Stanmore Coal Limited
and its controlled entities

ABN 27 131 920 968

Appendix 4D
&
Interim Financial Report
For the half year ended 31 December 2019

Contents

Corporate Information

DIRECTORS
Stewart Butel
Stephen Bizzell
Neal O'Connor
Jimmy Lim
Marcelo Matos

COMPANY SECRETARY
Ian Poole

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AUSTRALIAN BUSINESS NUMBER
ABN 27 131 920 968

Results for Announcement to Market

Appendix 4D – Half-year ended 31 December 2019

This document relates to Stanmore Coal's results for the half-year ended 31 December 2019.

Reporting period	6 months ended 31 December 2019
Previous reporting period	6 months ended 31 December 2018 (Consolidated Statement of Profit or Loss and Other Comprehensive Income) Period ended 30 June 2019 (Consolidated Statement of Financial Position)

	31 December 2019 $'000	31 December 2018 $'000	Change %
Revenue from ordinary activities	200,609	148,284	35%
Profit/(loss) after tax from ordinary activities attributable to members	26,910	21,278	26%
Net Profit/(loss) attributable to members	26,910	21,278	26%

Dividends paid and proposed

Paid during the period
A final fully franked dividend relating to FY19 of 8 cps was paid on 31 October 2019.

Declared after the period
The Directors have declared an interim fully franked dividend of 3cps, payable on 30 April 2020.

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

Refer to the accompanying Directors' Report.

Rounding of amounts to the nearest thousand dollars

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

Net tangible assets per security

	31 December 2019 $	30 June 2019 $	Change %
Net tangible assets/(liabilities) per security	0.320	0.311	3%

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

The company did not gain or lose control of any entities during the year.

Directors' Report

The 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 2019 (referred to in this report as Stanmore Coal, the Company, the Group, or the Consolidated Entity).

DIRECTORS

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

Name	Position
Stewart Butel	Chairman, Non-Executive Director
Daniel Clifford	Managing Director (Resigned 17 October 2019)
Stephen Bizzell	Non-Executive Director
Neal O'Connor	Non-Executive Director
Jimmy Lim	Non-Executive Director (Appointed 23 October 2019)
Marcelo Matos	Non-Executive Director (Appointed 27 November 2019)
Darren Yeates	Non-Executive Director (Resigned 5 February 2020)

Principal activities

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

OPERATING AND FINANCIAL REVIEW

Highlights

Highlights for the half-year ending 31 December 2019 include:

- Half-year net profit after tax of $26.910m a 26% ($5.632m) increase from the prior year corresponding period.
- Underlying EBITDA of $50.126m (non-IFRS measure) a 20% ($8.508m) increase from the prior year corresponding period.
- Cash generation from operations was $18.911m.
- Cash of $71.379m at 31 December 2019.
- Increase in sales of product coal to 1,219kt in H1FY20 from 882kt in H1FY19.
- Acquisition of a 600tonne excavator with OEM finance.
- Completion of 58 hectares of rehabilitation at Isaac Plains.
- Isaac Downs EIS submitted, meeting consenting timetable.
- Payment of a final FY19 fully franked 8 cps dividend on 31 October 2019.

Financial Performance

	31 December 2019 $M	31 December 2018 $M
Coal Sales and Other Revenue	200.609	148.284
Cost of sales	(144.464)	(102.145)
Gross Profit/(Loss)	**56.145**	**46.139**
Other income and expenses	(16.484)	(9.328)
Profit/(loss) before income tax and net finance expenses	**39.661**	**36.811**
Finance income	0.422	0.135
Financial expenses	(3.950)	(6.203)
Profit/(loss) before income tax benefit/(expense)	**36.133**	**30.743**
Income tax benefit/(expense)	(9.223)	(9.465)
Profit/(loss) after income tax expense	**26.910**	**21.278**

Underlying EBITDA result (non-IFRS measure)

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

	Note	31 December 2019 $M	31 December 2018 $M
Profit/(loss) before income tax and net finance expenses		**39.661**	**36.528**
Depreciation and amortisation	2	11.048	3.947
Earnings before interest, depreciation and amortisation (EBITDA) (Non-IFRS measure)		**50.709**	**40.475**
Adjustments for Underlying EBITDA			
Takeover defence costs		-	0.720
Remeasurement of onerous contracts	12	(0.073)	(3.328)
Remeasurement of rehabilitation provision	13	0.943	-
Fair value movement contingent consideration	14	(1.453)	3.751
Underlying EBITDA (Non-IFRS measure)		**50.126**	**41.618**

The Underlying EBITDA of $50.126m in H1FY20 was a $8.508m (20%) improvement compared to underlying EBITDA of $41.618m in H1FY19. The improvement in EBITDA performance was due to a 38% increase in sales volumes offset by a 10% ($5/t) reduction in margin to $44/t. The margin was impacted by lower average sale prices as well as an increase in mining costs due to an increase in the strip ratio from the prior corresponding period.

The primary drivers contributing to the NPAT result of $26.910m include: -

- Gross revenue from coal sales increased to $200.609m in H1FY20 from $148.284m in H1FY19. The increase was due to an increase in sales of product coal to 1,219kt in H1FY20 from 882kt in H1FY19, offset by a $3/t decrease in the A$ realised price to an average of A$165/t from $168/t in H1FY19 and
- Whilst the sales mix improved to a 98% metallurgical to 2% thermal coal mix from a 74:26 mix, the average realised prices were lower.
- Underlying FOB costs (excluding state royalties) of $106/t were $2/t higher than H1FY19 due to higher mining costs as a result of increasing strip ratio.
- Depreciation and amortisation costs have increased by $7.101m primarily as a result of the increased amortisation attributable to mine development associated with the Isaac Plains East mine.

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

	Note	31 December 2019 $M	31 December 2018 $M
Underlying EBITDA		**50.126**	**41.618**
Net Financing costs	2	(0.109)	(1.059)
Settlement of onerous contracts	12	(0.475)	(1.056)
Completion of rehabilitation works	13	(1.778)	(1.860)
Settlement of vendor royalties - contingent consideration	14	(4.968)	(3.697)
Net movement in working capital		(23.885)	(6.467)
Cash flow from operations		**18.911**	**27.479**

In H1FY20 $23.885m was invested in working capital; primarily in overburden in advance of $10.417m, coal stocks $5.981m and a reduction in trade and other payables of $11.278m. The investment in overburden in advance was in preparation for the wet season as well as building overburden inventories for the anticipated transition to Isaac Downs; the increase in coal inventories was due to the timing of coal shipments.

Cashflow

In the half-year to 31 December 2019, a total net cash outflow of $19.086m was recorded. The net inflow from operating activities was $18.911m. Cash outflows from investing activities were $30.200m; mainly attributable to the acquisition of the CAT6060 excavator, the final instalment for Isaac Downs, Isaac Plains East development capital and planned maintenance of the major equipment and infrastructure as well as the studies required for the Isaac Downs Project approval process. At the end of the half-year, no funds were drawn from the working capital facility however $13.719m was drawn from the equipment loan to finance the CAT 6060 excavator. A financing outflow of $20.488m was incurred for the final FY19 dividend paid during the period.

