stanmorecoal

Strong production generating **record returns**

Annual Report 2019

Contents

Chairman's letter

Dear Shareholders,

On behalf of the Directors, I am pleased to report that Stanmore Coal delivered a record operational performance in the 2019 financial year, leading to record financial outcomes for both the Company and our shareholders.

Mining operations made a safe and successful transition to Isaac Plains East in December 2018, with more favourable geological conditions and lower strip ratios supporting the strong operating performance delivering improved sales mix and margins.

FINANCIAL PERFORMANCE

The Company's revenue from operations totalled a new record of $403.1 million, an increase of 94% on the previous year. This resulted in gross profit of $164.8 million which was a 215% improvement on FY18. Underlying Earnings before Interest, Tax, Depreciation and Amortisation improved by 240% to $154.9 million. Stanmore Coal reported Net Profit After Tax (NPAT) of $91.6 million, compared with $6.0 million in the previous financial year.

The primary drivers of the improvement in NPAT were increases in coal sales and realised sales price, as well as a more favourable mix of semi-soft and thermal coals and reduced production costs.

Cash generation from operations was $140.0 million, another substantial improvement compared with $21.9 million in FY18. This was balanced against cash outflows that will support the future growth and performance of the business including the acquisition of Isaac Downs, development capital for Isaac Plains East and planned maintenance of major equipment and infrastructure. The Company ended the financial year with no funds drawn from the working capital facility.

The Company completed a debt re-finance for its working capital and bonding facilities during the year. The new arrangements reflect the financial strength of the business and will reduce overall financing costs.

Based on the strong operational and financial performance, the Board declared a fully franked final dividend of 8 cents per share, along with the fully franked interim dividend of 3 cents per share. The Board will continue to reward shareholders with dividends that reflect the Company's earnings and cashflow performance, balanced against the cyclicality of the sector and any capital management decisions that are made in the interests of sustaining the business. The combination of share price appreciation and dividends paid during the 2019 financial year delivered a Total Shareholder Return of 69.5%, a superior outcome to an investment in any other ASX-listed coal company.

INDUSTRY OUTLOOK

While the outlook for metallurgical coal remains positive, the Company is mindful of the potential for volatility as a result of the commodity cycle. Stanmore responds to this reality by concentrating on higher margin metallurgical coal product yield and minimising the amount of by-product thermal coal. A large proportion of the Company's product coal is contracted to term customers, which means we expect achieved prices to remain stable and well above the cost of production, and in line with industry forecasts.

DISCIPLINED STRATEGY

Stanmore will continue to take a disciplined approach to operating costs and capital investments, to ensure the Company generates strong cashflows and maintains a robust financial position. Optimising our existing portfolio of operating assets is an important part of the strategy and provides the business with a level of flexibility throughout the commodity price cycle which, in turn, ensures that we can deliver strong and stable returns to shareholders.

CORPORATE ACTIVITY

In November 2018, the Company received an unsolicited off-market takeover offer which saw Golden Investments acquire a relevant interest in 25.47% of Stanmore's shares on issue.

After the reporting period, the Company also received a notice from Golden Investments requisitioning a meeting of shareholders to consider resolutions to change the composition of the Board. This was followed by a non-binding indicative proposal from Winfield Group Investments which, subject to satisfactory due diligence and finance, may result in an off-market takeover offer for 100% of the Company's shares. The Board continues to assess both of these approaches and will keep Shareholders fully informed. Importantly, the Board's primary focus in dealing with these matters is to maintain the best interests of all Stanmore Coal Shareholders.

GOVERNANCE

During the year, the Board continued to extend its skills and capabilities with the appointment of Darren Yeates as an independent director. Mr Yeates brings considerable mining industry experience and is making an important contribution to Board deliberations.

A number of other directors – Patrick O'Connor, Andrew Martin and Chris McAuliffe – resigned from the Board during the year.

THANK YOU

On behalf of the Board, I would like to thank the Stanmore management team, employees and contract partners for their efforts and teamwork that have delivered an outstanding performance during FY19. I would also like to thank shareholders for their continuing support for the Company. We look forward to continuing the momentum that has been achieved in the past financial year, for the ongoing benefit of all of Stanmore's stakeholders.

Stewart Butel
Chairman

Managing Director's report

I am pleased to report that Stanmore Coal has largely delivered on the objectives set out for the 2019 financial year, which has generated improved returns for shareholders.

The Company's objectives for FY19 focused on what we describe as the 'combined effect' that drives certainty in delivering returns for shareholders. The combination of strong operating performance, a disciplined investment pipeline and the foundation of a fully prepared company, together drive our focus on costs, margins and cash generation. During FY19, Stanmore continued to make advances in production, cost efficiency and productivity, building on the improvements made in previous years. We continued to build a track record of reliability and repeatability in our operations, which helped to deliver further EBITDA growth compared to FY18. We also extended the runway of coal sources to feed our operating infrastructure.

Delivering on the Company's objectives has generated considerable value for shareholders. A 64% increase in Stanmore Coal's share price, along with declared dividends totalling eleven cents per share represents a substantial return for shareholders for FY19.

Looking back on the year's achievements, Stanmore has delivered record production performance and reduced operating costs, underpinning strong returns to shareholders. The Isaac Plains Complex produced a total of 2.93 million tonnes of ROM coal at a prime strip ratio of 8.8, and product coal of 2.39 million tonnes. The June quarter production run-rate equates to ROM production of approximately 3.7Mt on an annualised basis, which is ahead of the 3.5Mtpa capacity of the Isaac Plains Complex. A 10% increase in overburden removal and 78% increase in open-cut ROM production compared with FY18 supported the strong operating performance.

The cost of production reduced during the year, with the successful transition of mining operations to Isaac Plains East from Isaac Plains in December 2018. Lower strip ratios and favourable geological conditions at Isaac Plains East have contributed to a reduction in underlying FOB costs (excluding state royalties of $15.9/tonne) of $88.8/tonne, compared with $98.1/tonne in the previous financial year. The product mix of semi-soft coking and thermal coals has also improved to 89:11 with the move to Isaac Plains East, which led to a significant improvement in average realised sales prices.

Total coal sales for the year were 2.32 million tonnes. The average sale price for all coal sales during the year was $173.8/tonne, compared with $144.8/tonne in FY18. Pricing reflected strong demand for semi-soft and thermal coal, and we expect these conditions to remain stable into FY20.

As a result of this strong operating performance, Stanmore produced record full-year earnings and cash generation. Underlying EBITDA rose by 240% and net cash at the end of the reporting period increased by 357%, compared to FY18.

Health and Safety is critical to the success of our operations and the outcomes we deliver as a company. Unfortunately, safety performance did not meet the high standards we expect. The Total Reportable Injury Frequency Rate was 16.7 per million hours, with a Lost Time Injury Frequency Rate of 7.6 per million hours. Significant resources and effort have been committed to implementing Fatal Risk Standards and Life Saving Rules. In addition, an intervention plan is being developed, and these initiatives are expected to correct the result and significantly improve safety performance.

Rehabilitation continued to be an important focus of our operations during the year, with 150 hectares re-contoured and 109 hectares seeded. A number of improvement projects were also undertaken to improve water management infrastructure and environmental integrity at the Isaac Plains Complex.

Stanmore takes a disciplined approach to sourcing future coal supplies that will support improved returns and value growth. The next step in value generation is the development of Isaac Downs, which we acquired in July 2018 for $30 million cash (of which, $25 million was paid in FY19). Isaac Downs will be operated as an open-cut metallurgical coal mine that is expected to produce approximately 32 million tonnes over 8-10 years. The project will be a satellite operation utilising the existing Isaac Plains Complex coal processing and transport assets, which is in line with our approach of low capital cost development and optimising our existing infrastructure.

During the year, we progressed the approvals process for Isaac Downs, commencing a number of environmental assessment studies, and additional exploration and coal quality drilling. Draft Terms of Reference were published for the Isaac Downs Environmental Impact Statement in June 2019, and subject to all required approvals, mining operations are expected to commence mid-2021.

Our track record of delivering on the company's objectives has created an exciting outlook for Stanmore. We have demonstrated strong production performance and an improving cost structure. The runway of economic mine life potential extends beyond 15 years, aligned to existing infrastructure capacity. We maintain a disciplined, capital light approach to project development, and the business is debt free and generating significant cash from operations. This platform protects Stanmore against the commodity price cycle and puts the business in a positive position in the metallurgical coal market.

Stanmore Coal has performed well in the 2019 financial year and is positioned for future success and value generation for shareholders. This has been achieved through the focus and efforts of the team at Stanmore Coal, and I would like to take the opportunity to thank them for their dedication. Thanks also to the directors for their support and guidance throughout the financial year and into the future. I would also like to thank our contract partners, customers, the Moranbah community, site neighbours and shareholders for their continued support for Stanmore Coal.

Daniel Clifford
Managing Director

Our **strategy**

Disciplined operating performance and capital light expansion generating cash and creating strategic flexibility

Successful strategic execution delivers strong returns and flexibility through the cycle

PROJECT/INVESTMENT PIPELINE – SOURCE ROM COAL PIPELINE WITH DISCIPLINE
COAL QUALITY – COST STRUCTURE – STRIP RATIO

Isaac Plains Complex

2.0 Mt ▸ **2.4**Mt

SALEABLE PRODUCTION

Regional Coal Hub

2.4 Mt ▸ **5.0**Mt

SALEABLE PRODUCTION

Emerging Integrated Coal Company

MARGIN FOCUSED

2019 – 2020

2021 – 2022

SOURCE ROM COAL WITH DISCIPLINE

- CHPP to full capacity of 3.5Mt ROM
- 2 Stage cost structure
- Ramp-up/ramp-down capability
- Strip Ratio/Cost Structure/ Coal Quality
- Matched logistics

MAXIMISE THE 'COMBINED EFFECT'

- Multiple sources to upstream increased CHPP feed capacity up to potentially 7Mt ROM
- Capital 'light' expansion on existing footprint giving superior IRR's in the current climate

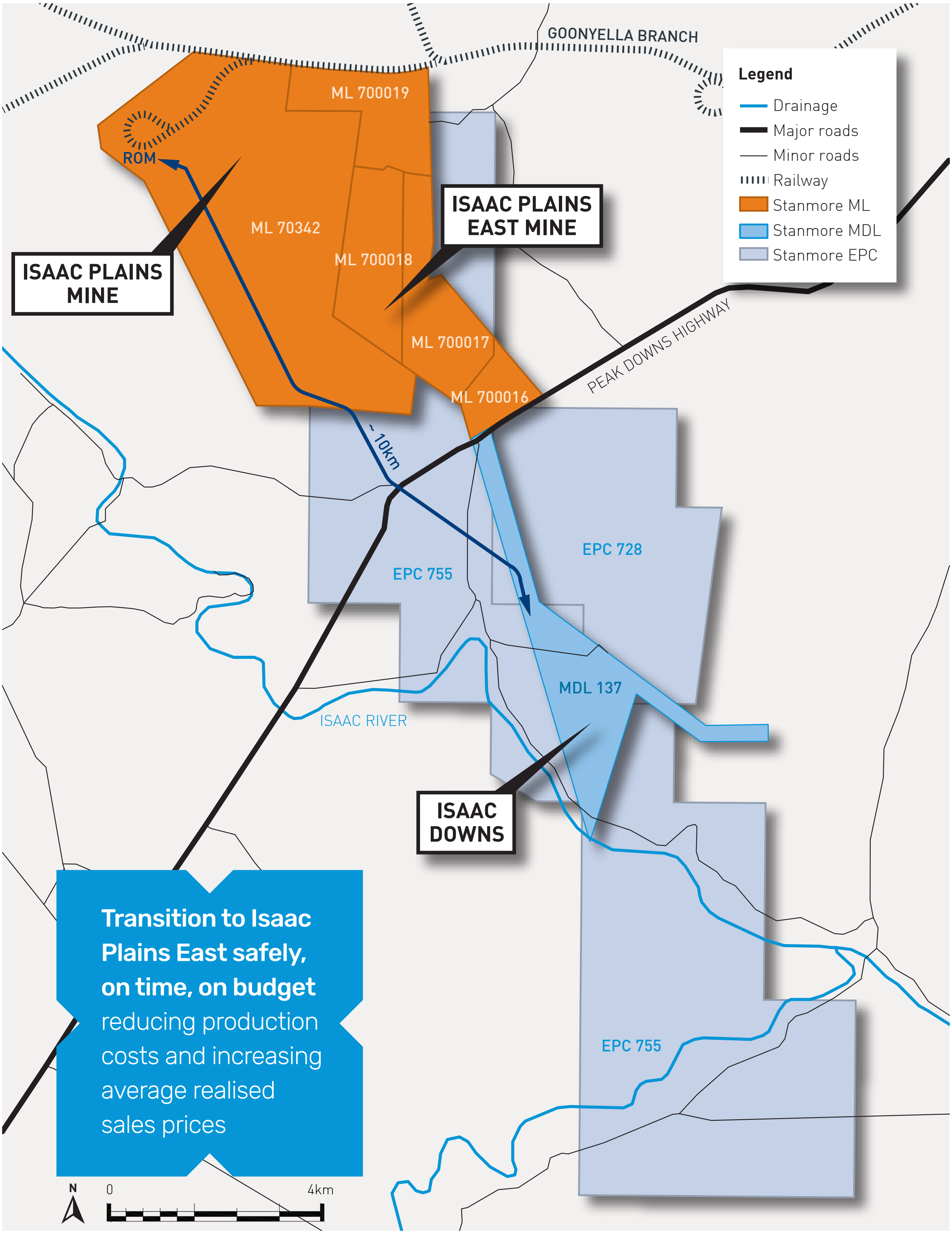
FULLY PREPARED COMPANY

- Multiple hubs forcing a combined effect
- Benchmark performance for each $ or piece of equipment deployed
- Positioned for growth at any point in the cycle

OPERATING PERFORMANCE IN WHAT COUNTS

Equipment performance | Engineered operations | Operations leadership

Isaac Plains Complex



Transition to Isaac Plains East safely, on time, on budget reducing production costs and increasing average realised sales prices

FY19 highlights

Record operating performance has delivered record financial performance and shareholder returns

Revenue increased
94% to **$403.1m**

Gross profit
more than tripled
to **$164.8m**

Underlying EBITDA
(non IFRS measure)
$154.9m (FY18: $45.5m)

Net cash at 30 June 2019
$90.5m with no debt
(FY18: $19.8m)

Cash flows
from operations
$138m (FY18: $21.9m)

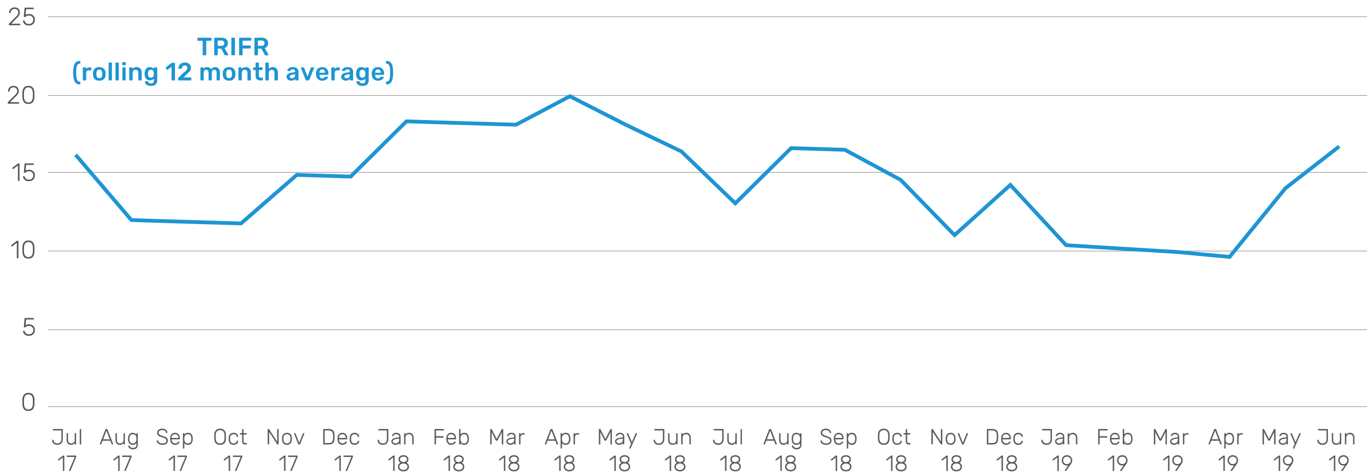
FY19 Total
Shareholder Return
69.5%

Share price growth

Health and Safety

Focus on improving safety performance through an intervention plan, Fatal Risk Standards and Life Saving Rules

TRIFR **16.7** (total reportable injuries per million hours worked)



Environment and Community

Focus on site rehabilitation achieved

150 Ha re-contoured

109 Ha re-seeded

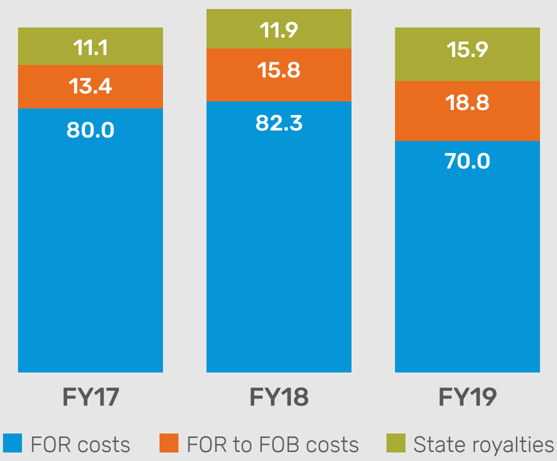
Supported the work of

19 local schools and community organisations

Operations

Successful transition of operations to Isaac Plains East, safely, on time and on budget

FOB COSTS
(A$/TONNE)



2.93 million
tonnes ROM Coal
increased 78% from FY18

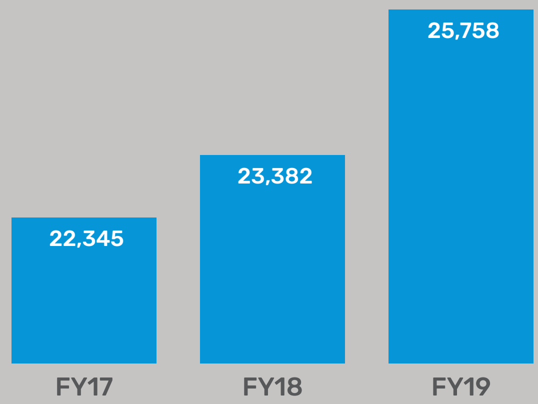
Prime overburden removed
increased 10% from FY18

2.39 million
tonnes
Product Coal

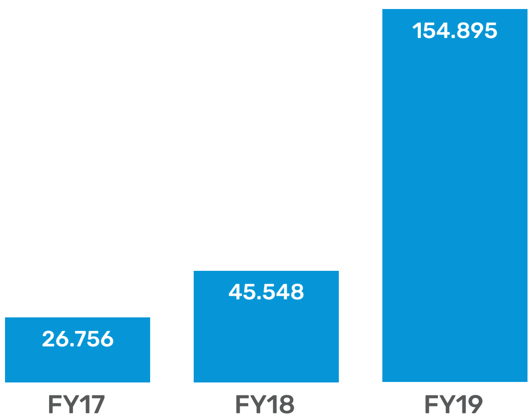
Underlying
FOB costs of
$88.8
per tonne (excluding A$16/t contribution to State Royalties)
$9.3 per tonne lower than FY18

Average sales price
A$173.8
per tonne

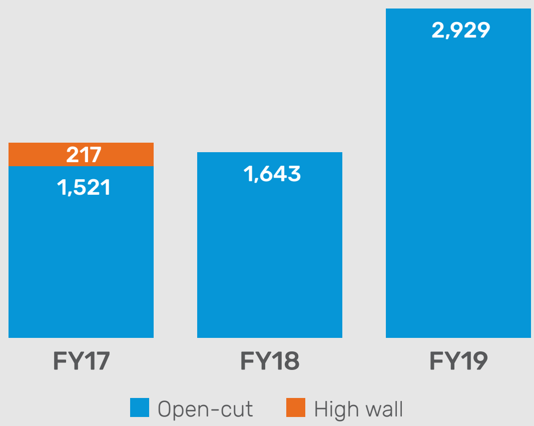
PRIME WASTE OVERBURDEN
(K BCM)



UNDERLYING EBITDA
($'000)



ROM TONNES MINED
(K TONNES)



Development

Acquired Isaac Downs and declared maiden Coal Reserve of **24.5 million tonnes,** supporting 8-10 year mine life

Initial **Environmental Impact Study** to be lodged with State Government by end 2019

Bankable Feasibility Study for Isaac Plains Underground confirmed financial viability

Project decision deferred until additional port and coal handling capacity is secured (or Isaac Downs largely completed)

