stanmorecoal

Stanmore Coal Limited
and its controlled entities

ABN 27 130 920 968

Appendix 4D
&
Interim Financial Report
31 December 2016

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Corporate Information

DIRECTORS
Neville Sneddon
Dan Clifford
Chris McAuliffe
Patrick O'Connor
Stephen Bizzell

JOINT COMPANY SECRETARIES
Duncan Cornish and Andrew Roach

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AUSTRALIAN BUSINESS NUMBER
ABN 27 131 920 968

Results for Announcement to Market

APPENDIX 4D – HALF YEAR ENDED 31 DECEMBER 2016

	31 December 2016 $000	31 December 2015 $000	Change %
Revenue from ordinary activities	59,352	-	N/A
Profit after tax from ordinary activities attributed to members	(541)	(6,376)	91.5%
Net profit attributable to members	(541)	(6,376)	91.5%

DIVIDENDS PAID AND PROPOSED

No dividends paid or proposed for the half-year ending 31 December 2016. There was no dividend reinvestment plan in operation during the half-year.

EVENTS AFTER REPORTING DATE

There have been no events since 31 December 2016 that impact upon the financial report as at 31 December 2016 and future periods.

ROUNDING OF AMOUNTS TO THE NEAREST THOUDSND DOLLARS

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

EXPLANATION OF KEY INFORMATION AND COMMENTARY ON THE RESULTS FOR THE PERIOD

Refer to accompanying Directors' Report.

Directors' Report

Your Directors present their report on the consolidated entity consisting of Stanmore Coal Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2016 (referred to in this report as Stanmore Coal or the Company).

DIRECTORS

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

Name	**Position**
Neville Sneddon	Chairman, Non Executive Director
Daniel Clifford	Managing Director (appointed 14 November 2016)
Nicholas Jorss	Managing Director (resigned 14 November 2016) Deputy Chairman (appointed 14 November 2016) (resigned 29 November 2016)
Stephen Bizzell	Non Executive Director
Chris McAuliffe	Non Executive Director
Patrick O'Connor	Non Executive Director
Viv Forbes	Non Executive Director (resigned 30 November 2016)

OPERATING AND FINANCIAL REVIEW

Highlights

Highlights for the half year ending 31 December 2016 include:

- Product coal sales of 550.2kt at an average sale price achieved of A$107.90/t
- Product coal produced of 581.8kt, with the coal handling and processing plant (CHPP) delivering a total yield of 74.5% (product split of 81% to 19%, coking coal to thermal coal respectively)
- Prime strip ratio (bcm waste/ROM t) for the period was 18.3 resulting in 601.5kt ROM produced from the open cut associated with ramp-up phase of the Isaac Plains Coal Mine
- Total Free-On-Board (FOB) cost of A$116.90/t for a loss margin of A$9.00/t sold during the period. The total FOB cost in the period was higher than the life of mine anticipated cost of production. Also as overburden mining costs were recognised as incurred rather than capitalised, this resulted in higher initial costs per tonne during the period
- Completion of highwall mining activities in October 2016, delivering 216.5kt ROM produced for the period
- Submitted formal application documentation to relevant government departments for the Mining Lease and associated amendment to the Environmental Authority relating to the Isaac Plains East Project
- Capital raising completed in December 2016, raising A$15m (pre-costs) to primarily new institutional investors at an issue price of $0.55 per share

During the period export coal markets dynamics significantly improved, driven primarily by supply side cuts in China and production disruptions experienced by several key Australian coking coal operations. The material increase to the pricing environment allowed the Company to respond with an anticipated improved output for the Company with higher revenues and significantly improved margins anticipated to flow through the second half of FY17.

The Company is actively progressing the required approvals for its Isaac Plains East Project with the aim to have the necessary approvals in Q1 FY18 and subject to the approvals process and timeline risks, potentially deliver first coal in Q3 FY18. The Company is also assessing options to fast-track the feasibility assessment of the Isaac Plains Underground Project to underpin an investment decision in Q2 FY18.

With the reestablishment of open cut production in 2016, the progressing of permits and assessing of study options at its Isaac Plains Complex, the Company's strategy is to assess and develop safe, reliable and repeatable coal production from multiple sources to maximise production through its existing infrastructure which is capable of processing circa. 3.5 million ROM tonnes per annum.

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

Financial Performance and Financial Position

The Company reports a loss after income tax of $0.541 million (2015: loss after income tax of $6.376 million). The operating loss after income tax is impacted by a mark to market accounting adjustment relating to a contingent vendor royalty liability (due to improving coal prices), reversal of a prior period impairment to The Range project and recognition of past tax losses and associated deferred tax asset.

The gross margin from operations was a loss of $5.911 million (2015: $nil) with coal sales revenue delivering $59.352 million in the first half of the financial year (2015: nil). The loss is driven in part by underperformance from, and wet weather impacts on, the open cut operations during the period. Increases to the average selling price of the Company's export coal has lagged the rising spot or index price given the majority of coal produced is sold on a benchmark that is reset on a quarterly basis. In addition, the average selling price has also lagged the quarterly benchmark given the Company is delivering "carry over" tonnages at prior quarter pricing due to the fact that the mine commenced production part-way through the Japanese fiscal year. The loss also includes corporate costs, overhead costs and financing charges, which are necessary to support the ongoing management of coal mining operations at Isaac Plains.

	31 December 2016 $ mill	31 December 2015 $ mill
Coal Sales and Other Revenue	59.352	–
Cost of sales	(65.263)	–
Gross margin	**(5.911)**	**–**
Other income and expenses	(5.601)	(5.938)
Finance income	0.077	0.162
Financial expenses	(4.724)	(0.600)
Profit/(loss) before income tax benefit/(expense)	**(16.159)**	**(6.376)**
Income tax benefit/(expense)	15.618	–
Profit/(loss) after income tax expense	**(0.541)**	**(6.376)**

In the half year to 31 December 2016, a total net cash inflow of $6.653 million was recorded. This inflow can be attributed to the capital raising completed in December 2016, raising $14.264 million (post costs), less operating performance of the mine during completion of the ramp-up phase and capital expenditure required for the dragline and CHPP assets. The net cash outflow of $21.175 million from Operating activities includes the settlement of onerous contracts in the period, which were part compensated by $13.430 million received from the vendors of the mine within investing activities and the normalisation of operations trade payables.