	31 December 2019 $M	31 December 2018 $M
Cash at beginning of year	**90.465**	**19.817**
Net cash from operating activities	18.911	27.479
Net cash from investing activities	(30.200)	(33.541)
Net cash from financing activities	(7.797)	18.536
Net increase/(decrease) in cash held	**(19.086)**	**12.474**
Cash at end of year	**71.379**	**32.291**

Capital Management

The Company suspended the Dividend Reinvestment Plan for the FY19 final dividend. No shares were issued during the period.

Operational Summary

Health, Safety, Environment and Community Performance

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

The Consolidated Entity undertook or managed 436,201 hours (H1FY19 309,461 hours) of coal mining, drilling, exploration and mine development activities (directly and through its contractors) for the six-month period and had no lost time injuries and two recordable injuries. The Total Recordable Injury Frequency Rate (TRIFR) for the half year was 4.6 per million hours, with a rolling 12-month TRIFR of 10.2. The Lost Time Injury Frequency Rate (LTIFR) for the half year was 0.0 per million hours, with a rolling 12-month LTIFR of 1.3. There has been a significant improvement in the safety performance during FY20. The Company will continue its focus on embedding Fatal Risk Standards and Life Saving Rules.

Rehabilitation continues to be a strong focus of the Consolidated Entity with 60ha recontoured and 58ha topsoiled and seeded during the 6 months to December 2019. Additionally, several improvement projects were undertaken to reduce the consumption of raw water and increase the use of mine affected water to improve the overall environmental integrity across the Isaac Plains Complex.

Stanmore Coal continued to support the communities in which our operations are located with a number of grants, sponsorships and important community initiatives and events. Significant 'in-kind' time was also dedicated to regional industry bodies and professional groups to enhance local industry and services in the region.

Operations

During H1FY20 the operations of the Consolidated Entity continued in the Isaac Plains East mining area.

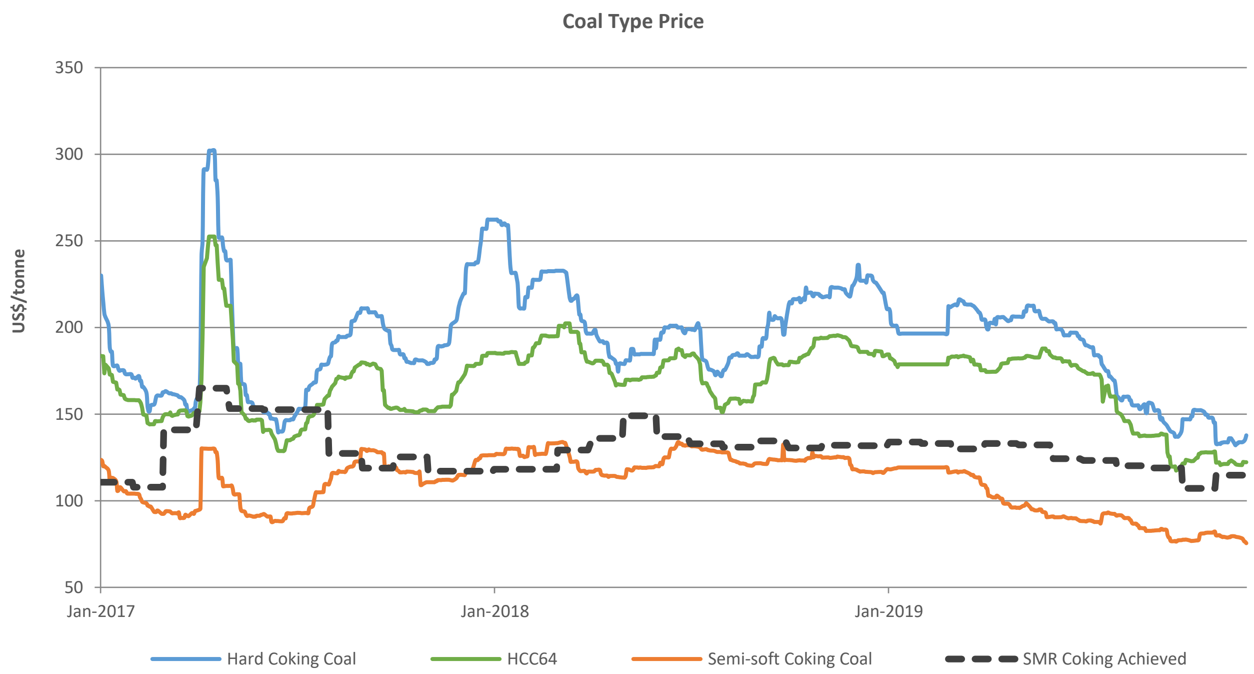
The Isaac Plains Complex delivered 1,569kt of ROM coal to the coal handling and processing plant (CHPP) at a prime strip ratio of 10.2 to 1.

Product coal production was 1,229kt, with the CHPP delivering a total yield of 77.7%. The H1FY20 production split was 98% metallurgical coal and 2% thermal coal.

The Consolidated Entity completed a mini-shutdown for the CHPP during the period and is planning another maintenance mini-shutdown for the CHPP in late FY20 as well as a major-shutdown early in FY21 for the dragline. The introduction of the new CAT 6060 excavator commissioned in November 2019 is expected to reduce overburden unit costs in H2FY20.

The average sale price achieved for all coal (both metallurgical and thermal) during the period of A$165/t was less than the corresponding period (A$168/t) as a result of the generally weaker pricing of metallurgical coal.

The Company is de-risking its sales programme by delivering a higher proportion of tonnage into term customers and reducing its exposure to the spot market, which tends to be more volatile.



	31 December 2019	31 December 2018
Prime Overburden (bcm)	19,195	12,170
ROM coal produced - Open cut (kt)	1,569	1,298
ROM strip ratio (prime)	10.2x	9.8.x
CHPP feed (kt)	1,581	1,258
ROM stockpile (kt)	96	171
Saleable coal produced (kt)	1,229	978
Coal sales		
- *Metallurgical (kt)*	1,199	652
- *Thermal (kt)*	20	230
Total gross coal sales (kt)	**1,219**	**882**
Product Yield	77.7%	77.7%
Coal product stockpiles (kt)	179	176
Average sale price achieved (A$/t)	**165**	**168**
Unit costs of sales (A$/t sold)		
FOR cost (A$/t sold)	87	85
FOR to FOB cost (ex. State royalty) (A$/t sold)	19	19
State royalty (A$/t sold)	15	15
FOB cash cost (A$/t sold)	**121**	**119**
Margin (A$/t sold)	**44**	**49**

The variance between coal margins and Underlying EBITDA is due to net corporate overheads as shown in the table below.