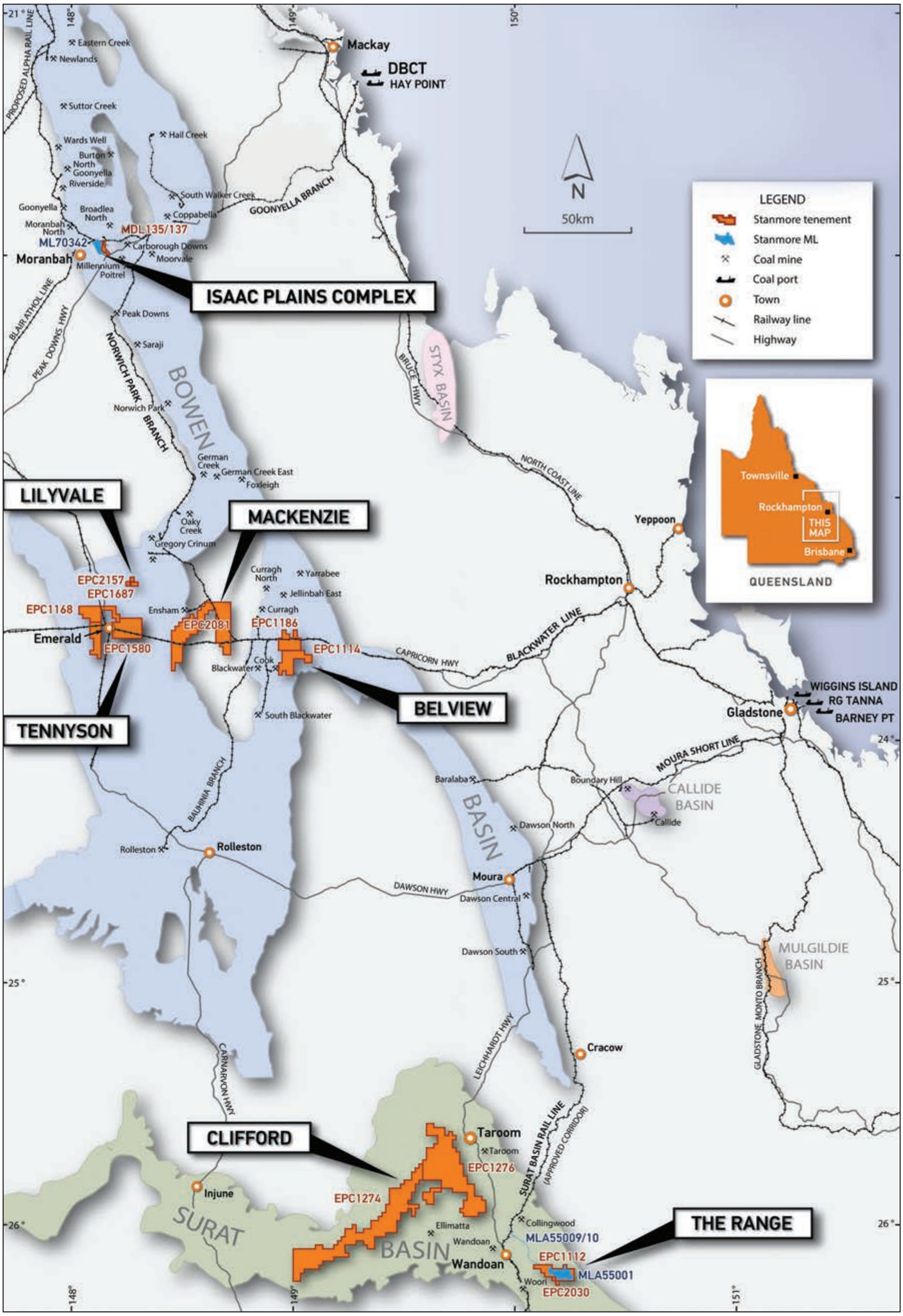
Outlook

Achieved prices in FY20 to remain stable and in line with industry forecasts – and well above cost of production – based on long term customer contracts, despite increasing pricing volatility

FY20 guidance of **2.35 million tonnes** product (2.92Mt ROM)

With increasing strip ratio at Isaac Plains East, unit costs to rise to **$99.5 per tonne** (excluding state royalties) from $88.8 per tonne in FY19

Stanmore Coal assets



Stanmore Coal **resources**
as at June 2019

Project Name	Tenement	Coal Type*	Measured Resources	Indicated Resources	Inferred Resources	Total Resources	Competent Person	Report Date
Isaac Plains	ML 70342 ML 700018 ML 700019	C, T	22.2	21.3	9	52	A	May 18
Isaac Plains East	ML 700016 ML 700017 ML 700018 ML 700019	C	12.9	8.8	8	30	A	May 18
Isaac Downs	MDL 137 EPC 728	C, PCI	17.0	12.0	4	33	B	Dec 18
Isaac South	EPC 755	C, T	11.9	14.5	25	52	C	Jun 18
Isaac Plains Complex	**Sub Total**		**64.0**	**56.6**	**46**	**167**		
Clifford	EPC 1274 EPC 1276	T	0.0	200.0	430	630	D	Aug 16
The Range	EPC 1112 EPC 2030	T	18.1	187.0	81	286	A	Oct 12
Surat Basin Complex	**Sub Total**		**18.1**	**387.0**	**511**	**916**		
Mackenzie	EPC 2081	C, T	0.0	25.7	117	143	A	Nov 11
Belview	EPC 1114 EPC 1186 EPC 1798	C, PCI	0.0	50.0	280	330	A	Mar 15
Tennyson	EPC 1168 EPC 1580	T	0.0	0.0	139	139	A	Dec 12
Lilyvale	EPC 1687 EPC 2157	C	0.0	0.0	33	33	A	Feb 19
Total Coal Resources	**Sub Total**		**82.1**	**519.3**	**1126**	**1728**		

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

Competent Person
A Troy Turner – Xenith
B James Knowles – Measured Group
C Mal Blaik – JB Mining
D Oystein Naess – Xenith

Note 1: All Coal Resources are reported under The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') applicable at the time each report was published. Reports dated 2012, and earlier, used the JORC 2004 version, reports dated after 2012 reported against the requirements of the 2012 JORC code. None of the resources reported under JORC 2004 have been updated to comply with JORC 2012 on the basis that the information has not materially changed since it was originally reported.
Note 2: For all Resources reported under the JORC 2012 Code, Stanmore confirms that it is not aware of any new information or data that materially affects the information included in this announcement and in the case of each of the reported JORC 2012 estimates of coal resources, that all material assumptions and technical parameters underpinning the estimates provided in this announcement continue to apply and have not materially changed.
Note 3: Rounding to the nearest significant figure is applied to Total Resource Tonnes in the Inferred Category. This is deemed conservative and reflective of the Inferred Resource category confidence level and accounts for the minor differences in the overall total reported resources.
Note 4: All Coal Resources are reported on a 100% basis; Stanmore Coal's economic interest in Clifford is 60%, Mackenzie is 95%, and Lilyvale is 85%, all other tenure is 100% owned by Stanmore Coal.

Stanmore Coal **reserves**
as at June 2019

Project Name	Tenement	Coal Reserves Proved	Coal Reserves Probable	Coal Reserves Total	Marketable Reserves Proved	Marketable Reserves Probable	Marketable Reserves Total	Competent Person	Report Date
Isaac Plains Open-cut	ML 70342	1.0	0.1	1.1	0.7	0.0	0.7	E	Aug 19
Isaac Plains East Open-cut	ML 700016 ML 700017 ML 700018 ML 700019	9.4	2.6	11.9	7.2	2.0	9.2	E	Aug 19
Isaac Plains Underground	ML 70342 ML 700018 ML 700019	0.0	12.9	12.9	0.0	9.4	9.4	F	Apr 18
Isaac Downs	MDL 137 EPC 728	17.0	7.5	24.5	11.2	4.6	15.8	E	Dec 18
Isaac Plains Complex	**Sub Total**	**27.3**	**23.1**	**50.4**	**19.1**	**16.0**	**35.1**		
The Range	EPC 1112 EPC 2030 MLA 55001	0.0	116.6	116.6	0.0	94.2	94.2	G	Jul 11
Total Coal Reserves	**Sub Total**	**27.3**	**139.7**	**167.0**	**19.1**	**110.2**	**129.3**		

Coal Type Ratio – Coking: Thermal (% of Marketable Coal Reserve)
Isaac Plains OC – 69%:31%
Isaac Plains East OC – 98%:2%
Isaac Plains Underground – 88%:12%
Isaac Downs – 100% Coking
The Range – 100% Thermal

Competent Person
E Tony O'Connell – Optimal/Measured Group
F Mark McKew – Geostudy
G Richard Hoskings – Minserve

Note 1: All Coal Resources are reported under The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reservces ('the JORC Code') applicable at the time each report was published. Reports dated 2012, and earlier, used the JORC 2004 version, reports dated after 2012 reported against the requirements of the 2012 JORC code. None of the reserves reported under JORC 2004 have been updated to comply with JORC 2012 on the basis that the information has not materially changed since it was originally reported.
Note 2: For all Reserves reported under the JORC 2012 Code, Stanmore confirms that it is not aware of any new information or data that materially affects the information included in this announcement and in the case of each of the reported JORC 2012 estimates of coal reserves, that all material assumptions and technical parameters underpinning the estimates provided in this announcement continue to apply and have not materially changed.
Note 3: Totals may not be exact due to significant figure rounding.
Note 4: The Reserves quoted for The Range project were established in 2011 under the relevant JORC Code at the time and used a coal price of A$120/tonne for benchmark NEWC thermal coal equivalent. These Reserves were supported by a Feasibility Study that assumed the completion of the Surat Basin rail to connect the mine to the Port of Gladstone.
Note 5: All Coal Reserves are reported on a 100% basis, and Stanmore Coal's economic interest in the tenure above is 100%.
Note 6: The IP & IPE Coal Reserves above, are based upon the May 2018 Coal Resource Report. This May 2018 Resource Report does not include a reduction due to mining depletion during FY19 of approximately 3 Million tonnes.
Note 7: The Isaac Downs Reserves are reported as 65% semi-hard coking coal and 35% pulverised coal injection (PCI).

The Coal Resource and Coal Reserve information was announced to shareholders on 30 August 2019. Each Competent Person described above has consented to the publication of the relevant Resource or Reserve as indicated on the tables above. Each Competent Person has sufficient experience which is relevant to the type of deposit under consideration and to the activity being undertaken, to qualify as a Competent Person as defined in the JORC Code.

Development **projects**

The Range Thermal Coal Project

The feasibility study completed in 2012 covering geology, mining and infrastructure confirmed The Range as a high quality, export grade, thermal coal project producing 94Mt of product over a 22-year life. This study continues to be reviewed to examine if the application of the latest mining techniques can reduce forecast operating costs.

The other focus is the investigation of possible rail infrastructure solutions to link the project with the Port of Gladstone. Until there is certainty as to timing of the rail solution, Stanmore will continue with environmental monitoring and other minor on-site activities to maintain compliance with approvals. In March 2019 a new site specific Environmental Authority (EA) was applied for and this application was accepted by the Department of Environment and Science (DES) as appropriate to re-activate the DES approval process. The mining lease applications remain 'on foot' pending the outcome of the EA approval process.

TENEMENTS
EPC 1112, 2030
MLA 55001, 55009, 55010

AREA
$90km^2$

LOCATION
Surat Basin – 24km south-east of Wandoan

JORC RESOURCE
Total of 285Mt high quality open pit thermal coal (18Mt Measured + 187Mt Indicated + 81Mt Inferred Resource)

OWNERSHIP
100% Stanmore Coal

Development **projects**
(continued)

Clifford Thermal Coal Project

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

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

The JORC Resource defined to date totals 630Mt (200Mt Indicated + 430 Mt Inferred Resource).

TENEMENTS
EPC 1274, 1276

AREA
820km^2

LOCATION
Surat Basin – north-west of Wandoan

JORC RESOURCE
630Mt (200Mt Measured + 430Mt Inferred Resource)

OWNERSHIP
60% Stanmore Coal
40% JOGMEC

Development **projects**
(continued)

Belview Coking Coal Project

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

Extensive coal analysis has shown the primary product will be low ash (typically 6-7.5% ad) that is attractive to steel making companies. Washed coking coal is likely to exhibit low sulphur (0.4%-0.55% ad) and moderate phosphorus (0.07%-0.1% ad).

The secondary PCI coal has low-volatile matter, standard ash, low sulphur and moderate phosphorus content. At a typical ash level of 10-11% (ad), the calorific value is regarded as high (~7,500 kcal/kg gad). This calorific value level, along with the high carbon content, indicates a high coke replacement ratio. The variable iron and calcium content in the ash impact the ash fusion temperature. The HGI is high (~80-87).

Under certain processing scenarios, a thermal coal product may also be produced at minimal yields (5-10%) additional to the PCI product, as a moderate ash (20% ad) with reasonably high energy content around 6,500 kcal/kg (gad) and attractive HGI of 75-80.

Wash and clean coal composite analysis of Belview coal samples indicates that together these products can be produced at a high overall washed yield, with an achieved laboratory yield for the main seam (Pollux) of 79%.

TENEMENTS
EPC 1114, 1186, 1798

AREA
125km^2

LOCATION
Bowen Basin – 10km south-west of Blackwater

JORC RESOURCE
330Mt (50Mt Indicated + 280Mt Inferred Resource)

OWNERSHIP
100% Stanmore Coal

Development **projects**
(continued)

Lilyvale Coking Coal Project

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

The project area has defined JORC Resource of 33Mt (Inferred). Further exploration is planned to define additional resources.

The Company maintains other exploration tenements including MacKenzie and Tennyson.

TENEMENTS
EP 1687, 2157

AREA
13km^2

LOCATION
Bowen Basin – north-east of Emerald

JORC RESOURCE
33Mt (33Mt Inferred Resource)

OWNERSHIP
85% Stanmore Coal
15% Bowen Coking Coal

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 year ended 30 June 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 year and up to the date of this report are:

Stewart Butel

B. Science (Geology), Grad Dip in Business Studies, Advanced Certificate of Coal Mining, GAICD

NON-EXECUTIVE DIRECTOR (APPOINTED 18 SEPTEMBER 2017)

CHAIRMAN (APPOINTED 1 FEBRUARY 2018)

Stewart has more than 40 years of experience in operational management and board roles in the resources industry in New South Wales, Queensland and Western Australia. He joined Wesfarmers Limited in 2000 as Managing Director of the Curragh mine, and was Managing Director of Wesfarmers Resources between 2006 and 2016. Stewart holds a Bachelor of Science (Geology) and qualifications in business and mining. He has completed the Breakthrough Program for Senior Executives at IMD Business School in Switzerland and the Advanced Management Program at Harvard Business School. He was appointed to the Board of Gladstone Ports Corporation in October 2018. He is a past director of a number of Wesfarmers subsidiaries, and Duet Company and Duet Investment Holdings. He is immediate past President of Queensland Resources Council and has held directorships of a number of resources industry bodies including Minerals Council of Australia, Chamber of Mines and Energy WA, Australian Coal Association and its low emissions technology fund, ACALET.

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

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

- Duet Company Limited (Appointed 01/09/2016 until its delisting on 16/05/2017)
- Duet Investment Holdings (Appointed 01/09/2016 until its delisting on 16/05/2017)
- RPM Global Holdings Limited (Appointed 01/09/2018 – Current).

Dan Clifford

B. Eng (Mining)

MANAGING DIRECTOR (APPOINTED 14 NOVEMBER 2016)

Dan has more than 25 years' experience in the coal mining industry and has worked in Australia, South Africa and New Zealand. He has substantial open cut and underground coal mining experience, including responsibility for major dragline and longwall operations under previous employers including Glencore, Anglo Coal, BHP Billiton and Solid Energy.

Dan was appointed Chief Executive Officer of Solid Energy New Zealand in 2014 when the company was facing significant financial pressures and very difficult market conditions for coal mining companies. During this period, significant achievements in health and safety and operational efficiencies were reached. In parallel with running the operations of Solid Energy, Dan led the process of an asset sales program. Dan previously held the position of General Manager of the Ulan Complex at Glencore in Ulan, New South Wales, and has held roles with Anglo Coal and BHP in technical, operational and regional management roles.

Dan was a member of the Health, Safety, Environment and Community Committee from 26 October 2018 to 3 May 2019.

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

Directors' report (continued)

Stephen Bizzell

B. Com, MAICD

NON-EXECUTIVE DIRECTOR (APPOINTED 5 OCTOBER 2009)

Stephen has been a Director of Stanmore since 2009 and is the Chairman of boutique corporate advisory and funds management group, Bizzell Capital Partners Pty Ltd. He was an Executive Director of Arrow Energy Ltd from 1999 until its acquisition in 2010 by Shell and PetroChina for $3.5 billion. He was instrumental in Arrow's corporate and commercial success and its growth from a junior explorer to a large integrated energy company. He was also a co-founder and director of Bow Energy Ltd until its $550 million takeover.

Stephen qualified as a Chartered Accountant and early in his career was employed in the Corporate Finance division of Ernst & Young and the Corporate Tax division of Coopers & Lybrand. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions. He has over 25 years' corporate finance and public company management experience in the resources and energy sectors in Australia and Canada with various public companies.

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

- Armour Energy Limited
  (Appointed 09/03/2012 – current)
- Diversa Ltd
  (Appointed 25/08/2010 – delisted 06/10/2016)
- Laneway Resources Limited
  (Appointed 28/06/1996 – current)
- Renascor Resources Limited
  (Appointed 01/09/2010 – current)
- UIL Energy Ltd
  (Appointed 01/08/2014 – delisted 03/01/2019)
- Strike Energy Limited
  (Appointed 31/12/2018 – current).

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

Neal O'Connor

B. Laws and Dip. Legal Practice, GAICD

NON-EXECUTIVE DIRECTOR (APPOINTED 18 SEPTEMBER 2017)

Neal has 30 years of legal experience in private practice in Australia and the United Kingdom, and within the resources industry. He was Company Secretary and General Counsel of the global copper business unit of Xstrata plc between 2003 and 2013, prior to which he was the General Manager Legal at MIM Holdings. Neal holds Bachelor of Laws and Diploma of Legal Practice from Queensland University of Technology. He is admitted to practice as a solicitor in Queensland and England and Wales. He is also a Member of the Australian Institute of Company Directors.

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

- Mitchell Services Limited
  (Appointed 21 October 2015 – current).

Neal is Chairman of the Remuneration and Nominations Committee and a member of the Health, Safety, Environment and Community Committee and was a member of the Audit and Risk Management Committee from 21 January 2019 to 3 May 2019.

Darren Yeates

B. Eng. (Mining), Grad Dip in Mgmt,
Grad Dip in Applied Fin & Invest., MBA, FAICD

**NON-EXECUTIVE DIRECTOR
(APPOINTED 3 MAY 2019)**

Darren is an experienced Director with over 30 years' experience in the mining and metals industry. Most recently he was Chief Executive of GVK Hancock Coal. He spent over 22 years working with Rio Tinto including as Acting Managing Director and Chief Operating Officer for Rio Tinto Coal Australia, General Manager Ports and Infrastructure for Pilbara Iron and General Manager Tarong Coal. Prior to joining Rio Tinto, he worked for 6 years for BHP in coal operations and metalliferous exploration.

Darren has a Bachelor of Engineering (Mining) from University of Queensland, a Graduate Diploma in Management from the University of Central Queensland and a Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia. He has an Executive MBA from the Monash Mt Eliza Business School and is a Fellow of the Australian Institute of Company Directors.

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

- EMECO Holdings Limited
  (Appointed 01/04/2017 – current).

Darren is the Chairman of the Health, Safety, Environment and Community Committee and a member of the Audit and Risk Management Committee.

Patrick O'Connor

B. Com, FAICD

**NON-EXECUTIVE DIRECTOR
(RESIGNED 21 SEPTEMBER 2018)**

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

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

- Optiscan Imaging Limited
  (Appointed 21/07/2015 – resigned 12/04/2016)
- Tech Mpire Limited
  (Appointed 26/07/2016 – resigned 24/02/2017).

Chris McAuliffe

LLB (Hons), MBA

**NON-EXECUTIVE DIRECTOR
(RESIGNED 7 DECEMBER 2018)**

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

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

- Chaswood Resources Holdings Limited (SGX)
  (Appointed 30/04/2012 – resigned 01/07/2018)
- Xplorer PLC (London)
  (Appointed 27/06/2013 – current)

Prior to Chris's resignation, he was a member of the Audit and Risk Management Committee.

Andrew Martin

B. Com (Hons)

**NON-EXECUTIVE DIRECTOR
(APPOINTED 26 OCTOBER 2018 AND
RESIGNED 16 NOVEMBER 2018)**

Andrew has more than 20 years' experience in corporate finance and advisory services, particularly in infrastructure, utilities and natural resources.

COMPANY SECRETARY

Ian Poole

B. Econ, CA

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

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

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

Directors' report
(continued)

DIRECTORS' INTERESTS

The relevant interests of each Director in the shares and rights issued by the Consolidated Entity, as notified by the directors to the Australian Securities Exchange in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report.