	31 December 2016 $ mill	31 December 2015 $ mill
Net cash at beginning of year	12.080	15.199
Net cash from operating activities	(21.175)	(4.892)
Net cash from investing activities	8.058	24.411
Net cash from financing activities	19.770	(4.243)
Net increase/(decrease) in cash held	6.653	15.276
Net cash at end of year	**18.733**	**30.475**

The Group ended the year with gross assets of $146.239 million including $18.733 million of available cash. The Group has total net assets of $54.224 million at 31 December 2016. Other than operating trade payables, at 31 December

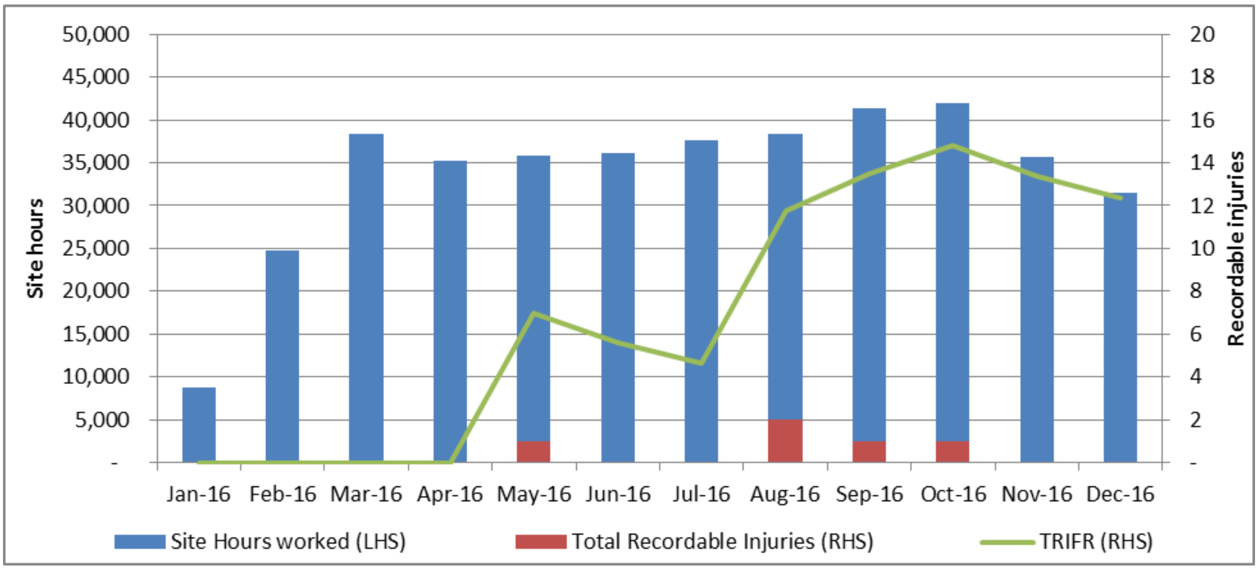
2016 the Group has recognised provisions for onerous liabilities which relate to contracts acquired as part of the Isaac Plains acquisition. The onerous nature primarily relates to long-dated contracts where the Company does not have sufficient Reserves at balance date to cover production for the life of the contract.

Operational Summary

Safety

The Group undertook or managed over 405,000 hours of coal mining, drilling and exploration activity directly and through its contractors during the twelve month period and reported no lost time injuries. The Total Reportable Injury Frequency Rate at balance date was 12.34 per million hours.

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



Isaac Plains Coking Coal Mine - Operation

The Isaac Plains Coal Mine delivered a total of 818kt of ROM coal to the CHPP. Open cut operations produced 581.2kt ROM coal at a prime strip ratio of 18.3x, whilst highwall mining delivered 216.5kt ROM coal during the period. Total coal sold during the period was 550kt with approximately 87% of sales being semi-soft coking coal. The September 2016 quarter was challenging for the mine, with underperformance of the open cut operations also impacting the following December 2016 quarter. The completion of a 5 month highwall mining contract contributed 216.5kt of ROM coal within the period which provided the Company with product coal to supplement open cut operations and meet contractual commitments with key customers. The Company has agreed a Revised Mine Plan with the principal contractor (Golding Contractors Pty Ltd) which involves investment into pre-strip and inventory levels to improve reliability and repeatability of operations over the remainder of the contract life.

The prime strip ratio for the period is higher than the 3-year average ratio of 14:1. The ROM strip ratio in 2HFY17 is expected to trend towards the estimated life of mine strip ratio of 14:1 due to an upthrust fault through the main area of mining which reduces overburden thickness. The Company is anticipating some variability in yields and product split as mining progresses through this area.

The Company completed additional capital works for the CHPP and dragline during the half year, relating to carry-over recommissioning activities from FY16 plus planned maintenance which was brought forward.

The average sale price achieved for all coal during the half year was USD 81.1 per tonne, driven by a rising market for coking coal where the benchmark has increased for five consecutive quarters. The Company anticipates an increased average sale price for 2HFY17, driven largely by the USD 171 Japanese benchmark price set for semi soft coking coal in the March 2017 quarter.

Thousands	1H FY17
Prime Overburden (bcm)	11,009.7
ROM coal produced - Open cut (tonnes)	601.5
ROM strip ratio (prime)	*18.3*
ROM coal produced - Highwall (tonnes)	216.5
CHPP Feed (tonnes)	781.1
Saleable coal produced (tonnes)	581.8
- *Metallurgical*	*475.5*
- *Thermal*	*106.3*
Product yield %	74.5%
- *Metallurgical*	*60.9%*
- *Thermal*	*13.6%*
Total coal sales (tonnes)	550.2
- *Metallurgical*	*476.5*
- *Thermal*	*73.7*
Coal product stockpiles (tonnes)	103.7
Average sale price achieved (US$/t)	$81.1
Average sale price achieved (A$/t)	$107.9
Unit costs of sales (A$/t sold)	
FOR cost	$80.8
FOR to FOB cost	$36.1
Total FOB cost	$116.9
Margin	-$9.0

Operations for the half year ending 31 December 2016 represent mining strip ratio conditions that are, on average, higher than the 3 year average for the initial Isaac Plains open cut northern pits. Given the mix of machinery required to mine the coal during the period, combined with the strip ratio, the total free on board cost is higher than the life of mine anticipated cost of production. It should also be noted that overburden mining costs are recognised as incurred rather than capitalised, resulting in higher initial costs on a per tonne basis.

