

**STANMORE COAL LIMITED
AND ITS SUBSIDIARIES**

A.B.N. 27 131 920 968

**CONSOLIDATED FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

**STANMORE COAL LIMITED
CORPORATE DIRECTORY**

**AUSTRALIAN BUSINESS NUMBER
27 131 920 968**

DIRECTORS

Neville Sneddon
Nicholas Jorss
Patrick O'Connor (appointed 1st October 2014)
Stephen Bizzell
Viv Forbes
Chris McAuliffe

COMPANY SECRETARIES

Andrew Roach
Duncan Cornish

ADMINISTRATION AND REGISTERED OFFICE

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AUDITOR

BDO Audit Pty Ltd
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Phone: +61 7 3237 5999
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Note 1 Marketable Reserves Note: The Marketable Coal Reserves of 94Mt is derived from a JORC compliant run of mine (ROM) Probable Coal Reserve of 117.5Mt based on a 14.8% ash product and predicted yield of 80%. The 94Mt Marketable Reserve is included in the 287Mt total JORC Resource (18Mt Measures + 187Mt Indicated + 82Mt Inferred Resource)

Competent Persons Statement:

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

The information in this report relating to all other project exploration results and coal resources is based on information compiled by Mr Troy Turner who is a member of the Australasian Institute of Geoscientists and is a full time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2012 Edition of the JORC Code. Mr Turner consents to the inclusion in this document of the matters based on the information, in the form and context in which it appears.

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

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Stanmore Coal Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2014 (referred to in this report as Stanmore Coal or the Group). All amounts are quoted in thousands of dollars unless otherwise stated.

Directors

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

- Nicholas Jorss
- Patrick O'Connor (appointed 1st October 2014)
- Neville Sneddon
- Stephen Bizzell
- Viv Forbes
- Chris McAuliffe

Financial Results

For the half-year ended 31 December 2014, the Company reports an operating loss after providing for income tax of \$1.2M (2013: loss of \$3.1M). The current period result reflects a reduction in employee costs and other overheads compared to the prior comparable period. The Board has recognised the challenges facing the coal industry and made appropriate adjustments within the business. On a like for like basis, total losses for the half year ended 31 December 2014 have been reduced by approximately \$1.9M, due in part to the focus placed on overheads and a continuation of funding support from our partners Japan Oil Gas and Metal National Corporation (JOGMEC) and Taiheiyo Kouhatsu Inc (Taiheiyo).

The Company continues to invest in exploration and development activities relating to the Belview and Clifford Projects based on the respective funding arrangements held with third parties. This funding allows the Company to progress these projects at minimal or no cost outlay. Expenditure on all other projects, including the Company's main thermal coal asset, The Range, has been reduced to a nominal level. Importantly, the Company retains a strong cash position of \$17 million and is sufficiently resourced to respond to business development opportunities.

Safety

During the six months period to 31 December 2014 the Company continued its strong safety record. No reportable incidents were recorded over approximately 5,355 hours of drilling and exploration activity directly and through contractors.

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

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Review of Operations

During the six months to 31 December 2014, Stanmore Coal focused on enhancing its Belview Coking Coal and Clifford Thermal Coal projects by undertaking further field exploration and laboratory quality analysis. The Company completed and released the results of initial coal quality analysis from an exploration program conducted at the Clifford Project and secured an additional \$1.5 million grant for exploration at the Belview Project.

Initial coal quality results announced during the period indicate the potential for a high energy, low ash export thermal coal product within the Clifford Project. Further quality testing in 1H2015 will provide additional data to assess the energy trends within the tenement. A number of drill sites produced over 10 m of cumulative coal thickness with best indicative in-situ strip ratios of between 2.5:1 and 10:1 at depths shallower than 100 metres. The current drilling program is anticipated to complete in 2Q2015. The program is targeting the several prospective zones to delineate a number of potential JORC Resource areas.

During the period the high quality coking coal Belview Project received a substantial show of support as the Company secured a second tranche of exploration funding through relationship partners Taiheiyo and JOGMEC. The \$1.5 million grant will be applied to core drilling and laboratory analysis with activities scheduled to be completed by the end of 1Q2015. Final laboratory coal quality analysis is anticipated to support a JORC Indicated Resource which will underpin potential Pre Feasibility Studies in 2015.