	Ordinary shares
Stewart Butel	316,379
Dan Clifford[1]	513,952
Stephen Bizzell	7,377,106
Neal O'Connor	125,204
Darren Yeates	–

1 Dan Clifford held 1,690,750 rights issued by the Consolidated Entity as at the date of this report

DIRECTORS' MEETINGS

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

	Board		Audit and Risk Management Committee		Remuneration and Nominations Committee		Health, Safety, Environment and Community Committee	
	Held while in office	Meetings attended	Held while in office	Meetings attended	Held while in office	Meetings attended	Held while in office	Meetings attended
Stewart Butel	31	31	5	5	7	7	4	4
Dan Clifford	31	31	–	–	–	–	1	1
Stephen Bizzell	31	31	5	5	7	7	–	–
Neal O'Connor	31	29	1	1	7	7	4	4
Darren Yeates	5	4	1	1	–	–	1	1
Patrick O'Connor	8	8	–	–	4	4	2	2
Chris McAuliffe	14	10	3	2	–	–	–	–
Andrew Martin	2	2	–	–	–	–	–	–

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

HIGHLIGHTS

Financial Highlights for the year ending 30 June 2019 include:

- Full year net profit after tax of $91.598m.
- Underlying EBITDA of $154.895m (non-IFRS measure) an increase from $45.548m (non-IFRS measure) in FY18.
- Cash generation from operations was $140.043m (FY18 of $21.874m).
- Net cash of $90.465m at 30 June 2019 (FY18 $19.817m).
- Acquisition of Isaac Downs completed with acquisition payments (FY19 $25m) paid from operating cash flows.
- Share price increase from $0.87 (30 June 2018) to $1.425 (30 June 2019), representing a 64% increase in shareholder value.
- Payment of a maiden unfranked 2 cps on 23 November 2018 and payment of a fully franked interim 3 cps dividend on 30 April 2019.
- A final dividend of 8 cps fully franked is declared for FY19 (FY18 2 cps unfranked) payable on 31 October 2019.

FINANCIAL PERFORMANCE AND FINANCIAL POSITION

	2019 $M	2018 $M
Coal Sales and Other Revenue	403.059	208.081
Cost of sales	(238.285)	(155.790)
Gross Profit/(loss)	**164.774**	**52.291**
Other income and expenses	(26.620)	(33.465)
Profit/(loss) before income tax and net finance expenses	**138.154**	**18.826**
Finance income	0.476	0.293
Financial expenses	(10.100)	(9.079)
Profit/(loss) before income tax benefit/(expense)	**128.530**	**10.040**
Income tax benefit/(expense)	(36.932)	(4.074)
Profit/(loss) after income tax expense	**91.598**	**5.966**

Directors' report
(continued)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

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	2019 $M	2018 $M
Profit/(loss) before income tax and net finance expenses		**138.154**	**18.826**
Depreciation and amortisation	2	11.383	5.207
Earnings before interest, depreciation and amortisation (EBITDA) (Non-IFRS measure)		**149.537**	**24.033**
Adjustments for Underlying EBITDA			
Write-off of non-current inventory	2	4.364	–
Impairment and write off of exploration assets	10	–	0.008
Takeover defence costs		1.143	–
Remeasurement of onerous contracts	14	(9.428)	(4.040)
Remeasurement of rehabilitation provision	15	3.134	(0.281)
Fair value movement contingent consideration	16	6.145	25.828
Underlying EBITDA (Non-IFRS measure)		**154.895**	**45.548**

The Underlying EBITDA of $154.895m in FY19 was a $109.347m improvement compared to underlying EBITDA of $45.548m in FY18. The improvement in EBITDA performance was due to a 99% increase in underlying margin of A$69.1/t in FY19 compared to $34.8/t in FY18. The transition of the mining operations from the Isaac Plains mine to the Isaac Plains East mine during the year resulted in improved geological conditions and better coal quality which has enabled the Consolidated Entity to maintain the strong operational performance and improve the sales mix achieved.

The primary drivers contributing to the NPAT result of $91.598m include:

- Gross revenue from coal sales increased to $403.036m in FY19 from $190.832m in FY18. The increase was driven by a $29.0/t increase in the A$ realised price to an average of A$173.8/t from $144.8/t in FY18 and an increase in sales of produced coal from 2,319kt in FY19 from 1,318kt in FY18.
- The production mix at Isaac Plains was typically 70:30 semi soft to thermal however following the move to Isaac Plains East, this production mix has improved to 89:11 semi soft to thermal mix providing a significant benefit in realised sales prices achieved.
- Underlying FOB costs of $104.7/t were $5.3/t lower than FY18 and included $15.9/t of state royalties which were $4.0/t higher than FY18.
- The Consolidated Entity updated its Life of Mine (LOM) plan during the year to include the Isaac Downs project. Following the inclusion of Isaac Downs, there was a recognition of an additional $5.893m of contingent consideration which may be payable to the previous owners of Isaac Downs when the hard-coking coal price exceeds A$170.0/t (CPI indexed) the company is required to pay a production-based royalty of $1/t up to a cap of A$10m.

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

	Note	2019 $M	2018 $M
Underlying EBITDA		**154.895**	**45.548**
Net Financing costs	2	(1.268)	(6.645)
Settlement of onerous contracts	14	(1.849)	(2.652)
Completion of rehabilitation works	15	(4.848)	(6.705)
Settlement of vendor royalties – contingent consideration	16	(9.560)	(5.550)
Net movement in working capital		2.673	(2.122)
Cash flow from operations		**140.043**	**21.874**

In FY19 $4.848m (FY18 $6.705m) was invested in rehabilitation at Isaac Plains mine. Stanmore Coal integrates this core activity with operations to ensure timely and efficient close out of rehabilitation.

CASHFLOW

In the year to 30 June 2019, a total net cash inflow of $70.648m was recorded. The net inflow from operating activities was $140.043m. Cash outflows from investing activities were $60.777m mainly attributable to the acquisition of Isaac Downs, Isaac Plains East development capital and planned maintenance of the major equipment and infrastructure. At the end of year, no funds were drawn from the working capital facility. The net outflow from financing activities relates to primarily to dividends paid during the year.

	2019 $M	2018 $M
Net cash at beginning of year	**19.817**	**27.515**
Net cash from operating activities	140.043	21.874
Net cash from investing activities	(60.777)	(13.971)
Net cash from financing activities	(8.618)	(15.601)
Net increase/(decrease) in cash held	**70.648**	**(7.698)**
Net cash at end of year	**90.465**	**19.817**

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 657,966 hours (FY18 547,970 hours) of coal mining, drilling, exploration, and mine development activities (directly and through its contractors) during the year and reported five lost time injuries. The Total Reportable Injury Frequency Rate for the year was 16.7 per million hours, with a Lost Time Injury Frequency Rate of 7.6 per million hours. The Consolidated Entity is disappointed with the safety performance for FY19 and has developed an intervention plan to address the poor performance. This intervention plan will work in conjunction with the Fatal Risk Standards and the Life Saving Rules.

Rehabilitation continues to be a strong focus of the Consolidated Entity with 150ha recontoured and 109ha seeded. Additionally, a number of improvement projects were undertaken to improve water management infrastructure and environmental integrity across the Isaac Plains Complex.

Stanmore Coal supported 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.

Directors' report
(continued)

OPERATIONAL SUMMARY (CONTINUED)

OPERATIONS

During FY19 the operations of the Consolidated Entity moved from the Isaac Plains mining area, to the Isaac Plains East area. The dragline moved from Isaac Plains to Isaac Plains East in December 2018, this move was done safely, on time and on budget. Coal mining at Isaac Plains finished in February 2019 and now the Consolidated Entity is focussed on mining at Isaac Plains East. As a result of the higher quality of resource at Isaac Plains East and the lower strip ratio, the Consolidated Entity has seen a significant reduction in waste removal costs and increase in sales margin as a result of the favourable product mix.

The Isaac Plains Complex delivered 2,929kt of ROM coal to the coal handling and processing plant (CHPP) at a prime strip ratio of 11.4x. This performance was underpinned by a 10% increase in overburden and 78% increase in open-cut ROM performance compared to FY18.

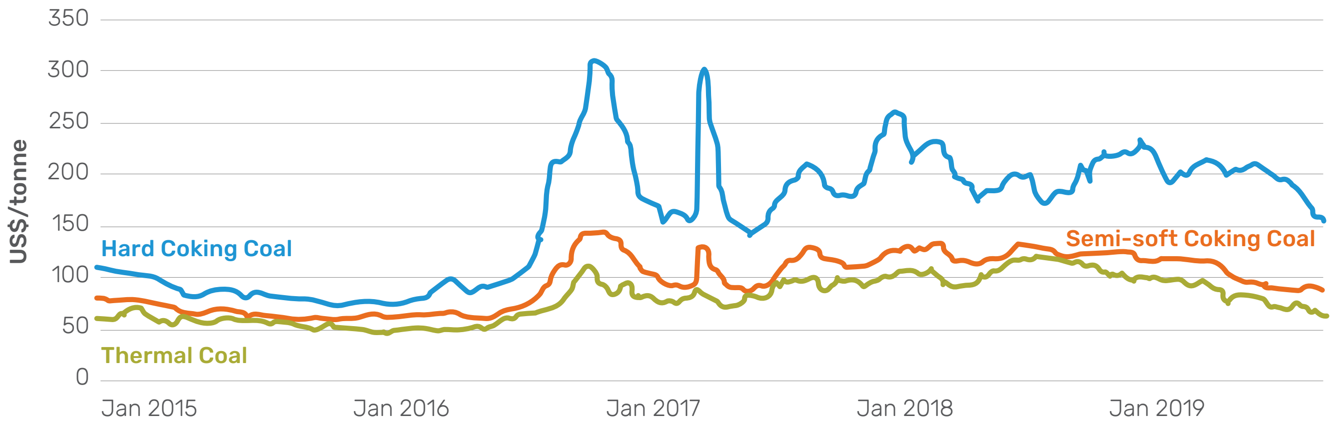
Product coal production of 2,390kt with the CHPP delivering a total yield of 81.6%. The FY19 production split of semi soft and thermal coal was 89% semi-soft and 11% thermal, with most of the thermal coal being from coal produced from the oxidised area of the mining area. This oxidised coal has limited coking properties but is also not expected to be present in future Isaac Plains East mining areas.

The Consolidated Entity completed capital works for the CHPP and dragline during the year together with further funding the Isaac Plains East development and the purchase of Isaac Downs reflecting the $58.101m cash outflow incurred on investing activities. All capital projects continue to be undertaken safely, on time and on budget.

The average sale price achieved for all coal (both met and thermal) during the year was A$173.8/t, driven by strong market demand for premium hard coking coal. Second tier coking coal and thermal prices also moved upward along with hard coking coal increases although not to the same extent. The Consolidated Entity continues to place emphasis on tethering pricing dynamics to the premium hard coking coal index, further distancing its brand from the Hunter Valley semi-soft products. Further, the Consolidated Entity will continue its focus on coking coal product yield, actively minimising the amount of by-product thermal it produces.

The Group notes potential upcoming pricing volatility as a result of the cyclical nature of the business. However, with a large proportion of tonnage contracted into term customers, the Group expects its achieved prices to remain stable, in line with industry forecasts, and well above the company's cost of production.

COAL TYPE PRICE



Source: Platts – August 2019 Coal Trader International.

In light of continued strong coal prices being achieved, the Consolidated Entity will accelerate production where it makes financial and commercial sense to do so. Following the successful transition of mining operations to Isaac Plains East from Isaac Plains in December 2018, the Consolidated Entity has realised a reduced cost of production due to the favourable geological conditions and lower strip ratio pits.

	2019	2018
Prime Overburden (bcm)	25,758	23,382
ROM coal produced – Open cut (kt)	2,929	1,643
ROM strip ratio (prime)	8.8	14.2
CHPP feed (kt)	2,951	1,602
ROM stockpile (kt)	109	85
Saleable coal produced (kt)	2,390	1,128
Saleable coal purchased (kt)	27	10
Coal sales		
– Metallurgical (kt)	1,985	835
– Thermal (kt)	334	483
Total gross coal sales (kt)	**2,319**	**1,318**
Product Yield	81.0%	70.4%
Coal product stockpiles (kt)	191	80
Average sale price achieved (A$/t)	**173.8**	**144.8**
Unit costs of sales (A$/t sold)		
FOR cost (A$/t sold)	70.0	82.3
FOR to FOB cost (ex. State royalty) (A$/t sold)	18.8	15.8
State royalty (A$/t sold)	15.9	11.9
FOB cash cost (A$/t sold)	**104.7**	**110.0**
Margin (A$/t sold)	**69.1**	**34.8**

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

	2019 $M	2018 $M
Coal sales (t'000)	2,319	1,318
Margin (A$/t)	69.1	34.8
Coal sales margin	**160.243**	**45.866**
Margin from toll loading 3rd party coal	(0.003)	3.356
Unallocated corporate overhead	(5.345)	(3.674)
Underlying EBITDA	**154.895**	**45.548**

Directors' report (continued)

OPERATIONAL SUMMARY (CONTINUED)

ISAAC DOWNS PROJECT

On 31 July 2018, the agreement entered into with Peabody Australia for the purchase of Isaac Downs (formally Wotonga South) completed. The agreement was to acquire MDL137 and EPC728 from Millennium Coal Pty Ltd including all the geological and mining information associated with these tenements. Stanmore Coal agreed to acquire the coking coal deposit contained within MDL 137 and the additional exploration area (EPC 728) for $30 million cash (consisting of $6.0 million payable on completion in July 2018 followed by a series of deferred payments totalling a further $24 million payable over the following 12 months). A total of $25m was paid during FY19.

Isaac Downs is located 10 kilometres south of the existing Isaac Plains operations. Isaac Downs will be operated 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 Coal combined this resource area with parts of EPC728 (acquired as part of the transaction) and EPC755 (already owned by Stanmore Coal) and re-assessed the Coal Resource across the tenement boundaries. On 21 December 2018 Stanmore Coal 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 coking coal, a mid-volatility pulverised coal injection product, as well as a range of semi-soft and weak coking coals.

Since the completion of this acquisition, several significant milestones have been reached in order to realise the full value of this acquisition. The Consolidated Entity has commenced the following environmental studies to collect baseline data and complete the environmental assessment studies required:

- Dry season and wet season flora and fauna ecology
- Groundwater monitoring
- Aquatic ecology
- Groundwater dependent ecosystems
- Soils and land capability
- Hydrology and flood studies
- Noise and vibration
- Post mining land-use options and rehabilitation planning
- Water management and surface water
- Air quality
- Geochemistry
- Traffic
- Social
- Economic
- Cultural heritage.

Additional exploration and coal quality drilling commenced in 2019 which will increase the knowledge of the coal resource further and provide a platform for the development of a Bankable Feasibility Study. Sufficient infrastructure design has been undertaken to define the project. The three major infrastructure components are the flood protection levee that separates the mining area from the Isaac River, the haul road to link the project to the existing Isaac Plains Mine, and the bridge to provide grade separation between the haul road and the Peak Downs Highway (the haul road will rely on an underpass under the highway).

1 Coal Resources; Measured 17Mt, Indicated 12Mt, Inferred 4Mt Total 33Mt

The following milestones are important and demonstrate that the approval process for the Isaac Downs Project is well established and progressing according to plan:

- The Queensland Department of Environment and Science (DES) granted Stanmore's request to prepare a Voluntary Environmental Impact Statement under the *Environmental Protection Act 1994* (EP Act) on 5th April 2019.
- The project was referred under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) to the Commonwealth Department of the Environment and Energy (DoEE) on 06 March 2019. On 14 May 2019, DoEE determined the project to be a controlled action and the project will be assessed under the bilateral agreement with Queensland.
- Stanmore Coal lodged formal Mining Lease applications with the Queensland Department of Natural Resources, Mines and Energy (DNRME) for the project on 27 May 2019.
- An application to DES for an Environmental Authority was made on 24 June 2019.
- Stanmore Coal and DES published the draft Terms of Reference for the Isaac Downs Project EIS on 27 June 2019. The Initial Advice Statement is also available through the Stanmore and DES websites from that date.

The Consolidated Entity is working towards having the initial Environmental Impact Study lodged with the Queensland State Government by the end of 2019.

CAT EXCAVATOR PURCHASE

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

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

Following the granting of environmental 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 total investment in the CAT 6060 is $13 million which includes additional capital to support the CAT 6060, such as warehouse/workshop facilities, and associated equipment expenditure. The expected life of the equipment 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 and established an additional 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 reflects the financial strength of the Consolidated Entity. The changes will 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 Limited and a number of its subsidiaries.

Directors' report
(continued)

OPERATIONAL SUMMARY (CONTINUED)

As part of the refinance process, the Consolidated Entity has also secured a 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.

ISAAC PLAINS UNDERGROUND PROJECT

The Bankable Feasibility Study completed in FY19 confirmed the financial viability of the Underground project with potential production of on average 1.2Mt saleable per annum from year 2 of the production plan. Given this production capacity, when combined with open cut sources from Isaac Plains East and Isaac Downs, the Consolidated Entity does not currently have enough capacity at the existing CHPP or contracted port capacity. Given these constraints, a decision on the Underground project will be deferred until additional port and CHPP capacity is secured, or until mining at the Isaac Downs project is largely completed.

OUTLOOK AND LIKELY DEVELOPMENTS

OPERATIONS

- The Consolidated Entity met production guidance for FY19 with 2.390Mt. This represents a 112% increase over FY18 (1.128Mt).
- Underlying FOB Costs have improved to $89/t (excluding state royalties) in FY19 from $98/t in FY18. State royalties (variable dependent on coal price received) were $16/t in FY19, up from $12/t in FY18. This represented a total payment of State Royalties to the Queensland Government of $36.8m.
- The reduction in Underlying FOB cost per tonne is due to the migration of operations from Isaac Plains to Isaac Plains East which has lower strip ratio and more favourable geological conditions to Isaac Plains, in line with conscious cost control. FOB costs are expected to increase by approximately $3.00/t tonne per point of strip ratio at Isaac Plains East as the mining horizon gets deeper.
- Supported by strong coal prices and embedded cost discipline the Consolidated Entity achieved significant EBITDA growth in FY19 and shareholder value.
- During H1 FY19 the Consolidated Entity also secured additional long-term port capacity through Dalrymple Bay Coal Terminal (DBCT). The additional long-term port capacity now provides further certainty to enable the company to consider various options to fill the CHPP to its nameplate capacity of 3.5Mtpa ROM. The company's tenure across two separate take or pay contracts of 5 and 10 years gives it flexibility to manage its exposure to long term obligations including those matched to its lowest cost production unit, the dragline.
- The Consolidated Entity also negotiated an extension of the Mining Services Agreement with Golding Contractors Pty Ltd for an additional 5-year[2] period commencing on 1 July 2019 to 30 June 2024. The contract provides the Consolidated Entity with flexibility to scale up and down production through a cost-effective structure to meet market conditions and manage the transition to Isaac Downs once environmental approvals are achieved.
- The Consolidated Entity will continue to pursue high value coal sales opportunities and has taken advantage of the planned increased production and coal quality from Isaac Plains East to expand its customer base as well as continuing to meet the requirements of its existing customers.
- Of the coal sales made during FY19, 1.293Mt was sold to existing customers, with the balance sold to new customers or to well established coal traders. The Consolidated Entity is continuing to work on selling to new customers and markets in FY20 where it makes financial sense to do so.

2 Early termination available after 3 years

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[3] 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, Belview and Lilyvale assets.

MANAGING RISK

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

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

OPERATING RISKS

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

MARKET RISKS

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

The Consolidated Entity sells export coal in United States dollars and is therefore exposed to movements in currency rates. The Consolidated Entity may from time to time use forward exchange contracts to hedge a portion of its short-term currency risk where agreed appropriate between management and the Board. The market price for Stanmore Coal's coking coal and thermal coal products is impacted by many factors which could be favourable or unfavourable for the Consolidated Entity.

GEOLOGICAL RISK

Resource and Reserve estimates are prepared by external experts in accordance with the JORC Code 2012 or JORC Code 2004 (as applicable) for reporting. The estimates are inherently subjective in some respects therefore there is a risk that the interpretation of data may not align with the future experienced conditions in the field. Due care is taken with each estimation.

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

Directors' report
(continued)

OUTLOOK AND LIKELY DEVELOPMENTS (CONTINUED)

REGULATORY AND LAND ACCESS RISK

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

There is also an obligation to rehabilitate areas impacted by mining activities, including the Consolidated Entity providing financial assurances in respect of the likely costs and expenses that may be incurred when taking action to rehabilitate areas impacted by mining activities. The enactment of the Mineral and Energy Resources (Financial Provisioning) Bill 2018 into law will change the method by which such financial assurance is calculated but the cost of this change to the Consolidated Entity has not been material.

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

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

CLIMATE CHANGE RISK

The Consolidated Entity acknowledges climate change. The Consolidated Entity seeks to be proactive and investigate opportunities for benefits commensurate with the size of the Consolidated Entity to be delivered.

The Consolidated Entity includes business and operational risks associated with changes caused by global warming as part of its business planning cycle.

The operations of the Consolidated Entity are focused on the production of coal for steel making. There remains no viable alternative to metallurgical coal for steel making. The Consolidated Entity puts significant focus on minimising its environmental footprint and is continually exceeding its obligations in terms of rehabilitation.

The Consolidated Entity supports Australia's commitments under the Paris Agreement to work towards a global agreement to limit global warming to below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. The Consolidated Entity abides by any legislative requirements imposed, but also continue to improve greenhouse gas efficiency as part of our operations.