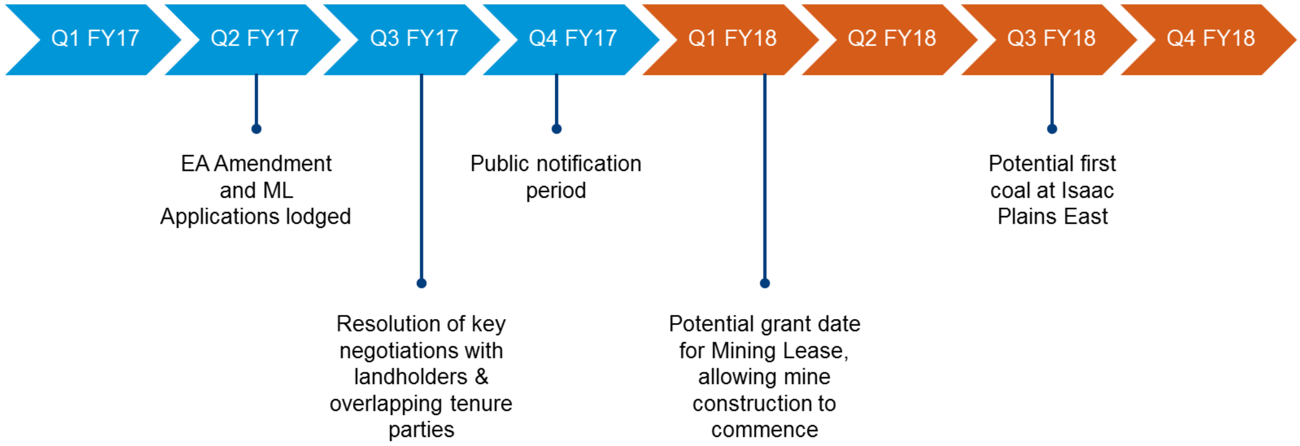
Wash plant yield performance for the half year was 74.5%, which is in line with expectations for the insitu coal quality within the mining zone for the period. Overall the plant has performed well since initial recommissioning issues have been rectified.

Isaac Plains East Project

During the half year ending 31 December 2016 the Company submitted formal application documentation to relevant government departments for the Mining Lease and associated amendment to the Environmental Authority relating to the Isaac Plans East Project.

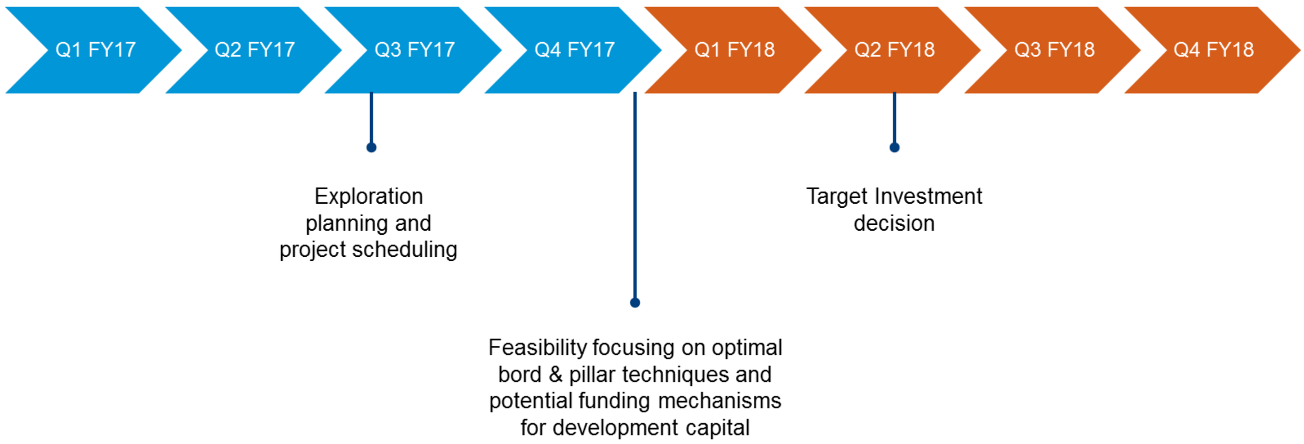
The project schedule from an approvals perspective is in a crucial phase. From January 2017 through May 2017, resolution of key negotiations with landholders and overlapping tenure parties are targeted to be reached in parallel with the public notification process being managed through government departments. Pending the outcome of these processes, if successful, the mining leases and associated environmental authorities may be granted in Q1 FY18. Following approval, the Company expects first production in Q3 FY18. As a result of the potential risks to the timeline, the Company will continue to keep shareholders updated on the progress of this extension to the Isaac Plains Coal Mine.

An in-fill drilling program is underway to improve confidence levels around pit limits, coal quality and structure definition for detailed mine design purposes. The program will be completed in the March 2017 quarter.



Isaac Plains Underground Project

During the half year ending 31 December 2016 the Company has undertaken detailed exploration planning and project scheduling to refine the development strategy for the potential underground mining zone within the permitted Isaac Plains mining lease. Whilst the statutory approval process is likely to commence following grant of the Isaac Plains East project leases, the Company is assessing options to fast-tracking feasibility assessment of the project including funding mechanisms for development capital and optimal bord and pillar extraction techniques. Assessment has been accelerated to form the business case in Q2 FY18.



The Range

In the year ending 30 June 2016 the Company elected to impair the carrying value of The Range project from $21.065m to $7.025m (total $13.883m impairment) based on the weak outlook for thermal coal at the time. Since that election was made, the export coal market for thermal coal has improved materially with spot and contract prices reversing multi-year declines. Further, there has been an uplift in merger & acquisition activity as well as development progress made by various owners of both greenfield and brownfield assets. With this movement, the Board has reconsidered the inherent value of The Range and concluded to reinstate to the full carrying cost of $21.065m permitted under the accounting standards. The impact on the half year ending 31 December 2016 is an improvement to the profit before tax of $13.883m.