	31 December 2019 $M	31 December 2018 $M
Coal sales (t'000)	1,219	882
Margin (A$/t)	44	49
Coal sales margin	**53.145**	**43.479**
Unallocated corporate overhead	(3.019)	(1.578)
Underlying EBITDA	**50.126**	**41.901**

Isaac Downs Project

Isaac Downs is located approximately 10 kilometres south of the existing Isaac Plains operations. Isaac Downs, once approved, will operate as a satellite open cut mining operation which will utilise the existing Isaac Plains infrastructure with coal washing and train loading activities to be undertaken at the existing CHPP, ensuring a capital light approach is maintained.

At acquisition, MDL137 had a JORC standard Coal Resource of 22.9 million tonnes. Stanmore subsequently combined this resource area with parts of EPC728 (acquired as part of the transaction) and EPC755 (already owned by Stanmore) and re-assessed the Coal Resource across the tenement boundaries. On 21 December 2018 Stanmore declared an updated Coal Resource of 33 million tonnes[1] for the Isaac Downs Project and declared a maiden Coal Reserve for the Isaac Downs Project of 24.5 million tonnes, of which 17.0 million tonnes met the Proved category and 7.5 million tonnes met the Probable category under the JORC 2012 Code. The Isaac Downs project is expected to support a mine life of 8 to 10 years. Coal quality information for Isaac Downs indicates the operation will have the capability to produce semi-hard metallurgical coal, a mid-volatile pulverised coal injection product, as well as a range of weaker metallurgical coals.

During the half-year period, Stanmore finalised a tender for the completion of a Bankable Feasibility Study (BFS) for

[1] Represented by Measured 17Mt, Indicated 12Mt, Inferred 4Mt Total 33Mt. Mr James Knowles, "First Supplementary Target Statement by Stanmore Coal Limited", ASX, 21 December 2018.

Isaac Downs. Palaris Australia has been contracted to manage the development of the study, with preliminary work commencing in December 2019.

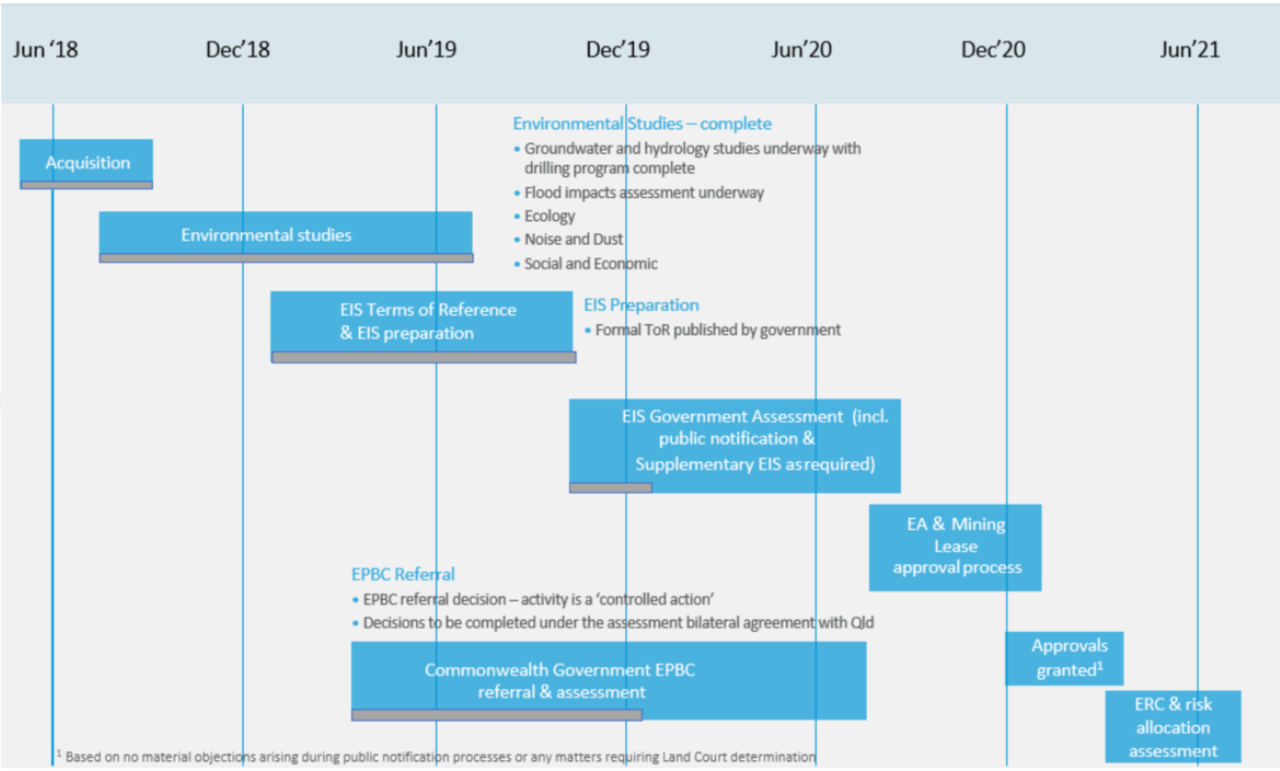
Stanmore also issued a tender to suitable and qualified civil contractors for a design and construct package for the three major activities needed to establish the mine – bridgeworks for an underpass for crossing of the Peak Downs Highway, the construction of a haul road to link Isaac Downs with Isaac Plains, and the construction of a flood protection levee. Submissions from four companies received in late December 2019 are under evaluation.

The following H1FY20 milestones demonstrate that the approval process for the Isaac Downs Project is well established and progressing:

- Stanmore and the Department of Environment and Science (DES) published the final Terms of Reference for the Isaac Downs Project EIS on 01 October 2019.
- The Environmental Authority (EA) application lodged in June 2019 was accepted by DES on 22 July 2019.
- The Environmental Impact Statement (EIS) was lodged with DES on 29 October 2019.
- Subsequent work on the EIS adequacy review is currently being undertaken on draft responses to questions and resulting EIS updates.

Isaac Downs Project Schedule Overview

The following timeline summarises the approval process for the Isaac Downs Project. Additional work is being conducted to align with the commencement of the Mineral and Energy Resources (Financial Provisioning) Act. The Act requires the formal assessment of the estimated rehabilitation cost (ERC) calculation by DES after the EA is issued, followed by a risk category allocation assessment by Queensland Treasury. These changes will reduce the schedule contingency in the development programme, but at this stage the forecast for first coal from Isaac Downs remains in the first quarter of calendar year 2022.



CAT Excavator Purchase

On 2 July 2019, the Consolidated Entity entered into a binding agreement with Hasting Deering (Australia) Limited to acquire a 600-tonne excavator (CAT 6060). The CAT 6060 has joined the current operations at Isaac Plains East and is being supported by a trucking fleet supplied by the existing contractor, Golding (ASX: NWH).

The purchase of the CAT 6060 was financed through an equipment loan facility with Caterpillar Financial Australia Limited, who are a lender associated with Hastings Deering. The term of the loan facility is 5 years.

Following the granting of approvals for the Isaac Downs Project, it is planned that the CAT 6060 will transition to the Isaac Downs Project, where it will establish the initial mine operations. Operations at Isaac Plains East will continue in parallel during this time.