SAFETY

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

SOVEREIGN RISK

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

ACCESS TO CAPITAL

At 30 June 2019, the Consolidated Entity remains well funded with cash reserves and an at call working capital facility expected to be sufficient to meet the business's operating costs. The Consolidated Entity's ability to effectively continue as a coal producing business may be dependent upon several factors including the success of the mine operations, or the successful exploration and subsequent exploitation of the Consolidated Entity's tenements. Should these avenues be delayed or fail to materialise, the Consolidated Entity may need to raise additional funding through debt, equity or farm out/sell down to allow the Consolidated Entity to continue as a going concern and meet its debts as and when they fall due.

There is no guarantee that additional funding through debt will be available, or if it is, there is no guarantee that such new funding will be on terms acceptable to the Consolidated Entity. Global credit markets have been severely constrained in the past, and the ability to obtain new funding or refinance may in the future be significantly reduced. As well, in recent months and years several financial institutions have made public statements in relation to their willingness to finance certain types of coal mines and coal-fired power stations. If the Consolidated Entity is unable to obtain sufficient funding, either due to banking and capital market conditions generally, or due to factors specific to the coal sector, the Consolidated Entity may not have sufficient cash to meet its ongoing capital requirements or the ability to expand its business.

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

OTHER

UNSOLICITED OFF-MARKET TAKEOVER

On the 19 November 2018 Golden Investments launched an unsolicited off-market takeover for the company, the offer expired on the 22 January 2019. After expiry of the Offer, Golden Investments had a relevant interest in 25.47% of Stanmore's shares on issue, which includes the 19.9% of the shares on issue acquired by a related entity of Golden Investments from Greatgroup Investments Limited immediately prior to the Offer and it also includes a further 2% from Greatgroup accepting for the balance of their holding into the Offer.

Directors' report
(continued)

Remuneration report (audited)

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

DETAILS OF KEY MANAGEMENT PERSONNEL

DIRECTORS		
Stewart Butel	Non-Executive Director Non-Executive Chairman	Current Appointee Current Appointee
Dan Clifford	Managing Director	Current Appointee
Stephen Bizzell	Non-Executive Director	Current Appointee
Neal O'Connor	Non-Executive Director	Current Appointee
Darren Yeates	Non-Executive Director	Current Appointee (Appointed 3 May 2019)
Patrick O'Connor	Non-Executive Director	(Resigned 21 September 2018)
Chris McAuliffe	Non-Executive Director	(Resigned 7 December 2018)
Andrew Martin	Non-Executive Director	(Appointed 26 October 2018) (Resigned 16 November 2018)
SENIOR MANAGEMENT		
Ian Poole	Chief Financial Officer Company Secretary	Current Appointee Current Appointee
Bernie O'Neill	General Manager Operations	Current Appointee
Jon Romcke	General Management Development	Current Appointee

REMUNERATION POLICY OVERVIEW

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

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

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

FIXED REMUNERATION

MANAGING DIRECTOR AND SENIOR MANAGEMENT REMUNERATION

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

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

NON-EXECUTIVE DIRECTOR FIXED REMUNERATION

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

The Constitution of Stanmore Coal Limited and the ASX Listing Rules specify that the Non-Executive Directors are entitled to remuneration as determined by the Company in a general meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The maximum aggregate remuneration currently determined by Stanmore Coal Limited shareholders $500,000 per annum.

The Chairman's fee is $85,000 per annum, Non-Executive Director's fee is $65,000 per annum. Committee fees are also paid to the Chairman of the committee of $10,000 per annum and membership of the committee of $5,000 per annum. The maximum aggregate of the fees paid is within the shareholder annual agreed limit.

Total Non-Executive Director remuneration for FY19 was $439,232 (FY18: $386,707) including additional fees of $107,500 in aggregate for the additional work undertaken as result of and in connection with the takeover offer.

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

The fixed remuneration of Non-Executive Directors for the year ending 30 June 2019 is detailed in this Remuneration Report.

SHORT-TERM AND LONG-TERM INCENTIVE PLAN STRUCTURES

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

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

STI and LTI's were provided in FY19 for KMP. The STI rewards KMP based on key performance outcomes associated with mining at the Isaac Plains Complex except for the General Manager Development whose KPIs align to key business development activities which are more aligned to the role. The STI thresholds are set between 0% representing the minimum STI performance and 52% of base salary representing the Stretch performance that can be achieved. The award structure is based on a mix of financial and non-financial performance conditions aligned to the Consolidated Entity's strategy.

The LTI plan contains links to the Stanmore Coal Absolute Shareholder returns with rights issued with a three-year measurement period for KMP that qualify under the LTI plan rules. The LTI rights eligible for vesting are set between 0% (threshold) and 100% (Stretch).

Directors' report
(continued)

INCENTIVE OUTCOMES FOR FY19 AND FY18

The incentive outcomes for the STI and LTI schemes are below.

SHORT TERM INCENTIVE

Incentive	Award structure	Outcome/discussion
FY19 STI	Preconditions • Zero fatalities • Company can fund STI Based on multiple key performance indicators • TRIFR, • Prime overburden, • Product Tonnes, • Underlying FOB costs • Balance Project Plan, and • Development targets	Preconditions (achieved) • Zero fatalities • Company can fund STI The key performance indicators were met to varying levels resulting in a total accrued payout percentage of 86%. All KMP met eligibility requirements. FY19 STI amounts are highlighted below but are not due and payable until after the signing of these Financial Statements.
FY18 STI	Preconditions • Zero fatalities • Company can fund STI Based on multiple key performance indicators • TRIFR, • Prime overburden, • Product Tonnes, • FOR cash cost • Balance Project Plan, and • Development targets	Preconditions (achieved) • Zero fatalities • Company can fund STI The key performance indicators were met to varying levels resulting in a total accrued payout percentage of 63%. All KMP met eligibility requirements. FY18 STI amounts were accrued in FY18 and paid in FY19.

In the FY19 all KMP were entitled to a payment under the STI scheme. No payment for FY19 was made before 30 June 2019 and all payments are due to be paid after the signing of these Financial Statements. During the year all KMP were paid their FY18 STI.

	Maximum STI		FY19		Maximum STI		FY18	
	% of Base salary	Max. amount $	Awarded $	% of Base salary	% of Base salary	Max. amount $	Awarded $	% of Base salary
Dan Clifford	52%	224,120	202,000	46.9%	25%	101,800	65,600	16.1%
Ian Poole	39%	130,650	105,000	31.3%	30%	96,210	55,900	17.4%
Bernie O'Neill	39%	126,855	101,000	31.1%	30%	91,620	58,100	19.0%
Jon Romcke	39%	124,612	112,000	35.1%	30%	77,425	52,993	20.5%

LONG TERM INCENTIVE

Incentive	Award structure	Outcome/discussion
FY19 LTI	LTI is based on the Absolute Shareholder Total Return (ASTR) with price targets resulting in the LTI benefits potentially vesting two financial years after the relevant remuneration year. Rights are issued annually with measurement periods of three years, total rights issued are based on the performance target tested at the end of three years i.e. FY21. In the event that no rights become eligible to vest at the end of three years, the rights may be retested for vesting after four years (FY22) subject to the escalated performance target. Further details regarding the LTI plan are shown below.	During FY19, rights were granted to KMP as outlined below to: – Dan Clifford, Ian Poole, Bernie O'Neill and Jon Romcke.
FY18 LTI	LTI is based on the Absolute Shareholder Total Return (ASTR) with price targets resulting in the LTI benefits potentially vesting two financial years after the relevant remuneration year. Rights are issued annually with measurement periods of three years, total rights issued are based on the performance target tested at the end of three years i.e. FY20. In the event that no rights become eligible to vest at the end of three years, the rights may be retested for vesting after four years (FY21) subject to the escalated performance target. Further details regarding the LTI plan are shown below.	During FY18, rights were granted to KMP as outlined below to: – Dan Clifford, Ian Poole, Bernie O'Neill and Jon Romcke.
FY17 LTI	LTI is based on the Absolute Shareholder Total Return (ASTR) with price targets resulting in the LTI benefits potentially vesting two financial years after the relevant remuneration year. Rights are issued annually with measurement periods of three years, total rights issued are based on the performance target tested at the end of three years i.e. FY19. In the event that no rights become eligible to vest at the end of three years, the rights may be retested for vesting after four years (FY20) subject to the escalated performance target. Further details regarding the LTI plan are shown below.	During FY19, rights granted under the FY17 LTI scheme met the stretch price target set and were eligible to vest. The rights vested on 31 July 2019 as determined by the Board and were cash settled.

During FY19 1,251,497 rights were granted to KMP. The FY19 rights were granted at the maximum amount issuable if stretch targets are reached, all rights will be payable as cash or shares as decided by the Board upon vesting. 4,489,487 (FY17, FY18 and FY19) rights remain on issue at 30 June 2019.

Directors' report
(continued)

INCENTIVE OUTCOMES FOR FY19 AND FY18 (CONTINUED)

Key Management Personnel[1]	FY	# of rights	Vesting date[2]	Target %	Salary package value at Stretch[3]	Price[4]	Value of Rights[5]	Total Value
Dan Clifford	FY19	585,730	30/06/2021	60%	$517,200	$0.88	$0.45	$263,579
	FY18	1,105,020	30/06/2020	50%	$407,200	$0.37	$0.32	$353,606
	FY17	531,497	30/06/2019	50%	$251,111	$0.47	$0.29	$154,134
Ian Poole[6]	FY19	227,633	30/06/2021	30%	$201,000	$0.88	$0.45	$102,435
	FY18	593,410	30/06/2020	30%	$218,672	$0.37	$0.32	$189,891
Bernie O'Neill	FY19	221,021	30/06/2021	30%	$195,162	$0.88	$0.45	$99,459
	FY18	492,863	30/06/2020	30%	$181,620	$0.37	$0.38	$187,288
	FY17	94,985	30/06/2019	50%	$44,877	$0.47	$0.17	$16,147
Jon Romcke[7]	FY19	217,113	30/06/2021	30%	$191,711	$0.88	$0.45	$97,701
	FY18	420,215	30/06/2020	30%	$154,849	$0.37	$0.38	$159,682
Total		**4,489,487**						

1 KMP employed as at 30 June 2019
2 Retest available after 12 months if no rights have vested on vesting date
3 Stretch target based on 2 x Target %
4 Based on the 10-day VWAP of shares in the 24 hours following the release of the annual results
5 Accounting value of shares issued
6 FY18 rights include an allocation for FY17 based on commencement date
7 FY18 rights based on commencement date of 21 August 2018

Below is a summary of the performance conditions for vesting for Tranche 3 (FY19) rights granted:

Performance Level	ATSR[(a)] of SMR[(b)] CAGR[(c)]	% of Stretch/ Maximum Vesting	Jun 21 Share Price for vesting
Stretch	36.24%	100.00%	$2.20
Between Target and stretch	>26.23% <36.24%	Pro-Rata	Pro-Rata
Target	26.23%	50.00%	$1.75
Between Threshold and Target	>14.33% <26.23%	Pro-Rata	Pro-Rata
Threshold	14.33%	0%	$1.30
Below Threshold[(d)]	<14.33%	0%	$0.00

(a) Absolute Shareholder Return
(b) Stanmore Coal Limited
(c) Compound Annual Growth Rate (CAGR)
(d) Subject to Retest in FY22 at CAGR

Below is a summary of the performance conditions for vesting for Tranche 2 (FY18) rights granted:

Performance Level	ATSR [a] of SMR [b] CAGR [c]	% of Stretch/ Maximum Vesting	Jun 20 Share Price for vesting
Stretch	52.86%	100.00%	$1.25
Between Target and stretch	>39.49% <52.86%	Pro-Rata	Pro-Rata
Target	39.49%	50.00%	$0.95
Between Threshold and Target	>22.92% <39.49%	Pro-Rata	Pro-Rata
Threshold	22.92%	0%	$0.65
Below Threshold[d]	<22.92%	0%	$0.00

(a) Absolute Shareholder Return
(b) Stanmore Coal Limited
(c) Compound Annual Growth Rate (CAGR)
(d) subject to Retest in FY21 at CAGR

Below is a summary of the performance conditions for vesting for Tranche 1 (FY17) rights granted:

Performance Level	ATSR [a] of SMR [b] CAGR [c]	% of Stretch/ Maximum Vesting	Jun 19 Share Price for vesting
Stretch	58.74%	100.00%	$1.20
Between Target and stretch	>44.22% <58.74%	Pro-Rata	Pro-Rata
Target	44.22%	50.00%	$0.90
Between Threshold and Target	>25.99% <44.22%	Pro-Rata	Pro-Rata
Threshold	25.99%	0%	$0.60
Below Threshold	<25.99%	0%	$0.00

(a) Absolute Shareholder Return
(b) Stanmore Coal Limited
(c) Compound Annual Growth Rate (CAGR)

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

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

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

GENERAL INCENTIVE AND REMUNERATION CONSULTANTS

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

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

During FY19 the Remuneration and Nominations Committee received recommendations from Aon, these recommendations was received free from undue influence from any affected KMP, and the directors ensured this by engaging the consultant independent of any affected KMP. In addition, the recommendation and outcomes were not discussed or influenced by any KMP's with the remuneration consultant. The cost of services associated with the recommendation made by the remuneration consultant totalled $9,100 (FY18 $16,000).

Directors' report (continued)

RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

Performance Measure	2019	2018	2017	2016	2015
Revenue ($M)	403.059	208.081	137.846	12.700	859
Profit/(loss) attributable to the Group ($M)	91.598	5.966	12.035	(19.746)	(12.148)
Share Price at year end ($/share)	$1.425	$0.87	$0.34	$0.28	$0.06
Basic EPS (c/Share)	36.2	2.4	5.1	(8.9)	(5.8)
Diluted EPS (c/Share)	35.6	2.3	5.1	(8.9)	(5.8)
Shareholder dividends paid (cents per share)	5.0	–	–	–	–

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

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

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

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

MANAGING DIRECTOR

Stanmore Coal Limited has an Executive Services Agreement (ESA) with Mr Dan Clifford for the position of Managing Director which commenced on 14 November 2016. Mr Clifford's base remuneration is $431,000 (FY18 $407,200) per annum for FY19 plus statutory superannuation. The ESA provides for termination by either party by providing six month's written notice, or immediately in the case of gross negligence or serious misconduct.

Mr Clifford is eligible to participate in the STI and LTI schemes (the current LTI scheme was approved at the 2016 Annual General Meeting). For FY19, the maximum annual STI is 52% (Stretch) of base remuneration and the maximum annual LTI is 60% of base remuneration at Target performance and a further 60% of base remuneration at Stretch performance. Detail of instruments issued under the LTI scheme are provided on page 37 of this report.

SENIOR MANAGEMENT

CHIEF FINANCIAL OFFICER

Stanmore Coal Limited has an Executive Services Agreement (ESA) with Mr Ian Poole for the position of Chief Financial Officer which commenced on 8 May 2017. Mr Poole received a base remuneration of $335,000 (FY18 $320,700) per annum for FY19 plus statutory superannuation. The ESA provides for termination by either party by providing three month's written notice, or immediately in the case of gross negligence or serious misconduct.

Mr Poole is eligible to participate in the STI and LTI schemes. The maximum annual STI is 39% (Stretch) of base remuneration and the maximum annual LTI is 30% of base remuneration at Target performance and a further 30% of base remuneration at Stretch performance. Detail of instruments issued under the LTI scheme are provided on page 37 of this report.

GENERAL MANAGER OPERATIONS

Stanmore Coal Limited has an Executive Services Agreement (ESA) with Mr Bernie O'Neill for the position of General Manager – Operations which commenced on 1 April 2017. Mr O'Neill received a base remuneration of $325,269 (FY18 $305,400) per annum for FY19 plus statutory superannuation. The ESA provides for termination by either party by providing three month's written notice, or immediately in the case of gross negligence or serious misconduct.

Mr O'Neill is eligible to participate in the STI and LTI schemes. The maximum annual STI is 39% (Stretch) of base remuneration and the maximum annual LTI is 30% of base remuneration at Target performance and a further 30% of base remuneration at Stretch performance. Detail of instruments issued under the LTI scheme are provided on page 37 of this report.

GENERAL MANAGER DEVELOPMENT

Stanmore Coal Limited has an Executive Service Agreement (ESA) with Mr Jon Romcke of General Manager Development which commenced on 21 August 2017. Mr Romcke received a base remuneration of $319,518 (FY18: $300,000) per annum for FY19 plus statutory superannuation. The ESA provides for termination by either party by providing three months written notice, or immediately in the case of gross negligence or serious misconduct.

Mr Romcke is eligible to participate in the STI and LTI schemes. The maximum annual STI is 39% (Stretch) of base remuneration and the maximum annual LTI is 30% of base remuneration at Target performance and a further 30% of base remuneration at Stretch performance. Detail of instruments issued under the LTI scheme are provided on page 37 of this report.

Directors' report (continued)

REMUNERATION DETAILS

The following tables detail the components of remuneration for KMP of the Company, for both 30 June 2019 and 30 June 2018.

	Short-term benefits			
2019	**Salary and Fees $**	**Cash Bonus[e] $**	**Other Short-term benefits $**	**Other Non-cash benefits $**
DIRECTORS				
Stewart Butel[f]	95,890	–	38,813	–
Dan Clifford[g]	431,000	202,000	71,833	6,600
Stephen Bizzell[f]	80,000	–	32,500	–
Neal O'Connor[f]	74,581	–	29,680	–
Darren Yeates[a]	12,096	–	–	–
Patrick O'Connor[b]	18,750	–	–	–
Chris McAuliffe[c]	29,167	–	–	–
Andrew Martin[d]	4,615	–	–	–
TOTAL	**746,099**	**202,000**	**172,826**	**6,600**
SENIOR MANAGEMENT				
Ian Poole[g]	335,000	105,000	55,833	6,600
Bernie O'Neill[g]	325,269	101,000	54,212	–
Jon Romcke[g]	319,518	112,000	53,253	6,600
TOTAL	**979,787**	**318,000**	**163,298**	**13,200**
TOTAL Director and Senior Management remuneration	**1,725,886**	**520,000**	**336,124**	**19,800**

(a) appointed 3 May 2019
(b) resigned 21 September 2018
(c) resigned 7 December 2018
(d) appointed 26 October 2018 and resigned 16 November 2018
(e) cash bonus payments made to Non-executive KMP refer to page 36 of Remuneration Report (Short Term Incentive)
(f) Other Short-term benefits – payments made for additional work undertaken as a result of and in connection with the takeover offer
(g) Other short-term benefits – payments made for retention in relation to the takeover offer

Post-Employment		Share based payments			
Super $	Termination Benefits $	Equity settled (options) $	Equity Settled (Shares) $	Total $	Performance related %
12,797	–	–	–	147,500	–
20,531	–	–	264,213	996,177	47%
–	–	–	–	112,500	–
9,905	–	–	–	114,166	–
–	–	–	–	12,096	–
–	–	–	–	18,750	–
–	–	–	–	29,167	–
438	–	–	–	5,053	–
43,671	**–**	**–**	**264,213**	**1,435,409**	
20,531	–	–	97,348	620,312	33%
20,531	–	–	102,434	603,446	34%
20,531	–	–	85,705	597,607	33%
61,593	**–**	**–**	**285,487**	**1,821,365**	
105,264	**–**	**–**	**549,700**	**3,256,774**	

Directors' report (continued)

REMUNERATION DETAILS (CONTINUED)

	Short-term benefits			
2018	**Salary and Fees $**	**Cash Bonus $**	**Other Short-term benefits $**	**Other Non-cash benefits $**
DIRECTORS				
Stewart Butel[a]	62,903	–	–	–
Dan Clifford	407,200	65,600	–	6,600
Stephen Bizzell	72,500	–	–	–
Chris McAuliffe	67,500	–	–	–
Neal O'Connor[c]	53,192	–	–	–
Patrick O'Connor	70,000	–	–	–
Neville Sneddon[b]	49,583	–	–	–
TOTAL	**782,878**	**65,600**	**–**	**6,600**
SENIOR MANAGEMENT				
Ian Poole	320,700	55,900	–	6,600
Bernie O'Neill	305,400	58,100	–	–
Jon Romcke[d]	250,385	52,993	–	5,660
TOTAL	**876,485**	**166,993**	**–**	**12,260**
TOTAL Director and Senior Management remuneration	**1,659,363**	**232,593**	**–**	**18,860**

(a) commenced Non-Executive Director 18 September 2017 and Chairman 1 February 2018
(b) resigned 31 January 2017
(c) commenced 18 September 2017
(d) commenced 21 August 2017

Post-Employment		Share based payments			
Super $	Termination Benefits $	Equity settled (options) $	Equity Settled (Shares) $	Total $	Performance related %
5,976	–	–	–	68,879	–
20,048	–	–	191,451	690,899	37%
–	–	–	–	72,500	–
–	–	–	–	67,500	–
5,053	–	–	–	58,245	–
–	–	–	–	70,000	–
–	–	–	–	49,583	–
31,077	**–**	**–**	**191,451**	**1,077,606**	
20,048	–	–	63,124	466,372	26%
20,048	–	–	69,200	452,748	28%
15,966	–	–	53,081	378,085	28%
56,062	**–**	**–**	**185,405**	**1,297,205**	
87,139	**–**	**–**	**376,856**	**2,374,811**	

Directors' report (continued)

REMUNERATION DETAILS (CONTINUED)

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

For the financial year ending 30 June 2019 the following cash performance award is accrued.