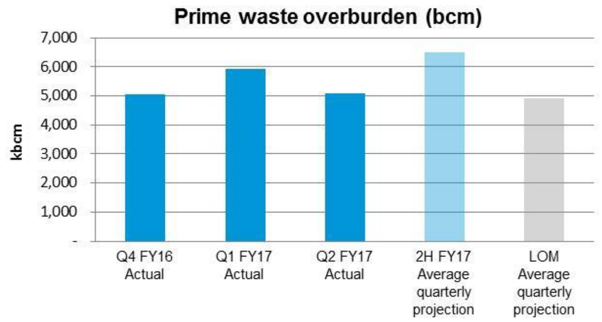
Clifford Thermal Coal Project - Exploration

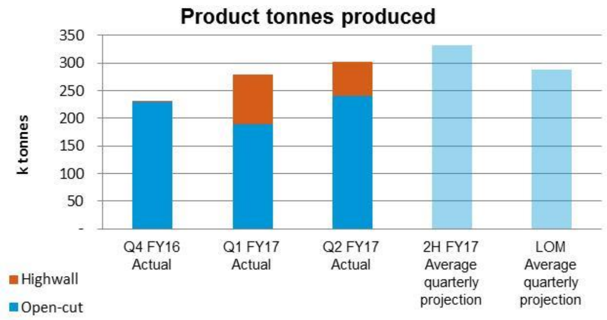
The Company is near completion of a joint exploration initiative at the Clifford project with the Japanese Government agency JOGMEC to develop a new, long term source of high quality thermal coal suitable for Japanese electricity generators. JOGMEC is providing up to $4.500 million of funding to cover all the planned exploration expenditure over three years within the Clifford Project area. The funding arrangement is anticipated to conclude by end March 2017 with further development options to be assessed thereafter.

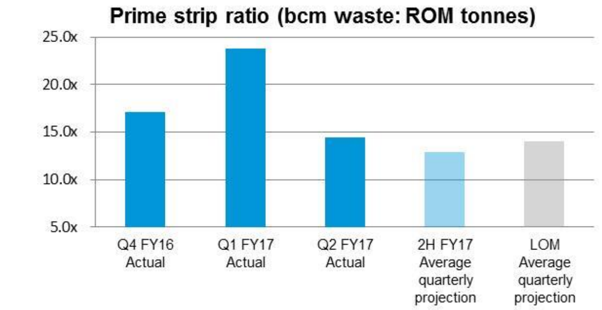
Outlook and developments

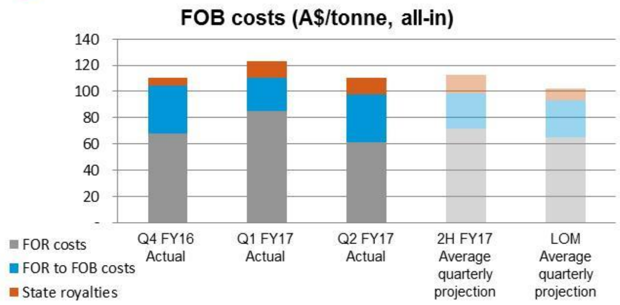
Operations

The below charts outline the quarterly operational performance across key physical and cost metrics. Also provided is the anticipated quarterly average result for the remaining two quarters in FY17, and a comparator of the quarterly estimate over the life of the 3-year open cut contract within the existing Isaac Plains open cut mine.









Note: LOM refers to the three year term of the Golding contract at Isaac Plains open-cut

Guidance for FY 2017 remains unchanged at 1.25Mt product tonnes produced.

Demand

High quality coking coal from Isaac Plains is purchased by top tier steel mills from a range of countries. The Company will continue to pursue high value selling opportunities and build new and further establish existing customers who have contracted for coking coal since recommencement of operations.

The Company contracted with three significant steel mills in the first year of production for 900 thousand tonnes of semi soft coking coal within the Japanese fiscal year ending 31 March 2017. Given the commencement of sales in May 2016 and operational issues noted in the open cut operations, a portion of tonnes will remain undelivered at 31 March 2017. Assuming the Company re-contracts with the same steel mills, the undelivered carry over tonnes will form part of the negotiation in respect of the portion to be carried over and added to the new contract year. The Company anticipates a material portion will be carried over at the current March 2017 benchmark.

Pricing

With the recent surge in Index and benchmark measures for both coking and thermal coal, the Company anticipates a pull-back which may see prices settle at a level that encourages medium term investment decisions for replacement production. Supply restraint, or changes to recent mining conditions in China, may alter the outlook for export coal pricing but overall the policy settings adopted are anticipated to provide price stability in the medium term.

AUDITOR'S INDEPENDENCE DECLARATION

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

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

Dan Clifford
Managing Director

Brisbane
Date: 28 February 2017

Auditor's Independence Declaration

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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 2016, 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

BDO Audit Pty Ltd

Brisbane, 28 February 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2016

	Note	31 December 2016 $'000	31 December 2015 $ '000
Revenue	2	59,352	–
Cost of sales	3	(65,263)	–
Gross Profit		**(5,911)**	**–**
Other income	2	17,098	956
Pre-production mining expenses	3	–	(693)
Other expenses	3	(22,699)	(6,201)
Profit before income tax and net finance expenses		**(11,512)**	**(5,938)**
Finance income		77	162
Financial expenses	3	(4,724)	(600)
Loss before income tax expense		**(16,159)**	**(6,376)**
Income tax benefit	4	15,618	–
Net loss for the year		**(541)**	**(6,376)**
Other comprehensive income		**–**	**–**
Total comprehensive loss for the year		**(541)**	**(6,376)**
Loss for the year is attributable to:			
Owners of Stanmore Coal Limited		**(541)**	**(6,376)**
Total comprehensive income / (loss) for the year is attributable to:			
Owners of Stanmore Coal Limited		**(541)**	**(6,376)**

Earnings/(loss) per share attributable to the owners of Stanmore Coal Limited:		**Cents**	**Cents**
Basic loss per share (cents per share)	16	(0.2)	(2.9)
Diluted loss per share (cents per share)	16	(0.2)	(2.9)