The investment in the CAT 6060 is $14.6 million which included additional capital to support the machine, such as spare parts and support facilities. The expected life of the machine is greater than 10 years and this investment is considered an integral part of the Isaac Downs project, as well as currently supporting the Isaac Plains East operations in the shorter term.

Debt Refinance

On 28 June 2019, the Consolidated Entity completed a debt refinance in relation to its working capital and bonding facility with existing financier, Taurus Funds Management Pty Limited (Taurus) and established an additional rehabilitation bonding facility with Liberty Specialist Markets.

The new arrangements, effective from 1 July 2019, form an important part of the Consolidated Entity's overall business strategy and reflect the financial strength of the Consolidated Entity. The changes decrease the overall financing costs for the Consolidated Entity.

The key terms of the refinance with Taurus are:

- Extension of the existing facility to 30 June 2022 (previously 15 November 2019)
- Increase in working capital facility to US $28 million (previously US $22 million)
- Reduction of bonding facility to US $12 million (previously US $29 million)
- Interest rate on drawn funds of 8.0% (previously 10.0%)
- Interest rate on undrawn funds 2.0% (unchanged)
- Royalty payable on proceeds of sales from Isaac Plains Complex 1.0% (unchanged)
- Security arrangements remain unchanged with 1st or 2nd ranking security interests over Stanmore IP Coal Pty Ltd and its subsidiaries.

As part of the refinance process, the Consolidated Entity secured an A$20 million bonding facility with Liberty. The purpose of this facility is to provide Financial Assurance to the Queensland Government as part of Company's future rehabilitation obligations. This Financial Assurance was originally provided as part of the Taurus bonding facility. Key terms of the A$20 million Liberty facility are;

- Interest of 4.7% on drawn funds
- No fee on undrawn funds
- No financial covenants
- Review date/facility expiry 30 June 2020
- Security 3rd or 2nd ranking fixed and floating security interest over Stanmore IP Coal Pty Ltd (Isaac Plains and Isaac Plains East) and Stanmore IP South Pty Ltd (Isaac Downs) which also include 3rd ranking tenement mortgages over tenements held over those subsidiaries and 1st ranking security interest over all other subsidiaries of the Consolidated Entity.

Outlook and likely developments

Operations

- The Consolidated Entity's production guidance for FY20 is 2.35Mt.
- Underlying FOB Cost guidance for FY20 is $107/t (excluding state royalties), an increase from $106/t in H1FY20.
- Whilst the Company sells the majority of its coal into Japan, Korea, India and Europe, it is continuing to develop new customers and markets.
- .

Exploration and development

In a release to the ASX on 27 July 2018, the Consolidated Entity announced in accordance with the JORC Code, total Coal Resources of 51.4Mt[2] within the Isaac South area. Exploration is planned for the tenement to further assess the opportunity to provide additional ROM feed for the Isaac Plains infrastructure.

The Consolidated Entity 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.

Other

Events after reporting date

An interim fully franked dividend of 3 cps is declared for the period ending 31 December 2019.

Competent Person Statement

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

The information in this report relating to coal resources for Isaac Downs was announced on 21 December 2018, titled "First Supplementary Target Statement by Stanmore Coal Limited", and is based on information compiled by Mr James Knowles. Mr Knowles is an employee of Measured Group and holds a Bachelor of Science from the University of Sydney. James has more than 20 years of experience in the estimation of Coal Resources both in Australia and overseas. Mr Knowles 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 a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2012 Edition)."

The information in this report relating to Isaac South resources is based on information compiled by Mr Mal Blaik who is a member of the Australian Institute of Mining and Metallurgy and is a Principal Consultant of JB Mining Services Pty Ltd. Mal Blaik is a qualified geologist (BSc App Geol (Hons) University of Queensland, 1979) with over 30 years' experience in coal geology and has sufficient relevant experience to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2012 Edition)".

Rounding

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

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

Dividends paid or recommended

The Board of Stanmore Coal, based on strong operational performance achieved in H1FY20 and the outlook for the Group, has resolved to declare a fully franked dividend of \$0.03 per share for the period ending 31 December 2019. All shareholders on the register on 1 April 2020 ("Record Date") will be entitled to receive the dividend payment which the company expects to pay on 30 April 2020. The ex-dividend date will be 31 March 2020.

Auditor's Independence Declaration

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 14.

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

Stewart Butel
Chairman

Brisbane
Date: 25 February 2020

Auditor's Independence Declaration

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

As lead auditor of Stanmore Coal Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 25 February 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2019

	Note	31 December 2019 $'000	31 December 2018 $ '000
Revenue	1	200,609	148,284
Cost of sales	2	(144,464)	(102,145)
Gross Profit		**56,145**	**46,139**
Other income	1	1,526	3,351
Other expenses	2	(18,010)	(12,679)
Profit before income tax and net finance expenses		**39,611**	**36,811**
Finance income	1	422	135
Financial expenses	2	(3,950)	(6,203)
Profit before income tax expense		**36,133**	**30,743**
Income tax benefit/(expense)	3	(9,223)	(9,465)
Net profit for the period		**26,910**	**21,278**
Other comprehensive income		-	-
Total comprehensive profit for the period		**26,910**	**21,278**
Profit for the period is attributable to:			
Owners of Stanmore Coal Limited		**26,910**	**21,278**
Total comprehensive income profit for the period is attributable to:			
Owners of Stanmore Coal Limited		**26,910**	**21,278**

Earnings per share attributable to the owners of Stanmore Coal Limited:		**Cents**	**Cents**
Basic earnings per share (cents per share)	16	10.5	8.4
Diluted earnings per share (cents per share)	16	10.4	8.3

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 2019

	Note	31 December 2019 $ '000	30 June 2019 $ '000
CURRENT ASSETS			
Cash and cash equivalents	4	71,379	90,465
Trade and other receivables	5	21,778	20,802
Inventories	6	46,465	29,631
Other current assets		6,291	4,206
Total current assets		**145,913**	**145,104**
NON-CURRENT ASSETS			
Property, plant and equipment	7	61,631	45,592
Exploration and evaluation assets	8(a)	77,547	75,496
Mine Properties	8(b)	31,115	34,808
Intangible assets	9	3,023	3,275
Other non-current assets		2,333	2,313
Total non-current assets		**175,649**	**161,484**
Total assets		**321,562**	**306,588**
CURRENT LIABILITIES			
Trade and other payables	10	39,478	50,756
Interest-bearing loans and borrowings	11	2,169	-
Onerous contracts provision	12	846	867
Rehabilitation provision	13	3,316	4,700
Vendor royalties - contingent consideration	14	10,039	7,955
Income Tax Payable		32,945	25,309
Total current liabilities		**88,793**	**89,587**
NON-CURRENT LIABILITIES			
Provision for employee benefit		313	253
Interest-bearing loans and borrowings	11	11,373	-
Onerous contracts provision	12	4,819	5,198
Rehabilitation provision	13	28,882	24,256
Vendor royalties - contingent consideration	14	17,721	24,598
Deferred tax liabilities	3	7,178	5,591
Total non-current liabilities		**70,286**	**59,896**
Total liabilities		**159,079**	**149,483**
Net assets		**162,483**	**157,105**
EQUITY			
Issued capital	17	117,613	117,613
Share based payment reserve		659	1,703
Retained earnings		44,211	37,789
Total equity attributable to the owners of Stanmore Coal Limited		**162,483**	**157,105**