	Maximum STI Cap $	STI Awarded $	% of STI	% of STI forfeit	Expected payment date
Dan Clifford	224,120	202,000	90%	10%	31 August 2019
Ian Poole	130,650	105,000	80%	20%	31 August 2019
Bernie O'Neill	126,855	101,000	80%	20%	31 August 2019
Jon Romcke	124,612	112,000	90%	10%	31 August 2019

Current rights on issue to KMP (FY17, FY18 and FY19) are outlined below.

	FY19 Rights Issued	FY19 Rights forfeited	Net FY19 Rights
Dan Clifford	585,730	–	585,730
Ian Poole	227,633	–	227,633
Bernie O'Neill	221,021	–	221,021
Jon Romcke	217,113	–	217,113

	FY18 Rights Issued	FY18 Rights forfeited	Net FY18 Rights
Dan Clifford	1,105,020	–	1,105,020
Ian Poole	593,410	–	593,410
Bernie O'Neill	492,863	–	492,863
Jon Romcke	420,215	–	420,215

	FY17 Rights Issued	FY17 Rights forfeited	Net FY17 Rights
Dan Clifford	531,497	–	531,497
Bernie O'Neill	94,985	–	94,985

EQUITY INSTRUMENTS

SHAREHOLDINGS

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

DIRECTORS	Balance at 1 July 2018	Granted as remuneration	Exercise of Options or Rights	Net Change Other[1]	Balance FY19
Stewart Butel	200,000	–	–	116,379	316,379
Dan Clifford	500,000	–	–	13,952	513,952
Stephen Bizzell	7,372,514	–	–	4,592	7,377,106
Neal O'Connor	125,204	–	–	–	125,204
Darren Yeates	–	–	–	–	–
Patrick O'Connor	500,000	–	–	(500,000)	–
Chris McAuliffe	–	–	–	–	–
Andrew Martin	–	–	–	–	–
TOTAL	**8,697,718**	**–**	**–**	**(365,077)**	**8,332,641**

SENIOR MANAGEMENT	Balance at 1 July 2018	Granted as remuneration	Exercise of Options or Rights	Net Change Other[1]	Balance FY19
Ian Poole	90,000	–	–	4,614	94,614
Bernie O'Neill[2]	–	–	–	300,000	300,000
Jon Romcke[3]	33,327	–	–	256	33,583
TOTAL	**123,327**	**–**	**–**	**304,870**	**428,197**

1 The net change in shareholding for all KMP relates the acquisition of shares on market or through the Dividend Reinvestment Plan.
2 Shares held indirectly
3 Shares held directly and beneficially

There were no shares held nominally at 30 June 2019.

OPTIONS HOLDINGS

The consolidated entity had no options on issue in FY19.

RIGHTS

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

	Opening balance	Rights issued	Rights vested	Rights Forfeited	Closing balance	Vesting FY20	Vesting FY21*	Vesting FY22*
Dan Clifford	1,636,517	585,730	–	–	2,222,247	531,497^	1,105,020	585,730
Ian Poole	593,410	227,633	–	–	821,043	–	593,410	227,633
Bernie O'Neill	587,848	221,021	–	–	808,869	94,985^	492,863	221,021
Jon Romcke	420,215	217,113	–	–	637,328	–	420,215	217,113
	3,237,990	**1,251,497**	**–**	**–**	**4,489,487**	**626,482**	**2,611,508**	**1,251,497**

* Subject to retest conditions on page 37
^ FY17 rights vested on 31 July 2019 as determined by the Board and cash settled

No rights were exercised or have vested during the year.

Directors' report
(continued)

TRANSACTIONS WITH DIRECTORS AND DIRECTOR-RELATED ENTITIES

There were no transactions with Directors or Director-related entities during the year ending 30 June 2019.

LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans to KMP during the year.

End of Remuneration Report (Audited).

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each of the Directors and the Secretary of Stanmore Coal Limited have entered into a Deed with Stanmore Coal Limited whereby Stanmore Coal Limited has provided certain contractual rights of access to books and records of Stanmore Coal Limited to those Directors and Secretary. Stanmore Coal Limited has insured all the Directors and Executive Officers of the Consolidated Entity. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances. Stanmore Coal Limited has not indemnified or insured its auditor.

OPTIONS AND RIGHTS

At the date of this report there were nil unissued ordinary shares under options, and 3,963,005 potential unissued ordinary shares under rights as follows:

- 2,611,508 unlisted rights vesting subject to various performance hurdles in 2020 or in the event that no vesting at all occurs, the rights may be retested vesting in 2021 subject to escalated performance hurdles and other agreed conditions.
- 1,251,497 unlisted rights vesting subject to various performance hurdles in 2021 or in the event that no vesting at all occurs, the rights may be retested vesting in 2022 subject to escalated performance hurdles and other agreed conditions.
- 100,000 unlisted rights vesting subject to various performance hurdles in 2020.

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

During the year ended 30 June 2019 there were 256,094,238 fully paid ordinary shares in Stanmore Coal Limited on issue, with 4,332,625 issued under DRP and a reduction of 39,365 shares bought via on market buy-back.

During the year ended 30 June 2019, 1,251,497 rights were granted to KMP as part of the Stanmore Coal Limited Rights Plan. No rights were forfeited.

Subsequent to year end 626,482 rights were redeemed for cash following a resolution of the Board.

CHANGES TO CAPITAL STRUCTURE

At the date of this report, the Consolidated Entity had 256,094,238 ordinary shares, nil unlisted options and 3,963,005 rights on issue.

EVENTS AFTER REPORTING DATE

A final franked dividend of 8 cps is declared for the year ending 30 June 2019.

On 2 July 2019 the Consolidated Entity entered into an agreement to acquire a new 600-tonne class excavator (CAT 6060) from Hasting Deering (Australia) Limited. See further details on this purchase in the Directors Report on page 29.

On 26 July 2019 the Company received an invalid notice from Golden Investments (Australia) Pte Ltd (Golden Investments) under section 249D of the Corporations Act 2001 (Cth) requesting the directors convene a General Meeting of the members of the Company to consider the following resolutions:

1. Removal of Stewart Butel as a Director of the Company (current Chair)
2. Removal of Dan Clifford as a Director of the Company (current Managing Director)
3. Appointment of Cameron Vorias as a Director of the Company
4. Appoint of Jimmy Sen Ming Lim as a Director of the Company

The Company could not legally act upon the invalid notice and therefore Stanmore was unable to convene a meeting of shareholders under section 249D.

On 16 August 2019 the Company received a new notice from Golden Investments under section 249D of the Corporations Act 2001 (Cth) requesting the directors convene a General Meeting of the members of the Company to consider the same resolutions requested in the invalid notice received on 26 July 2019.

On 7 August 2019 The Board announced that it has received an unsolicited, non-binding, indicative proposal which may, subject to satisfactory due diligence and securing of finance, result in an off-market takeover offer to acquire 100% of the Company's Shares for an indicative price of between A$1.50-A$1.70 per Share in cash (Indicative Proposal), from Winfield Group Investments Pty Ltd. The Board notes that there is no guarantee that the Indicative Proposal will result in a formal and binding offer for the Company.

On 12 August 2019 the Company executed a Process Deed with Winfield Energy to facilitate the conduct of due diligence by Winfield Energy and its debt and equity financiers.

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.

DIVIDENDS PAID OR RECOMMENDED

The Board of Stanmore Coal, based on strong operational performance achieved in FY2019 and the outlook for the Group, has resolved to declare a fully franked dividend of 8 cps for the financial year ending 30 June 2019. All shareholders on the register on 1 October 2019 ("Record Date") will be entitled to receive the dividend payment which the company expects to pay on 31 October 2019. The ex-dividend date will be 30 September 2019.

ENVIRONMENTAL ISSUES

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

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purposes of taking responsibility on behalf of the Consolidated Entity for all or any part of those proceedings. The Consolidated Entity was not a party to any such proceedings during the year.

Directors' report
(continued)

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to BDO (QLD) Pty Ltd for non-audit services provided during the year ended 30 June 2019:

Taxation services	$106,449
Corporate Finance	$135,202

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 51.

SIGNIFICANT CHANGES AND LIKELY DEVELOPMENTS

Comments on significant changes and likely developments are included in the operating and financial review on pages 23 to 25.

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)".

CORPORATE GOVERNANCE

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

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

Daniel Clifford
Managing Director

Brisbane
Date: 21 August 2019

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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 year ended 30 June 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 year.

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 21 August 2019

Consolidated Statement of **Profit or Loss and Other Comprehensive Income**

for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue	1	403,059	208,081
Cost of sales	2	(238,285)	(155,790)
Gross Profit/(Loss)		**164,774**	**52,291**
Other income	1	9,937	4,321
Other expenses	2	(36,557)	(37,786)
Profit/(loss) before income tax and net finance expenses		**138,154**	**18,826**
Finance income	1	476	293
Financial expenses	2	(10,100)	(9,079)
Profit/(loss) before income tax expense		**128,530**	**10,040**
Income tax benefit/(expense)	3	(36,932)	(4,074)
Net profit/(loss) for the year		**91,598**	**5,966**
Other comprehensive income		–	–
Total comprehensive profit/(loss) for the year		**91,598**	**5,966**
Profit/(loss) for the year is attributable to:			
Owners of Stanmore Coal Limited		**91,598**	**5,966**
Total comprehensive income profit/(loss) for the year is attributable to:			
Owners of Stanmore Coal Limited		**91,598**	**5,966**

Earnings/(loss) per share attributable to the owners of Stanmore Coal Limited:		**Cents**	**Cents**
Basic earnings/(loss) per share (cents per share)	18	36.2	2.4
Diluted earnings/(loss) per share (cents per share)	18	35.6	2.3

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 30 June 2019

	Note	2019 $'000	2018 $'000
CURRENT ASSETS			
Cash and cash equivalents	4(a)	90,465	19,817
Trade and other receivables	6	20,802	22,427
Inventories	7	29,631	20,967
Other current assets		4,206	2,583
Total current assets		**145,104**	**65,794**
NON-CURRENT ASSETS			
Inventories	7	–	4,364
Property, plant and equipment	8	45,592	36,444
Capitalised development costs	9a	–	13,410
Mine Properties	9b	34,808	–
Exploration and evaluation assets	10	75,496	39,393
Intangible assets	11	3,275	3,778
Deferred tax assets	3	–	2,672
Other non-current assets		2,313	2,234
Total non-current assets		**161,484**	**102,295**
Total assets		**306,992**	**168,089**
CURRENT LIABILITIES			
Trade and other payables	12	50,756	27,028
Onerous contracts provision	14	867	1,790
Rehabilitation provision	15	4,700	3,160
Vendor royalties – contingent consideration	16	7,955	6,966
Income Tax Payable	3	25,309	–
Total current liabilities		**89,587**	**38,944**
NON-CURRENT LIABILITIES			
Provision for employee benefit		254	220
Onerous contracts provision	14	5,198	14,612
Rehabilitation provision	15	24,256	15,423
Vendor royalties – contingent consideration	16	24,598	25,728
Deferred tax liabilities	3	5,591	–
Total non-current liabilities		**59,897**	**55,983**
Total liabilities		**149,888**	**94,927**
Net assets		**157,104**	**73,162**
EQUITY			
Issued capital	19	117,613	113,200
Share based payment reserve		1,703	1,152
Retained earnings/(Accumulated losses)		37,788	(41,190)
Total equity attributable to the owners of Stanmore Coal Limited		**157,104**	**73,162**

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

Consolidated Statement of **Changes in Equity**

for the year ended 30 June 2019

	Issued capital $'000	Retained Earnings/ (Accumulated Losses) $'000	Share based payment reserve $'000	Total $'000
At 1 July 2017	**113,200**	**(47,156)**	**774**	**66,818**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
Profit/(loss) for the year	–	5,966	–	5,966
Other comprehensive income	–	–	–	–
	–	**5,966**	**–**	**5,966**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Share based payments	–	–	378	378
At 30 June 2018	**113,200**	**(41,190)**	**1,152**	**73,162**
At 1 July 2018	**113,200**	**(41,190)**	**1,152**	**73,162**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
Profit/(loss) for the year	–	91,598	–	91,598
Other comprehensive income	–	–	–	–
	–	91,598	–	91,598
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Issue of Shares under DRP	4,458	–	–	4,458
Dividends paid	–	(12,620)	–	(12,620)
Share based payments	–	–	551	551
On market share buy-back	(45)	–	–	(45)
At 30 June 2019	**117,613**	**37,788**	**1,703**	**157,104**

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

Consolidated Statement of **Cash Flows**

for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		405,644	201,668
GST refunds		22,950	13,903
Payments to suppliers and employees		(283,923)	(187,052)
Interest received		441	293
Interest and other finance costs paid		(1,709)	(6,938)
Income Tax paid		(3,360)	-
Net cash (outflow)/inflow from operating activities	**5**	**140,043**	**21,874**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(12,093)	(6,923)
Receipts for exploration, evaluation and development assets		-	2,000
(Payments) for exploration, evaluation assets		(31,103)	(10,026)
(Payments) for mine properties assets		(17,581)	-
Receipts relating to vendor payments		-	978
Net cash (outflow)/inflow from investing activities		**(60,777)**	**(13,971)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		43,263	22,084
Repayment of borrowings		(43,674)	(37,685)
Payments for dividends		(8,162)	-
Payments for on-market share buy-back		(45)	-
Net cash (outflow)/inflow from financing activities		**(8,618)**	**(15,601)**
Net increase/(decrease) in cash held		**70,648**	**(7,698)**
Net cash at beginning of year		19,817	27,515
Net cash at end of year	**4a**	**90,465**	**19,817**

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

Notes **to the Financial Statements**

ABOUT THIS REPORT

The financial statements of Stanmore Coal Limited for the year ended 30 June 2019 covers the Consolidated Entity consisting of Stanmore Coal Limited and its subsidiaries ("the Consolidated Entity") as required by the *Corporations Act 2001*.

The financial statements are presented in the Australian currency.

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

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

The consolidated general-purpose financial report of the Consolidated Entity for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 20 August 2019. The Directors have the power to amend and reissue the financial report. The financial report is a general-purpose financial report which:

- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars ($'000) unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Director's Report) Instrument 2016/191;
- adopts all new and amended Accounting Standards, IFRS and Interpretations issued by the AASB that are relevant to the operations of the Consolidated Entity and effective for reporting periods beginning on or after 1 July 2018. Refer to Note 31 for further details; and
- does not early adopt any Australian Accounting Standards, IFRS and Interpretations that have been issued or amended but are not yet effective, except for those described in Note 31: Other Accounting Policies.

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

KEY JUDGEMENTS AND ESTIMATES

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

GOING CONCERN

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

BASIS OF CONSOLIDATION

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

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

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

OTHER ACCOUNTING POLICIES

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

FOREIGN CURRENCY TRANSLATION

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

THE NOTES TO THE FINANCIAL STATEMENTS

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

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

Notes **to the Financial Statements** (continued)

NOTE 1: REVENUE AND OTHER INCOME

	Note	2019 $'000	2018 $'000
REVENUE			
Revenue from contracts with customers		403,059	208,081
Total revenue		**403,059**	**208,081**
OTHER INCOME			
Rehabilitation provision re-measurement	15	–	281
Onerous contract re-measurement	14	9,428	4,040
Other income		509	–
Total other income		**9,937**	**4,321**
FINANCE INCOME			
Interest income		476	293
Total finance income		**476**	**293**

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.

2019	Timing of revenue recognition	South East Asia $'000	Europe $'000	Australia $'000	Total $'000
Sales – thermal coal	At point in time FOB contract	39,218	–	–	39,218
Sales – semi soft coking coal	At point in time FOB contract	350,205	13,613	–	363,818
Coal sales – Subtotal		**389,423**	**13,613**	**–**	**403,036**
Toll loading revenue	At a point in time	–	–	23	23
TOTAL		**389,423**	**13,613**	**23**	**403,059**

2018	Timing of revenue recognition	South East Asia $'000	Europe $'000	Australia $'000	Total $'000
Sales – thermal coal	At point in time FOB contract	53,323	–	–	53,323
Sales – semi soft coking coal	At point in time FOB contract	132,312	5,197	–	137,509
Coal sales – Subtotal		**185,635**	**5,197**	**–**	**190,832**
Toll loading revenue	At a point in time	–	–	17,249	17,249
TOTAL		**185,635**	**5,197**	**17,249**	**208,081**

RECOGNITION AND MEASUREMENT

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

CONTRACTS WITH CUSTOMERS – COAL SALES

General recognition

Revenue from the sale of coal is recognised in the profit or loss when control of the coal has been transferred from the Consolidated Entity to the customer. Typically, the transfer of control and the recognition of a sale occurs when the coal passes the ship rail when loading at the port, unless the sale is made on stockpile at which point the transfer of control will occur when the sales agreement is exercised. All coal is shipped through the Dalrymple Bay Coal Terminal and most coal sold during the financial year ending 30 June 2019 was on a contracted 'free on board' basis.

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

Payment terms for coal customers range from letter of credit basis to up to 45 days, with the majority being settled in 20 days or less from issuance of the commercial invoice. There were no breaches of payment terms noted during the financial year and contracts recognised as fulfilled and therefore receivable at 30 June 2019 have subsequently been receipted in July 2019 without issue.

Semi Soft Quarterly Index Linked Price Contracts recognition

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

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

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

Key Judgements

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

Notes **to the Financial Statements** (continued)

NOTE 1: REVENUE AND OTHER INCOME (CONTINUED)

Thermal Coal Contract sales

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

Key Judgements

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

NOTE 2: COST OF SALES AND OTHER EXPENSES

	Note	2019 $'000	2018 $'000
COST OF SALES			
Mining costs		106,208	77,897
Processing costs		35,241	17,964
Transport and logistics		36,747	18,638
State royalties		36,825	15,661
Private royalties		6,832	2,165
Production overheads		14,203	3,887
Other production costs		2,203	5,685
Sub-total cost of sales		**238,259**	**141,897**
Toll loading costs		26	13,893
Total cost of sales		**238,285**	**155,790**
OTHER EXPENSES			
Other expenses		22,914	11,950
Fair value movement – vendor royalty – contingent consideration	16	6,145	25,828
Movement in rehabilitation provision	15	3,134	–
Provision for impairment and write-off – exploration asset	10	–	8
Write-off non-current inventory	7	4,364	–
Total other expenses		**36,557**	**37,786**
FINANCIAL EXPENSES			
Interest paid – external parties		1,709	2,224
Interest amortisation unwinding	14,15,16	4,549	2,676
Movement in foreign currency		(35)	306
Borrowing costs		3,877	3,873
Total financial expenses		**10,100**	**9,079**

RECOGNITION AND MEASUREMENT

PRODUCTION COSTS

Production costs are costs incurred directly or indirectly relating to the mining and preparation of coal for sale to third party customers. Costs have been recognised on an accruals basis at the time the sale is recognised, in line with movements through inventory and survey information from site. Refer to Inventory in Note 6.

OTHER EXPENSES

Other expenses include the following specific items:

	Note	2019 $'000	2018 $'000
Depreciation and amortisation			
Depreciation – plant and equipment	8	2,945	4,703
Amortisation – mine properties	9b	7,935	–
Amortisation – intangibles	11	503	504
Sub-total depreciation and amortisation		**11,383**	**5,207**
EMPLOYEE EXPENSES			
Employee – salaries and wages		6,010	2,761
Employee superannuation		340	226
Share-based payments (rights)		551	378
Sub-total employee expenses		**6,901**	**3,365**
Other overhead expenses		4,472	3,242
Minimum lease payments made under operating lease		158	136
Sub-total other expenses		**4,630**	**3,378**
Total other expenses		**22,914**	**11,950**

RECOGNITION AND MEASUREMENT

WAGES AND SALARIES, ANNUAL LEAVE AND SICK LEAVE

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

LEASES

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

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

Notes **to the Financial Statements** (continued)

NOTE 3: INCOME TAX EXPENSE

	2019 $'000	2018 $'000
RECONCILIATION		
Current income tax expense	28,669	–
Deferred income tax benefit	8,263	4,074
Income tax expense/(benefit)	**36,932**	**4,074**
RECONCILIATION THROUGH EQUITY		
Opening balance	(1,129)	(1,129)
Prior year DTA not brought to account	–	–
Income tax expense/(benefit) – equity	**(1,129)**	**(1,129)**

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	38,559	3,012
Add tax effect of:		
– Non-deductible expenses	51	482
– Other assessable income	225	–
– Prior period deferred taxes (under)/over recognised	(1,903)	580
Income tax expense/(benefit)	**36,932**	**4,074**

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES **DEFERRED TAX ASSETS**		
Unused tax losses	–	11,616
Deductible temporary differences	25,123	24,918
Sub-total deferred tax assets	**25,123**	**36,534**
DEFERRED TAX LIABILITIES		
Assessable temporary differences	(30,714)	(33,862)
Sub-total deferred tax liabilities	**(30,714)**	**(33,862)**
Deferred tax	**(5,591)**	**2,672**

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.