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

Consolidated Statement of Financial Position as at 31 December 2016

	Note	31 December 2016 $ '000	30 June 2016 $ '000
Current Assets			
Cash and cash equivalents	5	18,733	12,080
Restricted Cash	5	85	76
Trade and other receivables	7	13,007	22,285
Inventories	6	6,858	5,079
Other current assets		3,648	2,845
Total Current Assets		**42,331**	**42,365**
Non-Current Assets			
Trade and other receivables	7	-	738
Property, plant and equipment	8	35,491	33,445
Exploration and evaluation assets	9a	25,935	23,584
Capitalised development costs	9b	21,065	7,175
Intangible assets		4,534	4,786
Deferred tax assets	4	16,747	-
Other non-current assets		136	181
Total Non-Current Assets		**103,908**	**69,909**
TOTAL ASSETS		**146,239**	**112,274**
Current Liabilities			
Trade and other payables	10	18,923	22,552
Interest-bearing loans and borrowings	11	8,292	-
Onerous contracts provision	12	4,251	5,153
Vendor private royalty provision	13	4,929	-
Rehabilitation provision	14	985	1,687
Total Current Liabilities		**37,380**	**29,392**
Non-Current Liabilities			
Onerous contracts provision	12	20,910	21,576
Vendor private royalty provision	13	11,653	-
Rehabilitation provision	14	22,072	22,221
Total Non-Current Liabilities		**54,635**	**43,797**
TOTAL LIABILITIES		**92,015**	**73,189**
NET ASSETS		**54,224**	**39,085**
EQUITY			
Issued capital	17	113,048	97,368
Option Reserve		4,377	4,377
Accumulated Losses		(63,201)	(62,660)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF STANMORE COAL LIMITED		**54,224**	**39,085**

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

Consolidated Statement of Changes in Equity for the half year ended 31 December 2016

	Issued Capital	Convertible Note Reserve	Accumulated Losses	Option Reserve	Total
	$ '000	$ '000	$ '000	$ '000	$ '000
At 1 July 2015	**97,368**	**-**	**(42,914)**	**4,304**	**58,758**
Total comprehensive income for the financial year					
Profit/(loss) for the half year	-	-	(6,376)	-	**(6,376)**
Other comprehensive income	-	-	-	-	**-**
	-	**-**	**(6,376)**	**-**	**(6,376)**
Transactions with owners in their capacity as owners					
Conversion of convertible notes into share capital	-	-	-	-	**-**
Costs associated conversion of convertible notes	-	-	-	-	**-**
Share based payments	-	-	-	36	**36**
At 31 December 2015	**97,368**	**-**	**(49,290)**	**4,340**	**52,418**
At 1 July 2016	**97,368**	**-**	**(62,660)**	**4,377**	**39,085**
Total comprehensive income for the financial year					
Profit/(loss) for the half year	-	-	(541)	-	**(541)**
Other comprehensive income	-	-	-	-	**-**
	-	**-**	**(541)**	**-**	**(541)**
Transactions with owners in their capacity as owners					
Issue of Shares	15,302	-	-	-	**15,302**
Cost associated with issue of share capital	(751)	-	-	-	**(751)**
Share based payments	-	-	-	-	**-**
Deferred Tax recognised directly in equity	1,129				**1,129**
At 31 December 2016	**113,048**	**-**	**(63,201)**	**4,377**	**54,224**

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

Consolidated Statement of Cash Flows for the half year ended 31 December 2016

	Note	31 December 2016 $ '000	31 December 2015 $ '000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of GST)		55,658	785
Payments to suppliers and employees (inclusive of GST)		(70,455)	(4,399)
Payments for onerous contracts		(6,455)	(1,400)
Interest received		77	122
Net cash (outflow)/inflow from operating activities		**(21,175)**	**(4,892)**
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(4,130)	(3,552)
Net (payments) / receipts for exploration, evaluation and development assets		(1,242)	(3,809)
Receipts relating to vendor payments		13,430	31,798
Payments for other assets		-	(26)
Net cash (outflow)/inflow from investing activities		**8,058**	**24,411**
Cash Flows from Financing Activities			
Proceeds from issue of shares (net of costs)		14,476	-
Interest and other finance costs paid		(2,599)	(18)
Net proceeds from/(repayment of) borrowings		7,893	(4,225)
Net cash (outflow)/inflow from financing activities		**19,770**	**(4,243)**
Net increase/(decrease) in cash held		6,653	15,276
Net cash at beginning of year		12,080	15,199
Net cash at end of year	**5**	**18,733**	**30,475**

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

NOTE 1 BASIS OF PREPARATION

These general purpose interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard (AASB) 134: Interim Financial Reporting. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

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

This interim financial report is intended to provide users with an update on the latest annual financial statements of Stanmore Coal Limited and its subsidiaries ("the Consolidated Entity"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year with the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made following half-year.

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

These interim financial statements were authorised for issue on 28 February 2017.

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 Isaac Plains mine operations, or the successful exploration and subsequent exploitation of the Company's tenements. Should these avenues be delayed or fail to materialise, the Consolidated Entity expects to have the ability to successfully raise additional funding through debt, equity or farmout / selldown to allow the Consolidated Entity to continue as a going concern and meet its debts as and when they fall due.

Comparatives

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

NOTE 2 REVENUE AND OTHER INCOME

	Note	31 December 2016 $ '000	31 December 2015 $ '000
Revenue			
Revenue from contracts with customers		59,352	-
Total revenue		**59,352**	**-**
Other income			
Provision for impairment – Development Asset write back (refer note 9(b))		13,883	-
Onerous contract write-back (refer Note 12)		1,568	-
Other Income		1,647	956
Total other income		**17,098**	**956**

NOTE 3 COST OF SALES AND OTHER EXPENSES

	Note	31 December 2016 $ '000	31 December 2015 $ '000
PRODUCTION COSTS			
Mining costs		37,297	-
Processing Costs		7,151	-
Transport & logistics		7,606	-
State Royalties		4,171	-
Private Royalties		1,799	-
Production overheads		2,574	-
Other Production costs		4,665	-
Total production costs		**65,263**	**-**
PRE-PRODUCTION MINING COSTS			
Other Pre-production costs		-	693
Total pre-production costs		**-**	**693**
OTHER EXPENSES			
Other expenses		21,791	6,201
Provision for impairment and write-off – Exploration Asset (refer note 9(a))		908	-
Total other expenses		**22,699**	**6,201**
FINANCIAL EXPENSES			
Interest paid – external parties		2,175	-
Unrealised forward currency position		1,072	
Borrowing costs		1,477	600
Total financial expenses		**4,724**	**600**