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 2019

	Issued capital $ '000	Retained Earnings / (Accumulated Losses) $ '000	Share based payment reserve $ '000	Total $ '000
At 1 July 2018	**113,200**	**(41,190)**	**1,152**	**73,162**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				
Profit/(loss) for the period	-	21,278	-	21,278
Other comprehensive income	-	-	-	-
	-	**21,278**	**-**	**21,278**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Dividend paid	-	(5,036)	-	(5,036)
Dividend Reinvestment Plan (DRP)	904	-	-	904
Share based payments				
Incurred share base payment	-	-	275	275
At 31 December 2018	**114,104**	**(24,948)**	**1,427**	**90,583**
At 1 July 2019	**117,613**	**37,788**	**1,703**	**157,104**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				
Profit/(loss) for the period	-	26,910	-	26,910
Other comprehensive income	-	-	-	-
	-	**26,910**	**-**	**26,910**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Dividends paid	-	(20,488)	-	(20,488)
Share based payments settled	-	-	(852)	(852)
Share based payments				
Incurred share base payment	-	-	203	203
Forfeited share base payment	-	-	(394)	(394)
At 31 December 2019	**117,613**	**44,210**	**660**	**162,483**

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 2019

	Note	31 December 2019 $ '000	31 December 2018 $ '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		199,742	140,722
GST refunds		22,950	10,916
Payments to suppliers and employees		(203,672)	(123,100)
Interest received		422	135
Interest and other finance costs paid		(531)	(1,194)
Net cash (outflow)/inflow from operating activities		**18,911**	**27,479**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Payments) for property, plant and equipment		(18,897)	(6,268)
(Payments) for exploration, evaluation assets		(7,051)	(27,273)
(Payments) for mine properties assets		(4,252)	-
Net cash (outflow)/inflow from investing activities		**(30,200)**	**(33,541)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for dividends		(20,488)	(4,133)
Share based payments		(852)	-
Proceeds from borrowings		13,719	22,669
Repayment of borrowings		(176)	-
Net cash (outflow)/inflow from financing activities		**(7,797)**	**18,536**
Net increase/(decrease) in cash held		**(19,086)**	**12,474**
Net cash at beginning of period		90,465	19,817
Net cash at end of period	4	**71,379**	**32,291**

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

Notes to the Interim Financial Statements

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2019 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 period ended 30 June 2019, together with any public announcements made following half-year.

Leases

The Consolidated Entity has applied AASB 16 'Leases' from 1 July 2019 using the modified retrospective approach. The adoption of AASB 16 'Leases' did not result in a material change due to the short-term nature and low-value of the lease.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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.

NOTE 1 REVENUE AND OTHER INCOME

	Note	31 December 2019 $ '000	31 December 2018 $ '000
REVENUE			
Revenue from contracts with customers		200,609	148,284
Total revenue		**200,609**	**148,284**
OTHER INCOME			
Onerous contract re-measurement	12	73	3,328
Vendor royalty – contingent consideration re-measurement	14	1,453	-
Other income		-	23
Total other income		**1,526**	**3,351**
FINANCE INCOME			
Interest income		422	135
Total finance income		**422**	**135**

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

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

31 December 2019	Timing of revenue recognition	Asia A$ '000	Europe A$ '000	Total A$ '000
Sales - thermal coal	At point in time FOB contract	1,832	-	1,832
Sales - metallurgical coal	At point in time FOB contract	185,425	13,352	198,777
Total Revenue		**187,257**	**13,352**	**200,609**

31 December 2018	Timing of revenue recognition	Asia A$ '000	Europe A$ '000	Total A$ '000
Sales - thermal coal	At point in time FOB contract	29,723	-	29,723
Sales - metallurgical coal	At point in time FOB contract	118,561	-	118,561
Total Revenue		**148,284**	**-**	**148,284**

NOTE 2 COST OF SALES AND OTHER EXPENSES

	Note	31 December 2019 $ '000	31 December 2018 $ '000
COST OF SALES			
Mining costs		73,622	51,344
Processing costs		19,417	14,100
Transport and logistics		18,868	14,426
State royalties		17,912	13,001
Private royalties		3,208	2,228
Production overheads		8,723	2,981
Other production costs		2,714	4,065
Total cost of sales		**144,464**	**102,145**
OTHER EXPENSES			
Other expenses		16,761	9,211
Fair value movement - vendor royalty - contingent consideration		-	3,751
Movement through remeasurement adjustment in rehabilitation provision	13	943	-
Movement in foreign currency		306	(283)
Total other expenses		**18,010**	**12,679**
FINANCIAL EXPENSES			
Interest paid – external parties		92	477
Unwinding of discount	12,13,14	2,108	3,357
Commitment fees		439	379
Borrowing costs		1,311	1,990
Total financial expenses		**3,950**	**6,203**

Other expenses

Other expenses include the following specific items:

	Note	31 December 2019 $ '000	31 December 2018 $ '000
Depreciation and amortisation			
Depreciation - plant and equipment	7	2,851	2,403
Amortisation - mine properties	8(b)	7,945	1,293
Amortisation - intangibles	9	252	251
Sub-total depreciation and amortisation		**11,048**	**3,947**
EMPLOYEE EXPENSES			
Employee - salaries and wages		2,297	2,219
Employee superannuation		173	166
Share-based payments (rights)		203	275
Share -based payments forfeited		(395)	-
Sub-total employee expenses		**2,278**	**2,660**
Loss on disposal of Property, Plant and Equipment		7	-
Other overhead expenses		3,328	2,543
Minimum lease payments made under operating lease		100	61
Sub-total other expenses		**3,435**	**2,604**
Total other expenses		**16,761**	**9,211**

NOTE 3 INCOME TAX EXPENSE

	31 December 2019 $ '000	31 December 2018 $ '000
RECONCILIATION		
Current income tax expense	7,142	(2,836)
Deferred income tax benefit	2,081	12,301
Income tax expense/(benefit)	**9,223**	**9,465**

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

Prima facie tax expense (30%) on profit/(loss) before income tax	10,840	9,223
Add tax effect of:		
- Non-deductible expenses	4	1,916
- Prior period deferred taxes (under)/over recognised	(1,621)	(1,674)
Income tax expense/(benefit)	**9,223**	**9,465**

	31 December 2019 $ '000	30 June 2019 $ '000
RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES		
DEFERRED TAX ASSETS		
Deductible temporary differences	20,966	25,123
Sub-total deferred tax assets	**20,966**	**25,123**
DEFERRED TAX LIABILITIES		
Assessable temporary differences	(28,144)	(30,714)
Sub-total deferred tax liabilities	**(28,144)**	**(30,714)**
Deferred tax assets/(liabilities)	**(7,178)**	**(5,591)**

Deferred tax assets will only be recognised when;

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

RECONCILIATION OF CURRENT INCOME TAX PAYABLE		
Current income tax payable	7,636	-
Income tax instalments paid	-	-
Origination and reversal of temporary differences	1,587	(2,822)
Recognition of tax losses	-	12,287
Income tax expense/(benefit)	**9,223**	**9,465**

NOTE 4 CASH AND CASH EQUIVALENTS

	31 December 2019 $ '000	30 June 2019 $ '000
Cash at bank and in hand	**71,379**	**90,465**

Cash at bank bear floating and fixed interest rates between 0.50% and 1.89% (2019: 0.85% and 2.23%).