	2019 $'000	2018 $'000
RECONCILIATION OF CURRENT INCOME TAX PAYABLE		
Current income tax payable	25,309	–
Income tax instalments paid	3,360	–
Origination and reversal of temporary differences	(3,353)	(5,179)
Recognition of tax losses	11,616	9,253
Income tax expense/(benefit)	**36,932**	**4,074**

RECOGNITION AND MEASUREMENT

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

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

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

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

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

2019	Opening balance	Recognised in profit or loss	Closing balance	Deferred tax asset	Deferred tax liability
Provision for rehabilitation	5,575	3,112	8,687	8,687	–
Provision for onerous contracts	4,921	(3,101)	1,820	1,820	–
Property plant and equipment	(7,060)	2,653	(4,407)	–	(4,407)
Vendor private royalty	9,808	(42)	9,766	9,766	–
Exploration and development costs	(16,860)	(654)	(17,514)	–	(17,514)
Unrealised FX	36	61	97	97	–
Other	946	60	1,006	1,122	(116)
Vendor receivable	(4,207)	1,454	(2,753)	–	(2,753)
Provision for impairment – exploration and development	3,632	(1)	3,631	3,631	–
Rail loop benefit	(1,134)	151	(983)	–	(983)
Overburden in advance	(4,601)	(340)	(4,941)	–	(4,941)
Prior year tax losses	11,616	(11,616)	–	–	–
TOTAL	**2,672**	**(8,263)**	**(5,591)**	**25,123**	**(30,714)**

Notes **to the Financial Statements** (continued)

NOTE 3: INCOME TAX EXPENSE (CONTINUED)

2018	Opening balance	Recognised in profit or loss	Closing balance	Deferred tax asset	Deferred tax liability
Provision for rehabilitation	7,463	(1,888)	5,575	5,575	–
Provision for onerous contracts	6,678	(1,757)	4,921	4,921	
Property, plant and Equipment	(7,661)	601	(7,060)	–	(7,060)
Vendor private royalty	3,379	6,429	9,808	9,808	–
Exploration and development costs	(17,454)	594	(16,860)	–	(16,860)
Unrealised FX	314	(278)	36	36	–
Other	886	60	946	946	–
Vendor receivable	(6,407)	2,200	(4,207)	–	(4,207)
Provision for impairment exploration and development	3,629	3	3,632	3,632	–
Rail loop benefit	(1,285)	151	(1,134)	–	(1,134)
Overburden in advance	(3,665)	(936)	(4,601)	–	(4,601)
Prior year tax losses	20,869	(9,253)	11,616	11,616	–
TOTAL	**6,746**	**(4,074)**	**2,672**	**36,534**	**(33,862)**

TAX CONSOLIDATION

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

NOTE 4 (A): CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
Cash at bank and in hand	**90,465**	**19,817**
Cash at bank bear floating and fixed interest rates between 0.85% and 2.23% (2018: 1.5% and 1.75%).		
RECONCILIATION OF CASH		
The above figures are reconciled to the consolidated statement of cash flows as follows:		
Balances as above	90,465	19,817
Balances per consolidated statement of cash flows	90,465	19,817

RECOGNITION AND MEASUREMENT

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

NOTE 4 (B): RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2018 $'000	Cash flows	Non-cash changes	2019 $'000
Net cash (outflow)/inflow from financing activities	–	(411)	411	–

	2017 $'000	Cash flows	Non-cash changes	2018 $'000
Net cash (outflow)/inflow from financing activities	15,601	(15,601)	–	–

NOTE 5: CASH FLOW INFORMATION

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

	Note	2019 $'000	2018 $'000
Reconciliation of profit/(loss) after income tax to net cash flow from operating activities			
Profit/(Loss) for the year		**91,598**	**5,966**
Adjust for non-cash items:			
Depreciation, amortisation and disposal of fixed assets		11,383	5,207
Write-off non-current inventory		4,364	–
Impairment of exploration and evaluation expenditure		–	8
Unrealised gains/loss on foreign exchange		411	306
Non cash movement in provisions		4,400	28,210
Share-based payments expense		551	378
Change in operating assets and liabilities:			
– (Increase)/Decrease in trade and other receivables		2,484	(5,785)
– (Increase)/Decrease in inventory		(8,664)	2,129
– (Increase)/Decrease in other assets		(2,561)	(299)
– Increase/(Decrease) in trade and other payables		18,278	(3,413)
– Increase/(Decrease) in current tax payable		25,309	–
– Increase/(Decrease) in deferred taxes		8,263	4,074
– Increase/(Decrease) in provisions		34	–
– Increase/(Decrease) in provisions for onerous contracts		(1,849)	(2,652)
– Increase/(Decrease) in rehabilitation provisions		(4,848)	(6,705)
– Increase/(Decrease) in contingent consideration		(9,560)	(5,550)
Net cash flow from operating activities		**140,043**	**21,874**

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

Non-cash investing and financing activities disclosed in other notes are:

- Recognition of rehabilitation asset of $11.752m (FY18: nil) – note 9(b)
- Recognition of royalty as part of acquisition of Isaac Downs of $5.893m (FY18: nil) – note 15
- Dividends satisfied by the issue of shares under the Dividend Reinvestment Plan – note 17.

Notes **to the Financial Statements** (continued)

NOTE 6: TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
CURRENT		
GST receivable	2,529	1,569
Trade receivables	18,076	20,559
Other receivables	197	299
Total current trade and other receivables	**20,802**	**22,427**

RECOGNITION AND MEASUREMENT

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

IMPAIRMENT

From 1 July 2018, the group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

NOTE 7: INVENTORIES

	2019 $'000	2018 $'000
CURRENT		
ROM coal stocks	3,703	3,752
Product coal stocks	9,459	6,244
Sub-total coal stock	**13,162**	**9,996**
Overburden in advance	16,469	10,971
Total current inventories	**29,631**	**20,967**
NON-CURRENT		
Overburden in advance	–	4,364
Total non-current inventories	**–**	**4,364**
Total inventories	**29,631**	**25,331**

RECOGNITION AND MEASUREMENT

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

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

Inventories are classified as follows:

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

As at the reporting date the Consolidated Entity has written off the value of the non-current deferred stripping costs shown in the consolidated statement of financial position to nil (FY18: $4,364). This balance was reviewed by management and determined to be uneconomical based on management's judgement around timing of recovery of the coal in line with long term price expectations and future cost structure if the Consolidated Entity made the decision to return to Isaac Plains operation.

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

Interpretation 20, effective 1 January 2013 requires overburden in advance to be capitalised separately as Inventory under AASB 102. This means that coal mining and stripping no longer maintain a timing nexus. As a result of this the stripping process, costs of overburden removal will be capitalised separately as Inventory under AASB 102 as directed under Interpretation 20.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	2019 $'000	2018 $'000
Plant and equipment		
At cost	45,747	40,496
Accumulated depreciation	(11,227)	(8,355)
Sub-total plant and equipment	**34,520**	**32,141**
Buildings and improvements		
At cost	1,671	1,379
Accumulated depreciation	(414)	(343)
Sub-total buildings and improvements	**1,257**	**1,036**
Furniture and office equipment		
At cost	137	137
Accumulated depreciation	(119)	(117)
Sub-total furniture and office equipment	**18**	**20**
Capital work in progress		
At cost	9,797	3,247
Accumulated depreciation	–	–
Sub-total capital work in progress	**9,797**	**3,247**
Total property plant and equipment	**45,592**	**36,444**

Notes **to the Financial Statements** (continued)

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

RECOGNITION AND MEASUREMENT

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

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

MOVEMENTS IN CARRYING AMOUNTS

2019	Land $'000	Plant and equipment $'000	Buildings and improvements $'000	Furniture and office equipment $'000	Capital work in progress $'000	Total $'000
Balance at the beginning of the year	–	32,141	1,036	20	3,247	**36,444**
Additions – through ordinary course	–	129	4	–	11,960	**12,093**
Capital WIP transfers	–	5,122	288	–	(5,410)	**–**
Transfers – through ordinary course	–	–	–	–	–	**–**
Depreciation expense	–	(2,872)	(71)	(2)	–	**(2,945)**
Carrying amount at the end of the year	**–**	**34,520**	**1,257**	**18**	**9,797**	**45,592**

2018	Land $'000	Plant and equipment $'000	Buildings and improvements $'000	Furniture and office equipment $'000	Capital work in progress $'000	Total $'000
Balance at the beginning of the year	1,946	27,374	1,160	22	4,747	**35,249**
Additions – through ordinary course	–	21	–	–	7,823	**7,844**
Capital WIP transfers	–	9,323	–	–	(9,323)	**–**
Net disposals	–	–	–	–	–	**–**
WDV transfers – through ordinary course	(1,946)	–	–	–	–	**(1,946)**
Depreciation expense	–	(4,577)	(124)	(2)	–	**(4,703)**
Carrying amount at the end of the year	**–**	**32,141**	**1,036**	**20**	**3,247**	**36,444**

DEPRECIATION

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

The depreciation rates used for each class of assets are:

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

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised. A formal assessment of recoverable amount is made when impairment indicators are present. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows are discounted to their present values in determining recoverable amounts.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

NOTE 9 (A): CAPITALISED DEVELOPMENT COSTS

	2019 $'000	2018 $'000
NON-CURRENT		
Capitalised development costs	–	13,410

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	13,410	21,071
Transfers from exploration and evaluation	–	6,167
Transfers to exploration and evaluation	–	(21,072)
Transfers to Mine Properties	(13,410)	–
Other additions	–	7,244
Sub-total capitalised cost	**–**	**13,410**
Provision for impairment	–	–
Carrying amount at the end of the year	**–**	**13,410**

MOVEMENTS IN PROVISION FOR IMPAIRMENT AMOUNTS		
Balance at the beginning of the year	–	(5,371)
Provision transferred to exploration and evaluation	–	5,371
Provision for impairment at the end of the year	**–**	**–**

Notes **to the Financial Statements** (continued)

NOTE 9 (A): CAPITALISED DEVELOPMENT COSTS (CONTINUED)

RECOGNITION AND MEASUREMENT

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

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

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

Key judgements – capitalisation and impairment assessment of development costs

Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generating potential of the Project, discount rates to be applied and the expected period of which cash flows are expected to be received. As at 30 June 2019, the carrying amount of capitalised developments costs was $0 million (2018: $13.4 million) as the balance of the costs were transferred to Mine Properties as the Isaac Plains East Project begun production during FY19.

NOTE 9 (B): MINE PROPERTIES

	2019 $'000	2018 $'000
NON-CURRENT		
Mine Properties	34,808	–
MOVEMENTS IN CARRYING AMOUNTS		
Balance at the beginning of the year	–	–
Transfers from capitalised development costs	13,410	–
Other additions	29,333	–
Sub-total Mine Properties	**42,743**	**–**
ACCUMULATED DEPRECIATION		
Balance at the beginning of the year	–	–
Amortisation charge for the year	(7,935)	–
Sub-total accumulated amortisation	**(7,935)**	**–**
Carrying amount at the end of the year	**34,808**	**–**

RECOGNITION AND MEASUREMENT

Mining property assets include costs transferred from Capitalised Development following the start of production. Following transfer from Capitalised Development all development subsequent development costs are capitalised to the extent that commercial viability conditions continue to be satisfied.

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

Key judgements – capitalisation and impairment assessment of mine properties

The Consolidated Entity assesses at the end of each period whether there are any impairment indicators in relation to Mine Property assets. If any indicators exist, the Consolidated Entity estimates the recoverable amount.

The recoverable amount of the asset is based on the Fair Value Less Cost of Disposal (FVLCD). The determination of the FVLCD does require the use of estimates and assumptions which could change over time and are impacted by various economic factors such as coal prices, foreign exchange rates, discount rates and production costs. It is possible these assumptions (and others) may change and could impact the estimated life of the mine and impact the material adjustment to the carrying value of the assets.

NOTE 10: EXPLORATION AND EVALUATION ASSETS

	2019 $'000	2018 $'000
NON-CURRENT		
Exploration and evaluation expenditure capitalised		
– exploration and evaluation phases	75,496	39,393

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	51,498	33,734
Additions and transfers from work in progress	5,042	2,859
Transferred to capitalised development	–	(6,167)
Acquisition costs	31,061	–
Transferred from capitalised development	–	21,072
Sub-total capitalised cost	**87,601**	**51,498**
Provision for impairment	(12,105)	(12,105)
Carrying amount at the end of the year	**75,496**	**39,393**

MOVEMENTS IN PROVISION FOR IMPAIRMENT AMOUNTS		
Balance at the beginning of the year	(12,105)	(6,726)
Provisions (raised)/reversed	–	(8)
Provision transferred from capitalised development	–	(5,371)
Provision for impairment at the end of the year	**(12,105)**	**(12,105)**

Notes **to the Financial Statements** (continued)

NOTE 10: EXPLORATION AND EVALUATION ASSETS (CONTINUED)

During FY18 The Range was reclassified from capitalised development costs to exploration and evaluation assets as outlined in note 9(a) and Isaac Plains East was reclassified to Capitalised Development costs following the decision to begin development.

RECOGNITION AND MEASUREMENT

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

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

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

Key judgements – exploration and evaluation assets

The Consolidated Entity performs impairment testing on specific exploration assets as required in AASB 6 para 20. During FY19 no impairment indicator was noted. The total impairment on these exploration and evaluation assets is now $12.1million. No specific event has occurred relating to other exploration and evaluation assets recognised on the Consolidated Statement of Financial Position. At the end of the reporting year the balance of Exploration and Evaluation Assets is $75.4 million (2018: $39.4 million). The main increase in this balance relates to the acquisition of Isaac Downs.

NOTE 11: INTANGIBLE ASSETS

	2019 $'000	2018 $'000
INFRASTRUCTURE INTANGIBLE ASSET		
At cost	4,800	4,800
Accumulated amortisation	(1,525)	(1,022)
Carrying amount at the end of the year	**3,275**	**3,778**

	2019 $'000	2018 $'000
MOVEMENTS IN CARRYING AMOUNTS		
Balance at the beginning of the year	3,778	4,282
Amortisation expense	(503)	(504)
Carrying amount at the end of the year	**3,275**	**3,778**

IMPAIRMENT OF INTANGIBLE ASSETS

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

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

INTANGIBLE ASSETS

The 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 12: TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
Current		
Trade and Other payables	49,903	22,446
Accrued expenses	24	4,076
Employee benefits	829	506
Total Current Trade and other payables	**50,756**	**27,028**

RECOGNITION AND MEASUREMENT

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

NOTE 13: INTEREST BEARING LOANS AND BORROWINGS

	2019 $'000	2018 $'000	2019 US$'000	2018 US$'000
INTEREST BEARING LOANS AND BORROWINGS				
Facility B – working capital facility	–	–	–	–
Total Interest-bearing loans and borrowings	**–**	**–**	**–**	**–**

Notes **to the Financial Statements** (continued)

NOTE 13: INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

	2019 $'000	2018 $'000	2019 US$'000	2018 US$'000
TOTAL FACILITIES				
Facility A – bank guarantee facility				
Total available facility	41,351	39,237	29,000	29,000
Facility utilised	15,310	24,638	10,737	17,427
Available facility	**26,042**	**14,599**	**18,263**	**11,573**
Facility B – working capital facility				
Total available facility	31,370	29,766	22,000	22,000
Facility utilised	–	–	–	–
Available facility	**31,370**	**29,766**	**22,000**	**22,000**

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 a 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 23 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 are accounted for as outlined in Note 20.

NOTE 14: ONEROUS CONTRACTS PROVISION

	2019 $'000	2018 $'000
CURRENT		
Current onerous contract provision	867	1,790
NON-CURRENT		
Non-current onerous contract provision	5,198	14,612
Total onerous contracts provision	**6,065**	**16,402**

RECONCILIATION OF MOVEMENTS		
Opening balance	16,402	22,260
Depletions through settlement	(1,849)	(2,652)
Adjustment – through re-measurement	(9,428)	(4,040)
Unwinding of discount – via profit and loss	940	834
Closing balance	**6,065**	**16,402**

RECOGNITION AND MEASUREMENT

The provision for onerous contracts relates to the transaction to acquire the Isaac Plains Coal Mine which completed in November 2015. The Consolidated Entity acquired various long-term contracts necessary for mining activities at Isaac Plains including rail haulage, port allocations, water supply, electricity supply and accommodation. Based on the initial Isaac Plains mine plan, a portion of these contracts were estimated to be underutilised and the fixed charges incurred above the deemed requirement was recognised as an onerous contract liability. The fair value of onerous contracts at acquisition was estimated by calculating the present value of expected future cash outflows for the onerous portion of each contract, discounted at a rate reflecting the risk profile of each contract. Excluding the assessed onerous portion of the contracts already recognised in the consolidated statement of financial position, the minimum payments required under the identified contracts is approximately $27.7 million (undiscounted) (2018: $58 million (undiscounted)). These payments are expected to be met as part of normal operational expenditure at Isaac Plains complex in the coming years.

In the period from acquisition through to 30 June 2019, a number of onerous contracts have been settled through the ordinary course of business. The onerous provision at 30 June 2019 has been re-measured for all contracts having regard to the latest Economically Recoverable Resources of the Isaac Plains Complex which includes an estimate of recoverable underground and Isaac Downs reserves. During the year, a contract was entered into with a third party to supply them with some water from our existing long-term contract. This allocation has been included in the calculation of the onerous contract to reduce our total onerous contract obligation.

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. During the FY19 year a total of $1.8 million of onerous contracts were settled through payment, with the unwinding of the discount being $0.9 million and $9.4 million taken through consolidated statement of profit or loss for re-measurement.

Notes **to the Financial Statements** (continued)

NOTE 15: REHABILITATION PROVISION

	2019 $'000	2018 $'000
CURRENT		
Current rehabilitation provision	4,700	3,160
NON-CURRENT		
Non-current rehabilitation provision	24,256	15,423
Total rehabilitation liability	**28,956**	**18,583**

RECONCILIATION OF MOVEMENTS		
Opening balance	18,583	24,878
Additions – current year disturbance	11,752	–
Depletion – rehabilitation works completed	(4,848)	(6,705)
Depletion – re-measurement	3,134	(281)
Unwinding of discount – via profit and loss	335	691
Closing balance	**28,956**	**18,583**

RECOGNITION AND MEASUREMENT

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

Key estimates – rehabilitation provision

The Consolidated Entity assesses rehabilitation liabilities at each reporting date as there are numerous factors that may affect the ultimate liability payable. This includes 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.

In FY19 a decrease in the rehabilitation provision of $4.8 million was recognised due to the rehabilitation works completed at Isaac Plains. In addition, a rehabilitation liability was recognised with regard to disturbance of Isaac Plains East now production is underway, and clearing has commenced in line with mining operations of $11.7 million. The other side of this disturbance is recognised as an asset in Mine Properties.

The continued extension of the mine life due to mine plan expansions at Isaac Plains East also contribute to a reduction in the rehabilitation provision due to the value of future discounted cash outflows.

NOTE 16: VENDOR ROYALTIES – CONTINGENT CONSIDERATION

	2019 $'000	2018 $'000
CURRENT		
Current vendor royalties – contingent consideration	7,955	6,966
NON-CURRENT		
Non-current vendor royalties – contingent consideration	24,598	25,728
Total vendor private royalty	**32,553**	**32,694**

RECONCILIATION OF MOVEMENTS		
Opening balance – vendor royalties – contingent consideration at fair value	32,694	11,264
Fair value adjustments taken to profit and loss in other expenses	6,145	25,828
Depletions through settlement	(9,560)	(5,550)
Unwinding of discount – via profit and loss	3,274	1,152
Total vendor royalties – contingent consideration at fair value	**32,553**	**32,694**

Key judgement 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 Coking Coal prices are above an Australian Dollar equivalent of 160 (adjusted for CPI) and coal is produced and sold from either Isaac Plains or Isaac Plains East. Each royalty is capped at predetermined amounts for each vendor. Once the price threshold and production requirements are met, the royalty is payable at $2 per product tonne (2015 dollars) to each of the two vendors of Isaac Plains. Royalties were paid during the FY19 to the vendors and as a result the remaining cap is $30.0 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 coking coal benchmark is over A$170 per tonne (indexed for CPI) capped at $10.0m. The fair value of this royalty has been recognised during FY19.

This valuation has been performed using a discounted cash flow methodology which was consistent with that used in FY18. The method used is classed as a level 3 valuation under AASB 13 the following key unobservable inputs are used in its calculation:

- Hard Coking Coal forward price curve based on a compilation of short term (12 months) prices from Isaac Plains coal marketing consultants Square Trading Pty Ltd and long-term estimates completed by Wood McKenzie;
- A$/US$ Foreign exchange forward curve estimates are based on market consensus curves; and
- Coal sales based on the current mining plans of the Isaac Plains Complex, including the Isaac Plains mine, the Isaac Plains East Mine (commenced July 2018), the Isaac Downs Mine (unapproved) and the Isaac Plains Underground (unapproved).

Notes **to the Financial Statements** (continued)

NOTE 16: VENDOR ROYALTIES – CONTINGENT CONSIDERATION (CONTINUED)

As considered in AASB 13 para 93(h)(i) the following unobservable inputs contain sensitivities that would result in significant changes to the market valuation. There interactions between the sensitivities in the coking coal price and the US$/A$ foreign exchange rate. As the coal commodity is currently traded in US$ the interaction between the index price and the FX rate could both magnify and mitigate each other depending on the timing and direction of movements of both indexes.

