related third parties. Given current market conditions it is reasonable that within the overall transaction there is not a material residual value remaining to allocate to goodwill. In this acquisition the calculated result is negative goodwill, or a bargain gain on acquisition of $620 thousand. This gain has been reflected within Other Income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The net bargain gain on acquisition is immaterial when compared to the total assets acquired of $79 million. In this context the outcome does not appear unreasonable.

(f) Other notes

Within the current half year Statement of Profit and Loss and other Comprehensive Income, $0.693 million of losses has been recognised in relation to the Isaac Plains acquisition subsequent to completion of the transaction. These costs related to key infrastructure and other contractual commitments which were novated to Stanmore IP Coal Pty Ltd.

9. EVENTS SUBSEQUENT TO REPORTING DATE

There have been no events since 31 December 2015 that impact upon the financial report as at 31 December 2015.

The directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001, including:

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

   (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.

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

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Nicholas Jorss
Managing Director

Brisbane
11 March 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Stanmore Coal Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Stanmore Coal Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Stanmore Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit Pty Ltd

BDO

T J Kendall
Director

Brisbane, 11 March 2016