RECONCILIATION OF CASH

The above figures are reconciled to the consolidated statement of cash flows as follows:

	31 December 2019 $ '000	30 June 2019 $ '000
Balances as above	71,379	90,465
Balances per consolidated statement of cash flows	71,379	90,465

NOTE 5 TRADE AND OTHER RECEIVABLES

	31 December 2019 $ '000	30 June 2019 $ '000
CURRENT		
GST receivable	2,184	2,529
Trade receivables	19,346	18,076
Other receivables	248	197
Total current trade and other receivables	**21,778**	**20,802**

NOTE 6 INVENTORIES

	31 December 2019 $ '000	30 June 2019 $ '000
CURRENT		
ROM coal stocks	4,113	3,703
Product coal stocks	15,030	9,459
Sub-total coal stock	**19,143**	**13,162**
Overburden in advance	26,886	16,469
Stores	436	-
Total current inventories	**46,465**	**29,631**

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

	31 December 2019 $ '000	30 June 2019 $ '000
Plant and equipment		
At cost	66,438	45,884
Accumulated depreciation	(14,093)	(11,346)
Sub-total plant and equipment	**52,345**	**34,538**
Buildings and improvements		
At cost	1,646	1,671
Accumulated depreciation	(437)	(414)
Sub-total buildings and improvements	**1,209**	**1,257**
Capital work in progress		
At cost	8,077	9,797
Sub-total capital work in progress	**8,077**	**9,797**
Total property plant and equipment	**61,631**	**45,592**

MOVEMENTS IN CARRYING AMOUNTS FOR THE HALF YEAR PERIOD

31 December 2019	Plant and equipment $ '000	Buildings and improvements $ '000	Capital work in progress $'000	Total $ '000
Balance at the beginning of the period	34,538	1,257	9,797	**45,592**
Additions – through ordinary course	-	-	18,897	**18,897**
Disposals – through ordinary course	-	(7)	-	**(7)**
Reclassification	13	(13)	-	**-**
Capital WIP transfers	20,600	17	(20,617)	**-**
Depreciation expense	(2,806)	(45)	-	**(2,851)**
Carrying amount at the end of the period	**52,345**	**1,209**	**8,077**	**61,631**

30 June 2019	Plant and equipment $ '000	Buildings and improvements $ '000	Capital work in progress $'000	Total $ '000
Balance at the beginning of the period	34,009	1,117	4,869	**39,995**
Additions – through ordinary course	4	132	6,003	**6,139**
Capital WIP transfers	1,043	32	(1,075)	**-**
Depreciation expense	(518)	(24)	-	**(542)**
Carrying amount at the end of the period	**34,538**	**1,257**	**9,797**	**45,592**

Class of fixed asset	*Depreciation rate*
Plant and equipment	10-25% straight line/units of production
Buildings and improvements	5-10% straight line

NOTE 8 (a) EXPLORATION AND EVALUATION ASSETS

	31 December 2019 $ '000	30 June 2019 $ '000
NON-CURRENT		
Exploration and evaluation expenditure capitalised		
- exploration and evaluation phases	77,547	75,496

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 FOR THE HALF YEAR PERIOD		
Balance at the beginning of the period	87,601	84,444
Additions	2,051	3,157
Sub-total capitalised cost	**89,652**	**87,601**
Provision for impairment	(12,105)	(12,105)
Carrying amount at the end of the period	**77,547**	**75,496**

NOTE 8 (b) MINE PROPERTIES

	31 December 2019 $ '000	30 June 2019 $ '000
NON-CURRENT		
Mine Properties	31,115	34,808

MOVEMENTS IN CARRYING AMOUNTS FOR THE HALF YEAR PERIOD		
Balance at the beginning of the period	42,743	30,997
Additions	4,252	11,746
Sub-total Mine Properties	**46,995**	**42,743**

ACCUMULATED DEPRECIATION		
Balance at the beginning of the period	(7,935)	(1,293)
Amortisation charge	(7,945)	(6,642)
Sub-total accumulated amortisation	**(15,880)**	**(7,935)**
Carrying amount at the end of the period	**31,115**	**34,808**

NOTE 9 INTANGIBLE ASSETS

	31 December 2019 $ '000	30 June 2019 $ '000
INFRASTRUCTURE INTANGIBLE ASSET		
At cost	4,800	4,800
Accumulated amortisation	(1,777)	(1,525)
Carrying amount at the end of the period	**3,023**	**3,275**

MOVEMENTS IN CARRYING AMOUNTS FOR THE HALF YEAR PERIOD

	31 December 2019 $ '000	30 June 2019 $ '000
Balance at the beginning of the period	3,275	3,527
Amortisation expense	(252)	(252)
Carrying amount at the end of the period	**3,023**	**3,275**

Intangible assets

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

NOTE 10 TRADE AND OTHER PAYABLES

	31 December 2019 $ '000	30 June 2019 $ '000
Current		
Trade and Other payables	38,959	49,927
Employee benefits	519	829
Total Current Trade and other payables	**39,478**	**50,756**

NOTE 11 INTEREST BEARING LOANS AND BORROWINGS

	31 December 2019 $ '000	30 June 2019 $ '000	31 December 2019 US$ '000	30 June 2019 US$ '000
TOTAL FACILITIES				
Facility A - bank guarantee facility				
Total available facility	17,113	41,352	12,000	29,000
Facility utilised	(15,310)	(15,310)	(10,737)	(10,737)
Available facility	**1,803**	**26,042**	**1,263**	**18,263**
Facility B - working capital facility				
Total available facility	39,966	31,370	28,000	22,000
Facility utilised	-	-	-	-
Available facility	**39,966**	**31,370**	**28,000**	**22,000**

Facility C – Chattel Mortgage		
Total Loan Amount	13,684	-
Loan Balance Outstanding	13,542	-
Comprised of:		
Current Liability	2,169	-
Non-Current Liability	11,373	-
Loan Balance Outstanding	**13,542**	**-**

RECOGNITION AND MEASUREMENT

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

The group pays a 2% pa facility fee for all undrawn funds in both the working capital and bank guarantee facilities, once utilised the funds attract an 8% fixed interest rate.

On 28 June 2019 the Group's debt finance facility was amended, effective 1 July 2019, to allow for a reduction in facility limits in line with the funding requirements of the Consolidated Entity. In addition to the reduction of the overall facility, there has been a reduction in the interest rate on utilised funds from 10% to 8% and the termination date of the facility extended from 15 November 2019 to 30 June 2022.