Project	JORC Reserves ⁽²⁾	JORC Resources ⁽¹⁾			
	ROM Reserve (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Belview	-	-	-	342	342
The Range	118	18	187	82	287
Mackenzie	-	-	26	117	143
Tennyson	-	-	-	161	161
Clifford	-	-	-	-	-
Total	118	18	213	702	933

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

1. Refer to Competent Persons Statement (p. 1)
2. Refer to Marketable Reserves Note (p. 1)

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DIRECTORS' REPORT

Project Update

The following table summarises the status of each of the Group's key development and exploration projects:

Project	Status
<u>Belview</u> Underground Coking Coal	<ul style="list-style-type: none"> • 342 Mt JORC Inferred Resource¹ • Additional \$1.5 million funding support provided by Taiheiyo and JOGMEC to conduct further exploration • Coal quality analysis work in 2014 confirms the project can produce a high quality coking coal plus secondary PCI product • Studies planned for 2015 with a focus on reducing capital costs and developing initial mining options • Mining Lease application (lodged in September 2013) is progressing with a focus on EIS requirements • Located adjacent to Blackwater rail line which connects to the coal loading terminals of Gladstone
<u>Lilyvale</u> Underground Coking Coal	<ul style="list-style-type: none"> • Historical geological data indicates the Project area hosts the German Creek seam at a typical coal thickness of 2.2-2.5m • Region is not expected to be geologically complex and the German Creek seam is mined as a high quality coking coal in adjoining underground mines • Located close to an existing rail line that connects to an existing coal loading terminals
<u>The Surat Basin</u> The Range - Open Cut Thermal Coal and Clifford - Open Cut Thermal Coal	<ul style="list-style-type: none"> • Substantial resource position established at The Range - 94 Mt JORC Marketable Reserve², 287 Mt total JORC Resource¹ (18Mt Measured, 187 Mt Indicated + 82Mt Inferred) • Recent acquisition by New Hope Group (Cockatoo Coal interest in northern Surat assets) indicates commercial potential of our strategic Surat Basin position • JOGMEC funding at Clifford allows for substantial exploration activity • The Range EIS approved by the State • No material level of expenditure required on the Range prior to development of rail infrastructure and decision to proceed.

1. Refer to Competent Persons Statement (p. 1)
2. Refer to Marketable Reserves Note (p. 1)

Rail and port infrastructure

Stanmore Coal was one of four coal companies that executed Capacity Commitment Deeds (CCD) for Wiggins Island Coal Export Terminal Expansion Phase 1 ("WEXP1") which provided it with 5 million tonnes per annum (Mtpa) of port capacity to support the Range Project. Due to deteriorating coal market conditions experienced post signing the CCD in June 2012, the early works expenditure profile for WEXP1 was decelerated and the target date for achieving financial close for that expansion stage lapsed. Given Stanmore's right to future capacity were not extended and there is no certainty as to the timing of recovery all or part of the existing WEXP1 loan, the loan value was fully impaired at 30 June 2014 with separate disclosure was made regarding

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DIRECTORS' REPORT

the contingent entitlements to future recovery. There was no accounting impact carried into the half year ended 31 December 2014.

The Company's metallurgical coal projects located in the Bowen Basin are located close to existing rail lines that connect to existing coal ports in Gladstone. The Company is confident that it will be able to secure access to export infrastructure to support its Bowen Basin projects at the appropriate time.

Capital Management

The Company secured an additional exploration grant during the half year which allowed, amongst other things, further drilling and coal quality analysis to be undertaken at no cost to the Company. This grant for up to \$1.5 million is Belview's second tranche of funding support from Taiheiyo and JOGMEC.

Under the terms of a Joint Exploration Agreement ("JEA") signed in December 2013, JOGMEC, a Japanese Government owned corporation will provide up to \$4.5 million of exploration funding to Stanmore Coal over a 3 year period for the Clifford Project. JOGMEC will earn up to a 40% economic interest in the Clifford Project by sole-funding the exploration activities and has the right to assign that interest to a Japanese nominee company in the future, in order to progress the project to development. Stanmore Coal and JOGMEC will complete the second farmin period in March 2015 which coincides with approximately \$2 million of in-the-ground expenditure.

These transactions emphasise the attractiveness of both projects to third parties and also reflects the Company's capability to introduce strategic third party funding at appropriate times in the projects' lifecycle.

Reflective of broader market sentiment, ordinary shares of the Company continued to decline in price off low trading volumes during the half year. As a result of shares trading at the implied cash-backing level, the Board announced an on-market buyback for up to 10% of the Company's shares. Since announcing the buyback a high volume of shares have been traded indicating a level of buying support for the shares at current levels. At the date of this report no shares have been purchased by the Company under the buy-back. The on-market buyback provides considerable optionality to the Board and shares will only be purchased in circumstances that are considered beneficial to the efficient capital management of the Company.