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

		Hard Coking Coal Index curve				
		+10%	+5%	Current	(5%)	(10%)
FX Index curve	+10%	32.553	32.553	32.553	27.464	21.862
	+5%	32.553	32.553	32.553	32.553	27.464
	Current	32.553	32.553	32.553	32.553	32.553
	(5%)	32.553	32.553	32.553	32.553	32.553
	(10%)	32.553	32.553	32.553	32.553	32.553

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

		Hard Coking Coal Index curve				
		+10%	+5%	Current	(5%)	(10%)
FX Index curve	+10%	–	–	–	(15.6%)	(32.8%)
	+5%	–	–	–	–	(15.6%)
	Current	–	–	–	–	–
	-5%	–	–	–	–	–
	-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)	26.660	(5.893)	(18.1%)
Isaac Downs (not approved)	24.396	(8.157)	(25.0%)
Remaining Isaac Plains complex reduced by 20% product	31.850	(0.703)	(2.1%)
Remaining Isaac Plains complex increased by 20% product	33.049	0.496	1.5%

As at 30 June 2019 the fair value was assessed at $32.553 million this calculation reaches the cap of the agreements relating to Isaac Plains East and Isaac Downs.

NOTE 17: DIVIDENDS AND FRANKING CREDITS

ORDINARY SHARES	2019 $'000	2018 $'000
Final unfranked dividend for the year ended 30 June 2018 of 2 cps	5,037	–
Interim fully franked dividend for the half year ended 31 December 2018 of 3 cps	7,583	–
Total dividends provided for or paid	**12,620**	**–**
Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan were as follows:		
Paid in cash	8,162	–
Satisfied by issue of shares	4,458	–
Total dividends provided for or paid	**12,620**	**–**

DIVIDENDS NOT RECOGNISED AT THE END OF THE REPORTING PERIOD	2019 $'000	2018 $'000
Proposed final fully franked dividend for the year ended 30 June 2019 of 8 cps	20,488	5,037
Proposed dividends on ordinary shares	**20,488**	**5,037**

	2019 $'000	2018 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2018 – 30%)	25,419	–
	25,419	**–**

NOTE 18: EARNINGS PER SHARE

EARNINGS	2019 $'000	2018 $'000
Profit/(Loss) attributable to owners of Stanmore Coal Limited used to calculate basic and diluted earnings per share	**91,598**	**5,966**

	2019 Number '000	2018 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	252,959	251,801
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**257,548**	**255,139**

Notes **to the Financial Statements** (continued)

NOTE 18: EARNINGS PER SHARE (CONTINUED)

RECONCILIATION OF MOVEMENTS	2019 $'000	2018 $'000
Opening balance	251,801	251,801
Weighted average of issued shares (DRP)	1,168	–
Weighted average shares purchased on-market	(10)	–
Weighted average number of ordinary shares used in calculating basic earnings per share	**252,959**	**251,801**
Weighted average number of Long-term Incentive rights issued	4,589	3,338
Weighted average number of ordinary shares and potential ordinary shares issued used to calculate diluted earnings per share	**257,548**	**255,139**
Basic earnings per share (cents per share)	36.2	2.4
Diluted earnings per share (cents per share)	35.6	2.3

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, adjusted for bonus elements in ordinary shares issued during the year.

DILUTED EARNINGS PER SHARE

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

NOTE 19: ISSUED CAPITAL

	2019 $'000	2018 $'000
256,094,238 fully paid ordinary shares (2018: 251,800,978)	120,960	116,547
Share issue costs	(4,476)	(4,476)
Deferred tax recognised through equity	1,129	1,129
Total issued capital	**117,613**	**113,200**

A. ORDINARY SHARES

	2019 Number	2018 Number	2019 $'000	2018 $'000
ORDINARY SHARES				
At the beginning of the year	251,800,978	251,800,978	113,200	113,200
Issue of Shares under DRP	4,332,625	–	4,458	–
On market share buy-back	(39,365)	–	(45)	–
At reporting date	**256,094,238**	**251,800,978**	**117,613**	**113,200**

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

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

B. OPTIONS AND RIGHTS

During the FY19, no options were held by or issued to employees of the Consolidated Entity.

During the FY19, the rights held by employees of the Consolidated Entity that were issued on 1 July 2017 reached the end of the measurement period (30 June 2019). These shares are now eligible to vest in accordance with the terms of the rights. These rights vested on 31 July 2019 and were cash settled. No rights were forfeited due to employment ceasing during the year.

All rights on issue at 30 June 2019 were as follows:

Number of Rights	Exercise Price	End of measurement period	Conditions
626,482	Nil	30 June 2019	Share price targets based on Absolute Shareholder Total Return Compound Annual Growth Rates in FY19. The measurement period for these rights finished on the 30 June 2019 and the rights met the stretch target. Post year end these rights were settled in cash.
2,611,508	Nil	30 June 2020	Share price targets based on Absolute Shareholder Total Return Compound Annual Growth Rates in FY20, if no vesting occurs at FY 20 then retested in FY21 see Remuneration Report
1,251,497	Nil	30 June 2021	Share price targets based on Absolute Shareholder Total Return Compound Annual Growth Rates in FY20, if no vesting occurs at FY 21 then retested in FY22 see Remuneration Report
100,000	Nil	30 June 2020	Targets relating to the approval and commencement of mining at The Range in the Surat Basin

C. CAPITAL MANAGEMENT

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

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

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

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

D. RECOGNITION AND MEASUREMENT

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

NOTE 20: FINANCIAL RISK MANAGEMENT

GENERAL OBJECTIVES, POLICIES AND PROCESSES

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

There have been no substantive changes in the Consolidated Entity's exposure to financial instrument risks.

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

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

Notes **to the Financial Statements** (continued)

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

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

A. CREDIT RISK

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

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

	Note	2019 $'000	2018 $'000
Cash and cash equivalents	4a	90,465	19,817
Restricted cash		245	169
Receivables	6	20,803	22,427
Security deposits and debt service reserve		113	119
Credit risk exposure		**111,626**	**42,532**

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

The Consolidated Entity's credit risk exposure is influenced mainly by the individual characteristics of each customer. Given the Consolidated Entity trades predominately with recognised, credit worthy third parties, the credit risk is determined to be low. No receivables balances were past due or impaired at year end. The credit quality of receivables that are neither past due nor impaired is good. Bank deposits are held with National Australia Bank Limited and Westpac Banking Corporation.

B. LIQUIDITY RISK

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

The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The Consolidated Entity's working capital, being current assets less current liabilities has increased from $26.850million in 2018 to $55.517 million in 2019.

MATURITY ANALYSIS – CONSOLIDATED – 2019 – FINANCIAL LIABILITIES

Maturity analysis – consolidated 2019	Carrying amount $'000	Contractual cash flows $'000	<6 months $'000	6 – 12 months $'000	1 – 3 years $'000	>3 years $'000
Financial Liabilities						
– Trade payables	50,307	50,307	50,307	–	–	–
– Vendor Royalties Payable	32,553	41,276	5,653	4,434	19,628	11,561
– Other payables	853	853	853	–	–	–
	83,713	**83,713**	**56,813**	**4,435**	**18,130**	**4,335**

MATURITY ANALYSIS – CONSOLIDATED – 2018 – FINANCIAL LIABILITIES

Maturity analysis – consolidated 2018	Carrying amount $'000	Contractual cash flows $'000	<6 months $'000	6 – 12 months $'000	1 – 3 years $'000	>3 years $'000
Financial Liabilities						
– Trade payables	2,197	2,197	2,197	–	–	–
– Vendor Royalties Payable	32,694	32,694	3,663	3,223	14,024	11,784
– Other payables	24,831	24,831	24,831	–	–	–
	59,722	**59,722**	**30,691**	**3,223**	**14,024**	**11,784**

Further information regarding commitments is included in Note 22.

C. CURRENCY RISK

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

The Group's potential currency exposures comprise:

Coal sales denominated in US$

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

Bank guarantee line of credit facilities denominated in US$

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

Working capital facility

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

Expenses denominated in currencies other than A$

Currently the exposure to such expenses is minimal, but it is noted that equipment purchases, equipment parts and other mine related expenditure can be in various foreign currencies. When entering major transactions in foreign currencies it is the policy of the group to assess the currency risk of the transaction and review derivative products or other methods to offset this risk. Where appropriate these products would be used, but no such transactions occurred in the 30 June 2019 or 30 June 2018 financial years.

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

D. MARKET RISK

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

Notes **to the Financial Statements** (continued)

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 June 2019, the effect on profit as a result of changes in the FX rate would be:

		Increase in FX rate by 5%	Decrease in FX rate by 5%
2019	**Carrying amount $'000**	**Profit or loss $'000**	**Profit or loss $'000**
Cash and cash equivalents – US$	28,790	1,439	(1,439)
Trade receivables – US$	12,123	606	(606)
Tax charge of 30%		(614)	614
After tax increase/(decrease)		**1,431**	**(1,431)**
2018			
Cash and cash equivalents – US$	6,145	307	(307)
Trade receivables – US$	16,088	804	(804)
Tax charge of 30%		(333)	333
After tax increase/(decrease)		**778**	**(778)**

A. INTEREST RATE RISK

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

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

2019	**Floating interest rate $'000**	**Fixed interest rate $'000**	**Non-interest bearing $'000**	**Total carrying amount as per the consolidated statement of financial position $'000**	**Weighted average effective interest rate %**
FINANCIAL ASSETS					
Cash and cash equivalents	90,465	–	–	90,465	1.13%
Restricted cash	–	245	–	245	2.23%
Receivables	–	–	20,803	20,803	
Security deposits	–	–	113	113	
Total financial assets	**90,465**	**245**	**20,916**	**111,626**	
FINANCIAL LIABILITIES					
Trade payables	–	–	50,307	50,307	
Working Capital Facility	–	–	–	–	10%
Vendor Royalties Payable	–	–	32,553	32,553	
Other payables	–	–	853	853	
Total financial liabilities	**–**	**–**	**83,713**	**83,713**	

2018	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total carrying amount as per the consolidated statement of financial position $'000	Weighted average effective interest rate %
FINANCIAL ASSETS					
Cash and cash equivalents	19,817	–	–	19,817	1.53
Receivables	–	–	22,427	22,427	
Security deposits	–	–	288	288	
Total financial assets	**19,817**	**–**	**22,715**	**42,532**	
FINANCIAL LIABILITIES					
Trade payables	–	–	22,446	22,446	
Working Capital Facility	–	–	–	–	10%
Vendor Royalties Payable			32,694	32,694	
Other payables	–	–	4,582	4,582	
Total financial liabilities	**–**	**–**	**59,722**	**59,722**	

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

At 30 June 2019, the effect on profit and equity as a result of changes in the interest rate would be as follows:

		Increase in interest rate by 1%		Decrease in interest rate by 1%	
2019	Carrying Amount $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000	Equity $
Cash and cash equivalents	90,465	905	905	(905)	(905)
Tax charge of 30%		(271)	(271)	271	271
After tax increase/(decrease)		**634**	**634**	**(634)**	**(634)**
2018					
Cash and cash equivalents	19,817	198	198	(198)	(198)
Tax charge of 30%		(59)	(59)	59	59
After tax increase/(decrease)		**139**	**139**	**(139)**	**(139)**

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 9 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 entity completed a level 3 valuation on contingent consideration (note 16). 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.

Notes **to the Financial Statements** (continued)

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

	Financial Liabilities		
2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Vendor royalties contingent consideration held at fair value through profit or loss	–	–	32,553
Total Financial Liabilities	**–**	**–**	**32,553**
2018			
Vendor royalties contingent consideration held at fair value through profit or loss	–	–	32,694
Total Financial Liabilities	**–**	**–**	**32,694**

There were no other financial assets or liabilities carried at fair value in FY19.

NOTE 21: INTERESTS IN OTHER ENTITIES

SUBSIDIARIES

The group's principal subsidiaries at 30 June 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Principle activities	Country of incorporation	Class of shares	Percentage owned 2019	Percentage owned 2018
Mackenzie Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Comet Coal & Coke Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Belview Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Belview Expansion Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Stanmore Coal Custodians Pty Ltd[1]	Trustee of Stanmore Employee Share Trust	Australia	Ordinary	100%	100%
Emerald Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
New Cambria Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Kerlong Coking Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Stanmore Surat Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Theresa Creek Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Stanmore Wotonga Pty Ltd	Coal exploration & mining	Australia	Ordinary	100%	100%
Stanmore IP Coal Pty Ltd	Coal mining	Australia	Ordinary	100%	100%
Stanmore IP South Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Stanmore Bowen Coal Pty Ltd	Coal exploration & mining	Australia	Ordinary	100%	100%
Isaac Plains Coal Management Pty Ltd	Coal exploration & mining	Australia	Ordinary	100%	100%
Isaac Plains Sales & Marketing Pty Ltd	Coal exploration & mining	Australia	Ordinary	100%	100%

1 Previously Brown River Coal Pty Ltd

DETAILS OF FARM IN ARRANGEMENTS

Set out below are the significant farm in arrangements of the group as at 30 June 2019. The proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Principal activities	Place of business/ Country of incorporation	Nature of relationship	Percentage owned	
				2019	2018
Clifford Joint Venture	Coal exploration	Australia	Farm in arrangement	60%	60%
Lilyvale Joint Venture	Coal exploration	Australia	Farm in arrangement	85%	85%
Mackenzie Joint Venture	Coal exploration	Australia	Farm in arrangement	95%	95%

NOTE 22: COMMITMENTS

EXPLORATION AND MINING

The commitments to be undertaken are as follows:

	2019 $'000	2018 $'000
Payable		
– not later than 12 months	1,191	762
– between 12 months and 5 years	2,066	1,858
– greater than 5 years	474	689
	3,731	**3,309**

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

OPERATING LEASES

The commitments to be undertaken are as follows:

	2019 $'000	2018 $'000
Payable		
– not later than 12 months	130	107
– between 12 months and 5 years	52	191
– greater than 5 years	–	–
	182	**298**

The Consolidated Entity has an operating lease commitment in relation to the commercial office premises. The lease commenced on 1 December 2013 for a term of four years the lease has subsequently been extended for an additional three years. The Consolidated Entity has provided a bank guarantee of $73,046 as a security bond on the premises.

Notes **to the Financial Statements** (continued)

NOTE 22: COMMITMENTS (CONTINUED)

CAPITAL COMMITMENTS

The commitments to be undertaken are as follows:

	2019 $'000	2018 $'000
Payable		
– not later than 12 months	7,675	8,518
– between 12 months and 5 years	3,700	27,700
– greater than 5 years	–	–
	11,375	**36,218**

LAND ACQUISITIONS

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

ISAAC DOWNS ACQUISITION

On 12 June 2018, the Consolidated Entity announced it had executed definitive agreements with Peabody Australia to acquire MDL1371 and EPC7282 from Millennium Coal Pty Ltd. Stanmore Coal has agreed to acquire the coking coal deposit contained within MDL 137 and an additional exploration area (EPC 728) for $30.000 million cash payable in a series of instalments, as at 30 June 2019 $5.000m remained to be paid and it was due for payment in July 2019. This amount has now been paid.

ISAAC PLAINS COMPLEX ROYALTY

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

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

On the 8 June 2018, the Consolidated Entity extended its financing facilities through Taurus on the completion of this extension it was agreed to increase the royalty from 0.8% to 1% on all future sales that meet the above criteria.

ISAAC PLAINS EAST ROYALTY

On 4 September 2015 the Consolidated Entity completed the acquisition of MDL 135 and (part) MDL 137. The transaction terms include the following contingent consideration item:

- A royalty capped at $3.000m payable at $1 per tonne of production for coal that is mined within the new Mining Lease.

ISAAC PLAINS EAST LANDHOLDER AGREEMENT

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

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

NOTE 23: 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

	2019	2018
Government departments as a condition of mining and exploration licences	–	11,610
Rail capacity providers	6,222	4,125
Port capacity providers	4,335	5,224
Electricity network access supplier	1,247	1,320
Other	3,506	2,359
	15,310	**24,638**

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

	2019	2018
Government departments as a condition of mining licences	17,480	–
	17,480	**–**

Notes **to the Financial Statements** (continued)

NOTE 24: EVENTS AFTER REPORTING DATE

A final franked dividend of 8 cps is declared for the year ending 30 June 2019.

On 2 July 2019 the Consolidated Entity entered into an agreement to acquire a new 600-tonne class excavator (CAT 6060) from Hasting Deering (Australia) Limited. See further details on this purchase in the Directors Report on page 29.

On 26 July 2019 the Company received an invalid notice from Golden Investments (Australia) Pte Ltd (Golden Investments) under section 249D of the Corporations Act 2001 (Cth) requesting the directors convene a General Meeting of the members of the Company to consider the following resolutions:

1. Removal of Stewart Butel as a Director of the Company (current Chair)
2. Removal of Dan Clifford as a Director of the Company (current Managing Director)
3. Appointment of Cameron Vorias as a Director of the Company
4. Appoint of Jimmy Sen Ming Lim as a Director of the Company

The Company could not legally act upon the invalid notice and therefore Stanmore was unable to convene a meeting of shareholders under section 249D.

On 16 August 2019 the Company received a new notice from Golden Investments under section 249D of the Corporations Act 2001 (Cth) requesting the directors convene a General Meeting of the members of the Company to consider the same resolutions requested in the invalid notice received on 26 July 2019.

On 7 August 2019 The Board announced that it has received an unsolicited, non-binding, indicative proposal which may, subject to satisfactory due diligence and securing of finance, result in an off-market takeover offer to acquire 100% of the Company's Shares for an indicative price of between A$1.50-A$1.70 per Share in cash (Indicative Proposal), from Winfield Group Investments Pty Ltd. The Board notes that there is no guarantee that the Indicative Proposal will result in a formal and binding offer for the Company.

On 12 August 2019 the Company executed a Process Deed with Winfield Energy to facilitate the conduct of due diligence by Winfield Energy and its debt and equity financiers.

NOTE 25: KEY MANAGEMENT PERSONNEL

TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION

	2019 $	2018 $
Short-term employee benefits	2,601,810	1,910,816
Post-employment benefits	105,264	87,139
Termination benefits	–	–
Share-based payments	549,700	376,856
	3,256,774	**2,374,811**

Further information regarding the identity of Key Management Personnel and their compensation can be found in the Audited Remuneration Report contained in the Directors' Report on pages 34 – 48 of this annual report.

NOTE 26: AUDITOR'S REMUNERATION

	Note	2019 $	2018 $
AUDIT SERVICES			
Amounts paid/payable to BDO Audit Pty Ltd for audit or review of the financial statements for the entity or any entity in the Consolidated Entity		149,800	145,500
TAXATION SERVICES			
Amounts paid/payable to related entities of BDO Audit Pty Ltd for non-audit taxation services performed for the entity or any entity in the Consolidated Entity		106,449	116,273
CORPORATE FINANCE SERVICES			
Amounts paid/payable to related entities of BDO Audit Pty Ltd for the non-audit corporate finance services performed for the entity or any entity in the Consolidated Entity		135,202	–
		391,451	**261,773**

NOTE 27: PARENT ENTITY INFORMATION

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

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

Parent Entity	2019 $'000	2018 $'000
Current assets	4,705	9,724
Non-current assets	92,916	64,417
Total assets	**97,621**	**74,141**
Current liabilities	27,124	1,422
Non-current liabilities	5,845	15,503
Total liabilities	**32,969**	**16,925**
Net assets	**64,652**	**57,216**
Issued capital	117,613	113,185
Share Based Payment Reserve	1,703	1,152
Accumulated losses	(54,664)	(57,121)
Total shareholder's equity	**64,652**	**57,216**
Profit/(loss) for the year	**16,185**	**(6,601)**
Total comprehensive income for the year	**16,185**	**(6,601)**

Notes **to the Financial Statements** (continued)

NOTE 27: PARENT ENTITY INFORMATION (CONTINUED)

GUARANTEES

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

CONTINGENT LIABILITIES

The parent entity has no contingent liabilities.

CAPITAL COMMITMENTS

The parent entity has no capital commitments.

NOTE 28: OPERATING SEGMENTS

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

Accordingly, management currently identifies the Consolidated Entity as having two reportable segments, the first being the operation of the Isaac Plains 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 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 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 grade coal. Stanmore Coal supplies one such external customer who accounts for 25% of revenue. The next most significant customer accounts for 14% 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 chief operating decision maker (CODM), which has been identified by the Consolidated Entity as the Managing Director and other members of the Board of Directors.