Other expenses include the following specific items:

	Note	31 December 2016 $ '000	31 December 2015 $ '000
Depreciation			
Plant & equipment		995	12
Acquisition costs on business combination		-	3,847
Share-based payments expense		-	31
Vendor Reimbursements		1,923	-
Employee expense		1,424	1,209
Contingent Consideration		16,582	-
Other Overhead Expenses		867	1,102
Total other expenses		**21,791**	**6,201**

NOTE 4 INCOME TAX EXPENSE

	31 December 2016 $ '000	31 December 2015 $ '000
Reconciliation		
Current income tax expense	-	-
Deferred income tax expense	(15,618)	-
Income tax expense/(benefit)	**(15,618)**	**-**
Deferred income tax expense		
The prima facie income tax on the loss is reconciled to the income tax expense as follows:		
Prima facie tax benefit (30%) on loss before income tax	(4,848)	(1,913)
Add tax effect of:		
- Permanent differences	-	2,622
- Deferred tax asset not recognised	-	(709)
- Deferred tax asset recognised	(10,771)	-
Deferred Income tax expense/(benefit)	**(15,618)**	**-**
Amounts recognised directly through equity		
Opening Balance	**-**	**-**
Net deferred tax recognised directly through equity	(1,129)	-
Closing net deferred tax recognised directly through equity	**(1,129)**	**-**

	31 December 2016 $ '000	30 June 2016 $ '000
Recognised deferred tax assets and liabilities		
Deferred tax assets		
Unused tax losses	23,645	8,485
Deductible temporary differences	14,057	12,992
	37,702	21,477
Deferred tax liabilities		
Assessable temporary differences	(20,955)	(21,477)
Net deferred tax	16,747	-
Unrecognised deferred tax assets		
Gross unused tax losses	-	44,495
Deferred tax assets not taken up at 30% (2015: 30%)	-	13,349

At reporting date the Company has recognised a net deferred tax asset given an assessment of the future potential tax assessable position of the Company. This results in initial recognition of $15.618 million with corresponding impact on the Profit or Loss for the period.

NOTE 5 CASH AND CASH EQUIVALENTS

	31 December 2016 $ '000	30 June 2016 $ '000
Cash at bank and in hand	18,733	12,080

Cash at bank bear floating and fixed interest rates between 1% and 2.25% (2015: 1% and 3.75%).

	31 December 2016 $ '000	30 June 2016 $ '000
Restricted cash	85	76

Restricted cash held at 31 December 2016 is an amount held on term deposit to cash-back a bank guarantee.

NOTE 6 INVENTORIES

	31 December 2016 $ '000	30 June 2016 $ '000
Current		
Coal stocks	6,858	5,079
Inventory	**6,858**	**5,079**

NOTE 7 TRADE AND OTHER RECEIVABLES

	31 December 2016 $ '000	30 June 2016 $ '000
Current		
GST receivable	1,248	757
Trade receivables	10,489	11,633
Vendor receivable	1,270	9,895
Sundry receivables	-	-
Total Current	**13,007**	**22,285**
Non-Current		
Vendor receivable	-	738
Total Non-Current	**-**	**738**

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

	31 December 2016 $ '000	30 June 2016 $ '000
Land deposit		
At cost	1,946	1,946
Plant and equipment		
At cost	31,152	30,035
Accumulated depreciation	(1,992)	(1,115)
	29,160	28,920
Buildings and improvements		
At cost	1,379	1,398
Accumulated depreciation	(163)	(133)
	1,216	1,265
Computer equipment		
At cost	112	111
Accumulated depreciation	(95)	(94)
	17	17
Furniture and office equipment		
At cost	209	162
Accumulated depreciation	(175)	(162)
	34	-
Capital work in progress		
At cost	3,118	1,297
Accumulated depreciation	-	-
	3,118	**1,297**
Total property plant and equipment	**35,491**	**33,445**

Movements in carrying amounts

31 December 2016	Land Deposit $ '000	Plant and equipment $ '000	Buildings and improvements $ '000	Computer equipment $ '000	Furniture and office equipment $ '000	Capital work in progress $'000	Total $ '000
Balance at the beginning of the year	1,946	28,920	1,265	17	-	1,297	33,445
Additions – through business combination	-	-	-	-	-	-	-
Net Additions/(Disposals or Transfers) – through ordinary course	-	1,172	-	1	47	1,821	3,041
Depreciation expense	-	(932)	(49)	(1)	(13)	-	(995)
Carrying amount at the end of the year	**1,946**	**29,160**	**1,216**	**17**	**34**	**3,118**	**35,491**

30 June 2016	Land Deposit $ '000	Plant and equipment $ '000	Buildings and improvements $ '000	Computer equipment $ '000	Furniture and office equipment $ '000	Capital work in progress $'000	Total $ '000
Balance at the beginning of the year	1,946	5	-	13	31	-	1,995
Additions – through business combination	-	22,367	1,398	-	-	-	23,765
Additions – through ordinary course	-	7,651	-	6	23	1,297	8,977
Depreciation expense	-	(1,103)	(133)	(2)	(54)	-	(1,292)
Carrying amount at the end of the year	**1,946**	**28,920**	**1,265**	**17**	**-**	**1,297**	**33,445**

NOTE 9 (a) EXPLORATION AND EVALUATION ASSETS

	31 December 2016 $ '000	30 June 2016 $ '000
Non-Current		
Exploration and evaluation expenditure capitalised		
- exploration and evaluation phases	**25,935**	**23,584**

Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation of coal, or alternatively, sale of the respective areas of interest.