Other terms of the facility remain unchanged. Key terms of the facility are:

- Bonding/bank guarantee facility reduced to US$12.0m (previously US$29m)
- Revolving working capital facility increased to US$28.0m (previously US$22m)
- Interest rate on utilised funds reduced to 8.0% (previously 10.0%)
- Interest rate on available facility of 2.0% (unchanged)
- Royalty payable of 1.0% on proceeds from Isaac Plains Complex (unchanged)
- Taurus has a security charge of the operating entities which own Isaac Plains East and Isaac Downs (unchanged)

In relation to the utilised portion of Facility A, refer to *Note 18 Contingent Assets and Liabilities* for further` discussion on the debt financing arrangements

The Working Capital facility is denominated in US$ and therefore when drawn exposes the group to US$ fluctuations these fluctuations.

NOTE 12 ONEROUS CONTRACTS PROVISION

	31 December 2019 $ '000	30 June 2019 $ '000
CURRENT		
Current onerous contract provision	846	867
NON-CURRENT		
Non-current onerous contract provision	4,819	5,198
Total onerous contracts provision	**5,665**	**6,065**

MOVEMENTS IN CARRYING AMOUNTS FOR THE HALF YEAR PERIOD

	31 December 2019 $ '000	30 June 2019 $ '000
RECONCILIATION OF MOVEMENTS		
Opening balance	6,065	12,465
Depletions through settlement	(475)	(793)
Adjustment - through re-measurement	(73)	(6,100)
Unwinding of discount – via profit and loss	148	493
Closing balance	**5,665**	**6,065**

Key estimates – Onerous Contracts

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

NOTE 13 REHABILITIATION PROVISION

	31 December 2019 $ '000	30 June 2019 $ '000
CURRENT		
Current rehabilitation provision	3,316	4,700
NON-CURRENT		
Non-current rehabilitation provision	28,882	24,256
Total rehabilitation liability	**32,198**	**28,956**

RECONCILIATION OF MOVEMENTS		
Opening balance	28,956	22,208
Additions – current year disturbance	3,745	6,475
Depletion - rehabilitation works completed	(1,778)	(2,988)
Adjustment – through re-measurement	943	3,134
Unwinding of discount – via profit and loss	332	127
Closing balance	**32,198**	**28,956**

Key estimates – rehabilitation provision

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

NOTE 14 VENDOR ROYALTIES – CONTINGENT CONSIDERATION

	31 December 2019 $ '000	30 June 2019 $ '000
CURRENT		
Current vendor royalties - contingent consideration	10,039	7,955
NON-CURRENT		
Non-current vendor royalties - contingent consideration	17,721	24,598
Total vendor private royalty	**27,760**	**32,553**
RECONCILIATION OF MOVEMENTS		
Opening balance - vendor royalties - contingent consideration at fair value	32,553	35,450
Fair value adjustments taken to profit and loss in other expenses	(1,453)	2,394
Depletions through settlement	(4,968)	(5,863)
Unwinding of discount – via profit and loss	1,628	572
Total vendor royalties - contingent consideration at fair value	**27,760**	**32,553**

Key judgment and estimates – vendor royalties

During the business combination of Isaac Plains in 2015, AASB 3 Business Combinations required the recognition of Contingent Consideration. The Contingent Consideration relates to a royalty stream payable to the vendors of Isaac Plains in the event that benchmark Hard Metallurgical Coal prices are above an Australian Dollar equivalent of 160 (adjusted for CPI) and coal is produced and sold from either Isaac Plains or Isaac Plains East. Each royalty is capped at predetermined amounts for each vendor. Once the price threshold and production requirements are met, the royalty is payable at $2 per product tonne (2015 dollars) to each of the two vendors of Isaac Plains. Royalties were paid during FY20 to the vendors and as a result the remaining cap is $25.6 million (2019 dollars).

During FY19, Stanmore completed the acquisition of Isaac Downs (formerly Wotonga South). This transaction included a royalty stream payable to the vendor at $1 per tonne of product coal when the premium hard metallurgical coal benchmark is over A$170 per tonne (indexed for CPI) capped at circa $10.0m. The fair value of this royalty was recognised during FY19.

NOTE 14 VENDOR ROYALTIES – CONTINGENT CONSIDERATION (CONT.)

FX Index curve	Hard Metallurgical Coal Index curve				
	+10%	+5%	Current	(5%)	(10%)
+10%	27.760	27.397	27.291	18,197	13.576
+5%	27.760	27,760	27.397	27.291	17,760
Current	27,760	27,760	27.760	27.397	26.633
(5%)	27,760	27,760	27.760	27.760	27.397
(10%)	27,760	27,760	27.760	27.760	27.760

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

FX Index curve	Hard Metallurgical Coal Index curve				
	+10%	+5%	Current	(5%)	(10%)
+10%	-	(1.3%)	(1.7%)	(34.5%)	(51.1%)
+5%	-	-	(1.3%)	(1.7%)	(36.0%)
Current	-	-	-	(1.3%)	(4.1%)
(5%)	-	-	-	-	(1.2%)
(10%)	-	-	-	-	-

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

Change	Valuation $M	Valuation change $M	% Change
Isaac Plains Underground (not approved)	27.760	-	-
Isaac Downs (not approved)	21.812	(5.948)	(21.4%)
Remaining Isaac Plains complex reduced by 20% product	24.767	(2.993)	(10.8%)
Remaining Isaac Plains complex increased by 20% product	29.871	2,111	7.6%

As at 31 December 2019 the fair value was assessed at $27.760 million; this calculation reaches the cap of the agreements relating to Isaac Plains East and Isaac Downs.

NOTE 15 DIVIDENDS AND FRANKING CREDITS

ORDINARY SHARES	31 December 2019 $ '000	31 December 2018 $ '000
Final fully franked dividend for the year ended 30 June 2019 of 8cps (30 June 2018 unfranked dividend of 2cps)	20,488	5,036
Total dividends provided for or paid	**20,488**	**5,036**

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:		
Paid in cash	20,488	4,132
Satisfied by issue of shares	-	904
Total dividends provided for or paid	**20,488**	**5,036**

DIVIDENDS NOT RECOGNISED AT THE END OF THE REPORTING PERIOD	31 December 2019 $ '000	31 December 2018 $ '000
Proposed interim fully franked dividend for the period end 31 December 2019 of 3cps (31 December 2018 fully franked dividend of 3cps)	7,683	7,583
Proposed dividends on ordinary shares	**7,683**	**7,583**

	31 December 2019 $ '000	31 December 2018 $ '000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2018 - 30%)	24,274	-
Subsequent period franking credits available	**24,274**	**-**

NOTE 16 EARNINGS PER SHARE

	31 December 2019 $ '000	31 December 2018 $ '000
EARNINGS		
Profit/(Loss) attributable to owners of Stanmore Coal Limited used to calculate basic and diluted earnings per share	**26,910**	**21,278**

	31 December 2019 Number '000	31 December 2018 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	256,094	252,014
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**258,945**	**256,604**

NOTE 16 EARNINGS PER SHARE (CONT)