SEGMENT PERFORMANCE

2019	Isaac Plains Complex $'000	Exploration and Development $'000	Unallocated Operations $'000	Adjustments and Eliminations $'000	Total $'000s
SEGMENT REVENUE					
External sales	403,059	–	–	–	403,059
Total segment revenue	403,059	–	–	–	403,059
Total revenue per consolidated statement of other comprehensive income					**403,059**
RESULT					
Segment result	148,317	–	1,220	–	149,537
Depreciation and amortisation	–	–	–	–	(11,383)
Income tax expense	–	–	–	–	(36,932)
Net finance expense	–	–	–	–	(9,624)
Net profit after tax per consolidation statement of comprehensive income					**91,598**
Total Assets	**273,491**	**75,496**	**4,963**	**(46,958)**	**306,992**
Total Liabilities	**149,808**	**5,597**	**30,900**	**(36,417)**	**149,888**

2018					
SEGMENT REVENUE					
External sales	208,081	–	–	–	208,081
Total segment revenue	208,081	–	–	–	208,081
Total revenue per consolidated statement of other comprehensive income					**208,081**
RESULT					
Segment result	30,634	–	(6,601)	–	24,033
Depreciation and amortisation	–	–	–	–	(5,207)
Income tax expense	–	–	–	–	(4,074)
Net finance expense	–	–	–	–	(8,786)
Net profit after tax per consolidation statement of comprehensive income					**5,966**
Total Assets	**161,811**	**39,393**	**2,672**	**(35,787)**	**168,089**
Total Liabilities	**119,696**	**–**	**506**	**(25,275)**	**94,927**

Notes **to the Financial Statements**
(continued)

NOTE 29: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2019.

Share-based payments to Directors, executives and employees.

SHARES

During the year ended 30 June 2019, no shares were granted to KMP as share-based payments.

OPTIONS

During the year ended 30 June 2019, no options were granted to KMP as share-based payments.

RIGHTS

The amount recognised as share-based payment expense in the Consolidated Statement of Profit and Other Comprehensive Income is as follows:

	2019 $'000	2018 $'000
Employee benefits expense	551	378
	551	**378**

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

	2019 $'000	2018 $'000
Share Based Payment Reserve	(551)	(378)
	(551)	**(378)**

RECOGNITION AND MEASUREMENT

The fair value of shares, options or rights granted to employees and consultants are recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees or consultants become unconditionally entitled to the instruments. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Stanmore Coal Limited (market conditions). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the Directors' best estimate of the number of instruments that will ultimately vest because of internal conditions of the instruments, such as the employees having to remain with the Consolidated Entity until vesting date, or such that employees are required to meet internal sales targets.

During the year ended 30 June 2019, rights were granted to KMP as long-term incentive as outlined in the Remuneration report, 1,251,497 FY19 rights were granted. The terms and conditions of the grant are as follows:

Tranche	Grant date	Measurement date	Exercise price	Balance at start of year	Granted in year	Exercised in year	Lapsed during year	Balance at end of year	Vested and exercisable at end of year
	12 Oct 2012	30 Jun 2020	$0.00	100,000	–	–	–	100,000	–
1	14 Nov 2016	30 Jun 2019[(a)]	$0.00	94,985	–	–	–	94,985	–
1	29 Nov 2017	30 Jun 2019[(a)]	$0.00	531,497	–	–	–	531,497	–
2	29 Nov 2017	30 Jun 2020	$0.00	2,611,508	–	–	–	2,611,508	–
3	5 Nov 2018	30 Jun 2021	$0.00	–	1,251,497	–	–	1,251,497	–
TOTAL				**3,337,990**	**1,251,497**	**–**	**–**	**4,589,487**	**–**

(a) Vested on 31 July 2019 as determined by the Board and cash settled

PERFORMANCE RIGHTS PRICING MODEL

The fair value of performance rights granted under the LTI program is based on the Absolute Shareholder Total Return (ASTR) is measured using a Monte Carlo Simulation model incorporating the probability of the performance hurdles being met. The fair value of performance rights. The following table lists the inputs to the models used for the years ended 30 June 2019, 30 June 2018 and 30 June 2017:

	Tranche 1 (issued in FY2017)	Tranche 2 (issued in FY2018)	Tranche 3 (issued in FY2019)
Performance hurdle	ASTR	ASTR	ASTR
Grant date	14 Nov 2016	29 Nov 2017	5 Nov 2018
Vesting date	31 Jul 2019	31 Jul 2020	31 Jul 2021
Fair value at grant date	$0.17	$0.32-$0.38 (SDR[1])	$0.45
Share price	$0.64	$0.60	$0.94
Exercise price	$0.00	$0.00	$0.00
Dividend yield	0%	0%	0%
Expected measurement period	30 Jun 2019	30 Jun 2020 30 Jun 2021	30 Jun 2021 30 Jun 2022
Risk free interest rate	1.79%	2.40%	2.09%
Expected volatility	75%	75%	60%

1 Specified Disposal Restriction

Below is a summary of the conditions of vesting for Tranche 3 (FY19 rights) granted:

Performance Level	ATSR [(a)] of SMR [(b)] CAGR [(c)]	% of Stretch/ Maximum Vesting	Jun 21 Share Price for vesting
Stretch	36.24%	100.00%	$2.20
Between Target and stretch	>26.23% <36.24%	Pro-Rata	Pro-Rata
Target	26.23%	50.00%	$1.75
Between Threshold and Target	>14.33% <26.23%	Pro-Rata	Pro-Rata
Threshold	14.33%	0%	$1.30
Below Threshold[(d)]	<14.33%	0%	$0.00

Below is a summary of the conditions for vesting for Tranche 2 (FY18 rights) granted

Performance Level	ATSR [(a)] of SMR [(b] CAGR [(c)]	% of Stretch/ Maximum Vesting	Jun 20 Share Price for vesting
Stretch	52.86%	100.00%	$1.25
Between Target and stretch	>39.49% <52.86%	Pro-Rata	Pro-Rata
Target	39.49%	50.00%	$0.95
Between Threshold and Target	>22.92% <39.49%	Pro-Rata	Pro-Rata
Threshold	22.92%	0%	$0.65
Below Threshold[(e)]	<22.92%	0%	$0.00

Notes **to the Financial Statements** (continued)

NOTE 29: SHARE-BASED PAYMENTS (CONTINUED)

Below is a summary of the performance conditions for vesting for Tranche 1 (FY17 rights) granted:

Performance Level	ATSR [(a)] of SMR [(b)] CAGR [(c)]	% of Stretch/ Maximum Vesting	Jun 19 Share Price for vesting
Stretch	58.74%	100.00%	$1.20
Between Target and stretch	>44.22% <58.74%	Pro-Rata	Pro-Rata
Target	44.22%	50.00%	$0.90
Between Threshold and Target	>25.99% <44.22%	Pro-Rata	Pro-Rata
Threshold	25.99%	0%	$0.60
Below Threshold[(e)]	<25.99%	0%	$0.00

(a) Absolute Shareholder Return
(b) Stanmore Coal Limited
(c) Compound Annual Growth Rate (CAGR)
(d) subject to Retest in FY22 at CAGR
(e) subject to Retest in FY21 at CAGR

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

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

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

Key estimates – share-based payments

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

NOTE 30: RELATED PARTY TRANSACTIONS

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

PARENT ENTITY

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

SUBSIDIARIES

Interests in subsidiaries are disclosed in Note 21.

KEY MANAGEMENT PERSONNEL

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

OTHER RELATED PARTY TRANSACTIONS

There were no transactions with other related parties during FY19 (FY18: nil).

NOTE 31: OTHER ACCOUNTING POLICIES

A. PROVISIONS

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

B. NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

New Accounting Standards and Interpretations not yet mandatory or early adopted Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting year ended 30 June 2019. The Consolidated Entity's assessment of the impact of these new or amended Australian Accounting Standards and Interpretations, most relevant to the consolidated entity, where assessed are set out below:

AASB 16 LEASES

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, the Standard will replace current accounting requirements applicable to leases in AASB 117. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changed introduced by the new standard include: recognition of a right-to-use asset and liability for all leases; depreciation of right-to-use assets in line with AASB 116 in profit or loss and unwinding of the liability in principal and interest components; and additional disclosure requirements. The Consolidated Entity will adopt this standard from 1 July 2019 and the impact of its adoption has been assessed as not material.

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

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

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

AASB 9 FINANCIAL INSTRUMENTS

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

(i) Classification and measurement

On 1 July 2018, the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories.

(ii) Impairment of financial assets

For trade and other receivables, the group has considered the impact of AASB 9's new expected credit loss model, management has determined the impairment loss to be immaterial.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, management has determined the impairment loss to be immaterial.

Declaration by **Directors**

The Directors of the Consolidated Entity declare that:

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

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

   (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the year ended on that date.

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

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

4. The remuneration disclosures included in pages 34 to 48 of the Directors' report (as part of audited Remuneration Report) for the year ended 30 June 2019, comply with section 300A of the Corporations Act 2001.

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

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

Daniel Clifford
Managing Director

Brisbane
Date: 21 August 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of Stanmore Coal Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Stanmore Coal Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

Key audit matters

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

Carrying value of exploration and evaluation assets

Key audit matter	How the matter was addressed in our audit
Refer to Note 10 in the financial report. The Group carries exploration and evaluation assets as at 30 June 2019 in relation to the application of the Group's accounting policy for exploration and evaluation assets. The recoverability of exploration and evaluation asset is a key audit matter due to the significance of the total balance and the level of procedures undertaken to evaluate management's application of the requirements of *AASB 6 Exploration for and Evaluation of Mineral Resources* in light of any indicators of impairment that may be present.	Our procedures included, but were not limited to the following: • Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as license agreements and also considering whether the Group maintains the tenements in good standing • Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest • Enquiring of management, reviewing ASX announcements and reviewing Directors' minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment.

Vendor Royalty - Contingent consideration

Key audit matter	How the matter was addressed in our audit
Refer to Note 16 in the financial report. The company has recognised a liability for contingent consideration as at 30 June 2019. The contingent consideration relates to: • the acquisition of the Isaac Plains mine and requires payment of a royalty to each of the vendors should the benchmark Hard Coking Coal price exceed certain levels. The amount payable is capped at the level of cash received from each of the vendors under the sale and purchase agreement • the acquisition of Isaac Downs during the year The contingent consideration was a key audit matter due to the size of this liability and the judgement involved in estimating expected selling prices in future periods.	The valuation of the contingent consideration is based on forecasts and assumptions within a model developed by management. We evaluated and tested key assumptions in this model by performing, amongst others, the following procedures: • Providing the model to our auditor experts to assess the reasonableness of the methodology and assumptions applied in the model in particular long term hard coking coal price forecasts and evaluating the results of their work • Checking the mathematical accuracy of the model and agreeing the underlying inputs used within the model to external market data were available • Examining the cash flow forecasts provided by management and challenging the assumptions therein by ensuring consistency with the stated business and operational objectives

BDO

Completeness and measurement of provision for rehabilitation

Key audit matter	How the matter was addressed in our audit
Refer to Note 15 in the financial report. The company has recognised a provision for rehabilitation as at 30 June 2019. The provision for rehabilitation relates to: • Rehabilitation and rectification of remaining historical disturbance at Isaac Plains • Rehabilitation and rectification of disturbance occurring during this financial year at Isaac Plains East The provision for rehabilitation was a key audit matter due to the size of this provision and the judgement involved in estimating expected timing and costs to rehabilitate disturbed areas in future periods.	The valuation of the provision for rehabilitation is based on forecasts and assumptions within a model developed by management. We evaluated and tested key assumptions in this model by performing, amongst others, the following procedures: • Assessing the reasonableness of the methodology and assumptions applied in the model in particular the extent of disturbed areas as at 30 June 2019, and the expected timing of rehabilitation works • Checking the mathematical accuracy of the model and agreeing the underlying inputs used within the model to external market data were available • Examining the cash flow forecasts provided by management and challenging the assumptions therein by ensuring consistency with the stated business and operational objectives

Other information

The directors are responsible for the other information. The other information comprises the information contained in Directors' report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

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

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 32 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Stanmore Coal Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

R M Swaby
Director

Brisbane, 21 August 2019

Shareholder information

SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 16 August 2018.

DISTRIBUTION OF EQUITY SECURITIES

The number of Ordinary Shares by size of holding is:

Range	Securities	%	No. of holders	%
100,001 and Over	236,356,010	92.29	99	6.53
10,001 to 100,000	16,518,836	6.45	509	33.58
5,001 to 10,000	1,886,300	0.74	238	15.70
1,001 to 5,000	1,240,262	0.48	424	27.97
1 to 1,000	92,830	0.04	246	16.22
Total	**256,094,238**	**100.00**	**1,516**	**100.00**

The number of shareholders holding less than a marketable parcel is 127 (4,661 ordinary shares).

The number of Unlisted rights by size of holding is:

Range	Securities	%	No. of holders	%
100,001 and Over	3,863,005	97.48	4	80.00
50,001 to 100,000	100,000	2.52	1	20.00
10,001 to 50,000	–	–	–	–
5,001 to 10,000	–	–	–	–
1,001 to 5,000	–	–	–	–
1 to 1,000	–	–	–	–
Total	**3,963,005**	**100.00**	**5**	**100.00**

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders are shown in shareholder notices received by Stanmore Coal Limited as at 16 August 2019 are:

Name of shareholder	Number of shares
Golden Investments (Australia) Pte Ltd	64,105,711
M Resources Pty Ltd and Matt Latimore	50,872,364
Regal Funds Management Pty Limited	28,032,504
Paradice Investment Management Pty Ltd	15,780,161

RESTRICTED SECURITIES

There are no restricted securities on issue.

Shareholder information (continued)

20 LARGEST HOLDERS

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

ORDINARY SHARES:

Name of shareholder	Number of shares	% of total shares
GOLDEN INVESTMENTS (AUSTRALIA) PTE LTD	66,191,962	25.85
M RESOURCES PTY LTD AND LATIMORE FAMILY PTY LTD	50,872,364	19.86
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,706,994	8.87
UBS NOMINEES PTY LTD	22,177,692	8.66
CITICORP NOMINEES PTY LIMITED	8,425,546	3.29
BRISPOT NOMINEES PTY LTD	7,429,548	2.90
OLD FORRESTER PTY LTD	6,657,252	2.60
JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,191,705	1.64
BRAZIL FARMING PTY LTD	4,174,970	1.63
ONE MANAGED INVT FUNDS LTD	3,500,000	1.37
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	3,019,355	1.18
ST LUCIA RESOURCES INTERNATIONAL PTY LIMITED	2,900,155	1.13
WARBONT NOMINEES PTY LTD	2,121,068	0.83
CS THIRD NOMINEES PTY LIMITED	1,757,248	0.69
CS FOURTH NOMINEES PTY LIMITED	1,610,511	0.63
MR KENNETH RUDY KAMON	1,513,391	0.59
BNP PARIBAS NOMS PTY LTD	1,464,426	0.57
NATIONAL NOMINEES LIMITED	1,340,559	0.52
INVIA CUSTODIAN PTY LIMITED	1,223,000	0.48
TAIHEIYO KOUHATSU INCORPORATED	1,200,000	0.47
TOTAL OF 20 LARGEST HOLDERS	**214,480,016**	**83.76**
TOTAL ORDINARY SHARES	**256,094,238**	**100.00**

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

Options and performance rights do not carry voting rights.

Other information

RESOURCES AND RESERVES NOTE

The Company has reported Measured and Indicated Resources inclusive of Mineral Resources modified to produce Coal Reserves. The summary tables have been provided on pages 13 and 14 of this report.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 30 August 2019 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 30 August 2019 continue to apply and have not materially changed.

COMPETENT PERSONS STATEMENT

ISAAC PLAINS AND ISAAC PLAINS EAST

The information in this report relating to Coal Reserves for Isaac Plains and Isaac Plains East was announced on 30 August 2019, titled "2019 Open Cut Coal Reserve Update for Isaac Plains Mine and Isaac Plains East", and is based on information compiled by Mr Tony O'Connell, an employee of Optimal Mining Solutions and Principal Mining Consultant with Measured Group. Mr O'Connell is a qualified Mining Engineer (Bachelor Degree in Engineering (Mining), University of Queensland) and member of the Australian Institute of Mining and Metallurgy, and has the relevant experience over more than 21 years in relation to the mineralisation being reported to qualify as a Competent Person as defined in the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2012 Edition)".*

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 30 August 2019 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 30 August 2019 continue to apply and have not materially changed.

ISAAC DOWNS

The information in this report relating to Coal Reserves for the Isaac Downs Project was announced on 30 August 2019, titled "2019 Annual Coal Resource & Reserves Summary", and is based on information compiled by Mr Tony O'Connell, an employee of Optimal Mining Solutions and a Principal Mining Consultant with Measured Group. Mr O'Connell is a qualified Mining Engineer (Bachelor Degree in Engineering (Mining), University of Queensland) and member of Australian Institute of Mining and Metallurgy, and has the relevant experience over more than 21 years in relation to the mineralisation being reported to qualify as a Competent Person as defined in the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2012 Edition)".*

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 30 August 2019 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 30 August 2019 continue to apply and have not materially changed.

ISAAC PLAINS UNDERGROUND

The information in this report relating to Coal Reserves for the Isaac Plains Underground was announced on 30 August 2019, titled "2019 Annual Coal Resource & Reserves Summary", and is based on information compiled by Mr Mark McKew who is an employee of Geostudy Pty Ltd. Mr McKew is a qualified mining engineer and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2012 Edition)".*

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 30 August 2019 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 30 August 2019 continue to apply and have not materially changed.

THE RANGE

The information in this report relating to Coal Reserves for The Range was announced on 30 August 2019, titled "2019 Annual Coal Resource & Reserves Summary", and is based on information compiled by Mr Richard Hoskings who is a Director of Minserve. Mr Hoskings is a qualified mining engineer and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2012 Edition)".*

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 30 August 2019 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 30 August 2019 continue to apply and have not materially changed.

Other information (continued)

ISAAC PLAINS, ISAAC PLAINS EAST AND ISAAC PLAINS UNDERGROUND

The information in this report relating to Coal Resources for Isaac Plains, Isaac Plains East and Isaac Plains Underground was announced on 30 August 2019, titled "2019 Annual Coal Resource & Reserves Summary", and is based on information compiled by Mr Troy Turner who is an employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and member of the Australasian Institute of Mining and Metallurgy, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as 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 Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 30 August 2019 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 30 August 2019 continue to apply and have not materially changed.

ISAAC DOWNS

The information in this report relating to Coal Resources for Isaac Downs was announced on 30 August 2019, titled "2019 Annual Coal Resource & Reserves Summary", and is based on information compiled by Mr James Knowles. Mr Knowles is an employee of Measured Group. 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 Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 30 August 2019 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 30 August 2019 continue to apply and have not materially changed.

ISAAC SOUTH

The information in this report relating to coal resources for the Isaac South was announced on 30 August 2019, titled "2019 Annual Coal Resource & Reserves Summary", and is based on information compiled by Mr Mal Blaik. Mr Blaik is Principal Geologist at JB Mining Services Pty Ltd. Mr Blaik has more than 30 years' 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 Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 30 August 2019 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 30 August 2019 continue to apply and have not materially changed.

CLIFFORD PROJECT

The information in this report relating to the Clifford Project exploration results and Coal Resources is based on information compiled by Mr Oystein Naess who is an employee of Xenith Consulting Pty Ltd. Mr Naess is a qualified geologist and member of the Australian Institute of Mining and Metallurgy, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as 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 Company confirms that it is not aware of any new information or data that materially affects the information included in the announcements and that all material assumptions and technical parameters underpinning the estimates in the announcements continue to apply and have not materially changed.

OTHER PROJECTS

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

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

Stanmore's five-year
Financial history

All figures in $M unless shown otherwise	FY19	FY18	FY17	FY16	FY15
Summarised financial statements					
Sales revenue	403,059	208,081	137,846	12,700	859
Operating profit before depreciation and amortisation, finance costs and income tax	149,537	24,033	19,075	(15,658)	(12,108)
Underlying EBITDA (non-IFRS measure)	154,895	45,548	26,756	(22,219)	(3,478)
Depreciation and amortisation	(11,383)	(5,207)	(3,332)	(1,306)	(32)
EBIT	138,154	18,826	15,743	(16,964)	(12,140)
Net Finance costs	(9,624)	(8,786)	(9,325)	(2,782)	(8)
Income tax (expense)/benefit	(36,932)	(4,074)	5,617	0	0
Operating profit after income tax attributable to members of Stanmore Coal Limited	91,598	5,966	12,035	(19,746)	(12,148)
Capital and dividends					
Ordinary shares on issue (number) 000's as at 30 June	256,094	251,801	251,801	222,497	222,497
Paid up ordinary capital as at 30 June	117,613	113,200	113,200	97,368	97,368
Dividend per ordinary share declared (cents)	11	2	–	–	–
Financial performance					
Share price at year end ($/sh)	1.425	0.87	0.34	0.28	0.06
Earnings per share (weighted average) (cents)	36.2	2.4	5.1	(8.9)	(5.8)
Return on average ordinary shareholders' equity	80%	9%	23%	(40%)	(19%)
Financial position as at 30 June					
Total assets	306,992	168,089	163,103	112,274	59,303
Total liabilities	149,888	94,927	96,285	73,189	545
Net assets	157,104	73,162	66,818	39,085	58,758
Net tangible asset backing per ordinary share	$0.31	$0.12	$0.14	$0.05	$0.17
Net debt/(cash) to equity	(58%)	(27%)	(18%)	(31%)	(26%)
Total liabilities/total assets	49%	56%	59%	65%	1%
Stock market capitalisation as at 30 June	**364,934**	**219,067**	**85,612**	**62,299**	**13,350**

Corporate information

DIRECTORS

Stewart Butel
Dan Clifford
Stephen Bizzell
Neal O'Connor
Darren Yeates

COMPANY SECRETARY

Ian Poole

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