Movements in carrying amounts		
Balance at the beginning of the year	29,784	30,195
Additions and Transfers from Work in Progress	3,259	2,019
Written-off	(387)	(2,430)
	32,656	29,784
Provision for impairment	(6,721)	(6,200)
Carrying amount at the end of the year	**25,935**	**23,584**

Movements in provision for impairment amounts		
Balance at the beginning of the year	**(6,200)**	**(8,630)**
Provisions (raised) / released	(521)	2,430
Provision for impairment at the end of the year	**(6,721)**	**(6,200)**

NOTE 9 (b) CAPITALISED DEVELOPMENT COSTS

	31 December 2016 $ '000	30 June 2016 $ '000
Non-Current		
Capitalised development costs	**21,065**	**7,175**

Recoverability of the carrying amount of development assets is dependent on the successful completion of development activities, or alternatively, sale of the respective areas of interest.

Movements in carrying amounts		
Balance at the beginning of the year	21,058	20,108
Other additions	7	950
	21,065	21,058
Provision for impairment	-	(13,883)
Carrying amount at the end of the year	**21,065**	**7,175**

Movements in provision for impairment amounts		
Balance at the beginning of the year	(13,883)	-
Provisions raised	13,883	(13,883)
Provision for impairment at the end of the year	-	**(13,883)**

In the half-year the Company reversed the prior period provision for impairment against The Range project given the significant recovery in the price of export thermal coal and the improved outlook. The Company assessed the project on a comparable transaction basis, by comparing the implied value per resource tonne for project transactions with similar development, coal type and infrastructure characteristics. The Company also assessed the project on a discounted cash flow basis. Both assessments supported a market value in excess of the $21.065 million book value of historic spend, which includes exploration, studies and permitting approvals. The Company therefore elected to reverse the impairment and reinstate the carrying value of The Range to the prior book value.

NOTE 10 TRADE AND OTHER PAYABLES

	31 December 2016 $ '000	30 June 2016 $ '000
Current		
Trade and other payables	376	8,377
Sundry payables and accrued expenses	17,178	13,444
Fair Value - Unrealised forward currency	1,072	-
Employee benefits	297	731
Total Current Trade and other payables	**18,923**	**22,552**

Fair Values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.
Stanmore Coal Limited has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:
(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

At 31 December 2016 there were no financial assets measured and recognised at fair value (2015: nil). The Company has recorded a financial liability measured and recognised at fair value relating to the mark to mark position on forward exchange currency contracts. The liability at 31 December 2016 is $1.072 million (2015: nil). These contracts relate to short term forwards for converting US dollars into AU dollars with a maturity of less than 6 months, to manage the currency risk of the export commodity price in US dollars. They are classified under level 2 in the fair value measurement hierarchy and are valued based on the difference between the then current spot price on a liquid, tradeable platform on balance date and the adjusted forward position of the currency contract. This methodology represents the cash sum (inflow or outflow) that would be required to early-settle the currency position on balance date.

The carrying value of a significant portion of all financial assets and financial liabilities approximate their fair values due to their short term nature.

NOTE 11 INTEREST BEARING LIABILITIES

	31 December 2016 $ '000	30 June 2016 $ '000
Taurus Facility Loan	8,292	-
Total Interest-bearing loans and borrowings	**8,292**	**-**

During October 2016 the Taurus working capital debt finance facility was drawn for USD 6.000 million (AUD 8.292 million), This is measured using the foreign exchange rate on balance date to convert to AUD. Any gain or loss on the mark to market movement between October and December has been taken through Profit or Loss. Refer to *Note 19 Contingent Assets and Liabilities* for further discussion on the Taurus funding arrangements.

NOTE 12 ONEROUS CONTRACTS PROVISION

	31 December 2016 $ '000	30 June 2016 $ '000
Current		
Current onerous contract provision	4,251	5,153
Non-Current		
Non-current onerous contract provision	20,910	21,576
Total onerous contracts provision	**25,161**	**26,729**
Reconciliation of movements		
Opening balance	26,729	-
Additions – business combination recognition	-	49,800
Depletions through settlement	(2,372)	(11,695)
Adjustment - through re-measurement	804	(11,376)
Closing balance	**25,161**	**26,729**

NOTE 13 VENDOR PRIVATE ROYALTY LIABILITY

	31 December 2016 $ '000	30 June 2016 $ '000
Current		
Current Vendor Private Royalty	4,929	-
Non-Current		
Non-current Vendor Private Royalty	11,653	-
Total Vendor Private Royalty	**16,582**	**-**
Reconciliation of movements		
Opening balance	-	400
Additions through re-measurement	16,582	(400)
Closing balance	**16,582**	**-**

Vendor Private Royalty - Isaac Plains contingent consideration

The Vendor Private Royalty relates to a royalty stream payable to the vendors of Isaac Plains when the index Hard Coking Coal price is above an Australian Dollar equivalent of 160 (adjusted for CPI) in a month 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 a portion of the compensation is dependent on uncertain future contractual outcomes. Therefore, until these payments are known, the actual amount of the cap is unknown and can only be estimated. The estimated remaining maximum payment stream, assuming price thresholds are reached, is approximately $48 million (2016 dollars). In a month where 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 at 31 December 2016 the fair value was assessed as $16.582 million based on the estimate of future coal prices, exchange rate and production. Of the total $48 million (2016) dollars potentially remaining, $29 million nominal dollars form the basis for the net present valuation at 31 December 2016 ($16.582 million per above). The balance, being $18 million nominal dollars, remain as a contingent liability only.

NOTE 14 REHABILITIATION PROVISION

	31 December 2016 $ '000	30 June 2016 $ '000
Current		
Current rehabilitation provision	985	1,687
Non-Current		
Non-current rehabilitation provision	22,072	22,221
Total rehabilitation liability	**23,057**	**23,908**

Reconciliation of movements		
Opening balance	23,908	-
Additions – business combination	-	33,100
Depletion through re-measurement	(851)	(9,192)
Closing balance	**23,057**	**23,908**

NOTE 15 DIVIDENDS AND FRANKING CREDITS

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

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

NOTE 16 EARNINGS PER SHARE

	31 December 2016 $ '000	30 June 2016 $ '000
Earnings		
Loss attributable to owners of Stanmore Coal Limited used to calculate basic and diluted earnings per share	(541)	(19,746)

	31 December 2016 Number '000	30 June 2016 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	224,044	222,497
Adjustments for calculation of diluted earnings per share:		
- Options *	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	224,044	222,497

* options are considered anti-dilutive as the Consolidated Entity is loss making. Options could potentially dilute earnings per share in the future.