	31 December 2019 $ '000	31 December 2018 $ '000
RECONCILIATION OF MOVEMENTS		
Opening balance	256,094	251,801
Weighted average of issued shares (DRP)	-	213
Weighted average number of ordinary shares used in calculating basic earnings per share	**256,094**	**252.014**
Weighted average number of Long-term Incentive Rights issued	2,851	4,590
Weighted average number of ordinary shares and potential ordinary shares issued used to calculate diluted earnings per share	**258,945**	**256,604**
Basic earnings per share (cents per share)	10.5	8.4
Diluted earnings per share (cents per share)	10.4	8.3

BASIC EARNINGS PER SHARE

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

DILUTED EARNINGS PER SHARE

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

NOTE 17 ISSUED CAPITAL

	31 December 2019 $ '000	30 June 2019 $ '000
256,094,238 fully paid ordinary shares (30 June 2019: 256,094,238)	120,960	120,960
Share issue costs	(4,476)	(4,476)
Deferred tax recognised through equity	1,129	1,129
Total issued capital	**117,613**	**117,613**

A. ORDINARY SHARES

	31 December 2019 Number	30 June 2019 Number	31 December 2019 $ '000	30 June 2019 $ '000
ORDINARY SHARES				
At the beginning of the half year period	256,094,238	252,827,518	117,613	114,104
Issue of Shares under DRP	-	3,306,085	-	3,554
On market share buy-back	-	(39,365)	-	(45)
At reporting date	**256,094,238**	**256,094,238**	**117,613**	**117,613**

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 CONTINGENT ASSETS AND LIABILITIES

CONTINGENT ASSETS

WICET Loan

In the 2014 financial year the Consolidated Entity impaired the full balance of the loan provided to third party infrastructure providers. The loan related to the WEXP1 project in Gladstone and the Group's participation in the Capacity Commitment Deed (CCD) which provided certain future access rights in return for a funding commitment from the Consolidated Entity. The Consolidated Entity provided $8m 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 Group 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 Group 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 Consolidated Entity's $8m loan would be repaid.

CONTINGENT LIABILITIES

Debt finance facility

In November 2015 (extended in June 2019), the Consolidated Entity signed a Finance Facility which provides credit support for certain bank guarantees issued to third parties related to the Isaac Plains Coal Mine, to support major infrastructure and transport contracts. Given the structure of the arrangement the facility is backed-to-back with a major financial institution which provides credit support on the Consolidated Entity'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 are off-consolidated statement of financial position except in circumstances where the Consolidated Entity is in default under the facility agreement or the underlying infrastructure contract. If a default were to occur, then the debt would convert into a US dollar loan which would result in Consolidated Statement of Financial Position recognition. At the date of these financial statements there is no default occurring or subsisting.

Through this facility, the following bank guarantees are provided to third parties:

	31 December 2019	30 June 2019
Rail capacity providers	6,222	6,222
Port capacity providers	4,335	4,335
Electricity network access supplier	1,247	1,247
Other	3,506	3,506
Bank Guarantees Provided	**15,310**	**15,310**

Surety Bond facility

In June 2019 the Consolidated Entity signed a Surety Bond Facility which provides performance bonds. The surety bonds are off-consolidated statement of financial position except in circumstances where the Consolidated Entity is in default under the facility letter. If a default were to occur, then the debt would be realised which would result in Consolidated Statement of Financial Position recognition. At the date of these financial statements there is no default occurring or subsisting.

Through this facility, the following surety is provided to a third party:

	31 December 2019	30 June 2019
Government departments as a condition of mining licences	17,480	17,480
Sureties Provided	**17,480**	**17,480**

NOTE 19 EVENTS AFTER REPORTING DATE

A final franked dividend of 3cps is declared for the period ending 31 December 2019.

NOTE 20 OPERATING SEGMENTS

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

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

Accounting policies adopted

Unless otherwise stated, all amounts reported to the 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 assets

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

Segment liabilities

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

Unallocated items

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

The Group's financing (including finance costs and finance income), depreciation and income taxes are managed on a group basis and are not allocated to reportable segments.

Major customers

Stanmore Coal has several customers to whom it sells export coal. Stanmore Coal supplies one such external customer who accounts for 24% of revenue. The next most significant customer accounts for 18% of revenue.

Recognition and measurement

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

NOTE 20 OPERATING SEGMENTS (CONT.)

Segment performance

31 December 2019	Isaac Plains Complex $ '000s	Exploration and Development $ '000s	Unallocated Operations $ '000s	Adjustments and Eliminations $ '000s	Total $ '000s
SEGMENT REVENUE					
External sales	200,609	-	-	-	200,609
Total segment revenue	200,609	-	-	-	200,609
Total revenue per consolidated statement of other comprehensive income					**200,609**
RESULT					
Segment result	53,360	-	(2,651)	-	50,709
Depreciation and amortisation	(11,038)	-	(10)	-	(11,048)
Income tax expense	-	-	(9,223)	-	(9,223)
Net finance expense	(3,593)	-	65	-	(3,528)
Net profit after tax per consolidation statement of comprehensive income					**26,910**
Total Assets	**246,149**	**77,547**	**24,404**	**(36,538)**	**321,562**
Total Liabilities	**180,676**	**167**	**29,543**	**(51,307)**	**159,079**

31 December 2018	Isaac Plains Complex $ '000s	Exploration and Development $ '000s	Unallocated Operations $ '000s	Adjustments and Eliminations $ '000s	Total $ '000s
SEGMENT REVENUE					
External sales	148,284	-	-	-	148,284
Total segment revenue	148,284	-	-	-	148,284
Total revenue per consolidated statement of other comprehensive income					**148,284**
RESULT					
Segment result	36,507	-	(4,386)	-	40,893
Depreciation and amortisation	-	-	-	-	(3,947)
Income tax expense	-	-	-	-	(9,465)
Net finance expense	-	-	-	-	(6,203)
Net profit after tax per consolidation statement of comprehensive income					**21,278**
Total Assets	**184,483**	**72,339**		**(10,512)**	**246,310**
Total Liabilities	**122,949**	**25,382**	**7,396**		**155,727**

NOTE 21 FAIR VALUE

Fair Values

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

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

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

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

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

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

The entity completed a level 3 valuation on contingent consideration (note 14). The carrying value of a significant portion of all financial assets and financial liabilities approximate their fair values due to their short-term nature. There were no transfers between the levels during the year.

Financial Liabilities 31 December 2019	Level 1	Level 2	Level 3
Vendor royalties contingent consideration held at fair value through profit or loss	-	-	27,760
Total Financial Liabilities	-	-	**27,760**

Financial Liabilities 30 June 2019	Level 1	Level 2	Level 3
Vendor royalties contingent consideration held at fair value through profit or loss	-	-	32,553
Total Financial Liabilities	-	-	**32,553**

There were no other financial assets or liabilities valued at fair value in H1 FY20 or FY19.

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 2019 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.

Stewart Butel
Chairman

Brisbane
Date: 25 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Stanmore Coal Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Stanmore Coal Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit Pty Ltd

BDO

R M Swaby
Director

Brisbane, 25 February 2020