NOTE 17 ISSUED CAPITAL

	31 December 2016 $ '000	30 June 2016 $ '000
249,983,227 fully paid ordinary shares (2016: 222,497,435)	116,548	101,246
Share issue costs	(4,629)	(3,878)
Deferred tax recognised through equity	1,129	-
	113,048	97,368

	31 December 2016 Number	30 June 2016 Number	31 December 2016 $ '000	30 June 2016 $ '000
(a) Ordinary shares				
At the beginning of the year	222,497,435	222,497,435	97,368	97,368
- 7 November 2016 (1)	185,792	-	41	-
- 21 December 2016 (2)	27,300,000	-	15,015	-
- Exercise of options (3)	-	-	246	-
Share issue costs			(751)	-
Deferred tax recognised through equity			1,129	-
At reporting date	**249,983,227**	**222,497,435**	**113,048**	**97,368**

(1) On 7 November 2016, 185,792 new Ordinary Shares were issued through employees exercising their options at $0.22 per share.
(2) On 21 December 2016, 27,300,000 new Ordinary Shares were issued to institutional investors at $0.55 per share.
(3) Prior to 31 December 2016 funds were received from employees relating to exercise of employee options vested and exercisable. On 3 January 2017, 1,124,751 new Ordinary Shares were issued to these employees at the strike price of $0.22 per share.

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

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

NOTE 18 OPERATING SEGMENTS

During the period ended 31 December 2016 there was only one reportable operating segment.

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

Accordingly, management currently identifies the Consolidated Entity as having two reportable segments, the first being the operation of the Isaac Plains Coal Mine (including the Isaac Plains East project) and the second being all other exploration and development coal assets. This represents a change from prior years when the Company had only one operating segment as all assets were non-producing in nature. This change was first presented in the annual financial statements for the year ended 30 June 2016.

Notes to the Interim Financial Statements for the half year ended 31 December 2016: Others (continued)

Accounting policies adopted

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

Segment liabilities

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

Unallocated items

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

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

Segment performance

31 December 2016	Isaac Plains Coal Mine $ '000s	Exploration and Development $ '000s	Total $ '000s
Segment Revenue			
External sales	59,352	-	59,352
Intersegment sales	-	-	-
Total segment revenue	59,352	-	**59,352**
Reconciliation of segment revenue to Consolidated Entity revenue			
Other revenue			-
Intersegment elimination			-
Total group revenue			**59,352**

31 December 2016	Isaac Plains Coal Mine $ '000s	Exploration and Development $ '000s	Total $ '000s
Segment net loss from continuing operations before tax	(15,120)	(14,535)	**(29,655)**
Reconciliation of segment result to Consolidated Entity net loss before tax			
Amounts not included in segment result but reviewed by the Board:			
Impairment of exploration assets			(387)
Write back Impairment of development assets			13,883
Unallocated			-
Net loss before tax from continuing operations			**(16,159)**

31 December 2016	Isaac Plains Coal Mine $ '000s	Exploration and Development $ '000s	Total $ '000s
Segment assets	81,757	80,283	**162,040**

Reconciliation of segment assets to Consolidated Entity assets:	
Intersegment eliminations	(32,548)
Unallocated assets	16,747
Total Consolidated Entity assets	**146,239**

31 December 2016	Isaac Plains Coal Mine $ '000s	Exploration and Development $ '000s	Total $ '000s
Segment liabilities	99,600	17,154	**116,754**

Reconciliation of segment liabilities to Consolidated Entity assets:	
Intersegment eliminations	(25,036)
Unallocated liabilities	297
Total Consolidated Entity liabilities	**92,014**

NOTE 19 CONTINGENT ASSETS AND LIABILITIES

Contingent Asset – WICET Loan

In the 2014 financial year the Company impaired the full balance of the loan provided to third party infrastructure providers. The loan related to the WEXP1 project in Gladstone and the Company's participation in the Capacity Commitment Deed (CCD) which provided certain future access rights in return for a funding commitment from the Company. The Company provided $8 million in loans which were used to fund studies and complete initial dredging activities in respect of a future expansion to the port site. The CCD expired on 31 August 2014. The Company retains only those rights which relate to recoupment of loaned amounts as a result of a future port expansion, which may or may not occur. Based on a range of factors, a new expansion proponent who achieves financial close prior to 31 December 2020 will be required to reimburse the Company for a portion of the loaned amount which, in the opinion of an expert, provides a benefit to the proponents of that expansion. Until the timing of that future financing event is known, it is difficult to reliably estimate what portion of the Company's $8 million loan would be repaid.

Contingent Liability - Isaac Plains contingent consideration

Refer to Note 13 for discussion.

Contingent Liability - Isaac Plains East acquisition

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

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

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

Contingent Liability - Debt finance facility

In November 2015 the Company signed a debt facility with Taurus which provides US$30.000 million credit support for certain bank guarantees issued to third parties related to the Isaac Plains Coal Mine, such as rehabilitation bonds and to support major infrastructure and transport contracts. A contingent US$12.000 million facility has also been provided 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 credit support on the Company's behalf. This arrangement, amongst other things, avoids foreign currency translation risk as the guarantees issued to third parties are denominated in Australian dollars. The letters of credit arrangement is off-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 these financial statements, the Company has drawn USD 6 million (AUD 8.292 million) from the Taurus working capital debt finance facility to manage the variability in the shipping schedule. The undrawn portion of the facility is USD 6 million. (USD 12 million total facility). As at balance date the total outstanding letters of credit held through the Taurus facility total A$36.755 million.

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

NOTE 20 EVENTS AFTER REPORTING DATE

There have been no events since 31 December 2016 that impact upon the financial report as at 31 December 2016.

Declaration by Directors

In the opinion of the directors of the Company:

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

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

   (b) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.

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

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

Dan Clifford
Managing Director

Brisbane
Date: 28 February 2017

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INDEPENDENT AUDITOR'S 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 2016, 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 2016 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:

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit Pty Ltd

BDO

Tim Kendall

T J Kendall

Director

Brisbane, 28 February 2017