Outlook

The Board of Stanmore Coal is pleased with the exploration progress achieved at the Clifford and Belview projects during the period. Our Japanese funding partners have contributed substantial financial resources and we look to maintain and strengthen these key relationships over the life of these projects.

In calendar 2015 the Company anticipates the commencement of a pre-feasibility study for Belview following coal quality analysis derived from the most recent drilling program. As the Company moves towards development of this potentially long life, high quality, metallurgical coal project, management is focussed on reducing capital and operating cost estimates whilst pursuing opportunities to expand the project. Achievement of these objectives will further improve the Belview project economics and enhance the Company's ability to attract appropriate strategic project partners in the future.

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The Clifford Project is part way through a 3 year funding commitment from JOGMEC for up to \$4.5 million of exploration support. The current program is anticipated to delineate a JORC Resource over one or several areas within the tenement which would form the basis for infill drilling and additional quality testing throughout 2015. Initial quality results were promising and further exploration will indicate the prospectivity of several target areas.

The Company is firmly of the belief that coal will continue to play a vital role in the global market for many decades to come. In electricity generation, coal is a reliable and very cheap form of base-load supply. Given these features it is likely that coal will play a very significant role in the development of emerging regions such as India and ASEAN. Whilst these regions have experienced substantial growth in coal use in the few years, per capita energy consumption levels are only one eighth that of OECD countries leaving substantial room for further growth.

Importantly, the Company believes that Australian coal will continue to play a key role in providing a cost effective raw material for energy and steel production in Asia. Cleaner, low emission energy coal into Asia will help improve the living standards and public health outcomes for millions of people. Widespread adoption of best practice coal fired generation technology will also play a significant role in the continued importance of coal. Nations such as Japan are actively promoting these technologies and assisting developing nations with installation of high efficiency coal-fired power stations which consume less coal and therefore produce fewer emissions than their predecessors.

The current low point in the global seaborne coal trade cycle presents an excellent opportunity to prudently expand the Company's asset base within an environment of realistic asset prices. The Company aims to capitalise on these expansion opportunities to position the business for inevitable cyclical strengthening. Stanmore Coal and its team have a strong history of identifying and capitalising on value adding opportunities which are more prevalent in the current environment.

The Company remains well funded relative to its peers and has no material financial commitments or infrastructure take-or-pay obligations. The Company's diversified portfolio of development and exploration projects put it in a strong position to benefit as coal markets recover, with a continuing commitment to managing its cash reserves for value enhancing opportunities.

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DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on page 8 to these half-year financial statements.

Rounding of Amounts to the Nearest Thousand Dollars

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

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



Nicholas Jorss
Managing Director

Brisbane
11 March 2015

DECLARATION OF INDEPENDENCE BY TIMOTHY KENDALL TO THE DIRECTORS OF STANMORE COAL LIMITED

As lead auditor for the review of Stanmore Coal Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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



T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 11 March 2015

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	Consolidated Entity	
		31 December 2014 \$ '000s	31 December 2013 \$ '000s
Revenue		336	391
Other Income		250	7
Borrowing costs		(4)	(519)
Employee benefits expenses		(904)	(1,319)
Share based payment expenses		(105)	(268)
Depreciation and amortisation expenses		(19)	(23)
Legal expenses		(10)	(71)
Consulting and business development expenses		(221)	(501)
Other administrative expenses		(522)	(794)
Loss before income tax expense		(1,199)	(3,097)
Income tax expense		-	-
Loss for the half-year attributable to members of Stanmore Coal Limited		(1,199)	(3,097)
Other comprehensive income		-	-
Items that will not be reclassified to profit or loss		-	-
Items that will be reclassified to profit or loss		-	-
Total comprehensive loss for the half-year attributable to members of Stanmore Coal Limited		(1,199)	(3,097)
		Cents	Cents
Loss per share attributable to owners of Stanmore Coal Limited:			
Basic loss per share		(0.6)	(1.5)
Diluted loss per share		(0.6)	(1.5)

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	31 December 2014 \$ '000s	30 June 2014 \$ '000s
ASSETS			
Current Assets			
Cash and cash equivalents	3	17,112	17,830
Restricted cash		85	333
Trade and other receivables		680	1,066
Other current assets		45	16
Total Current Assets		17,922	19,245
Non-Current Assets			
Property, plant and equipment		1,994	2,010
Exploration and evaluation assets	4	31,729	31,756
Capitalised development costs		21,173	20,974
Other non-current assets		283	284
Total Non-Current Assets		55,179	55,024
TOTAL ASSETS		73,101	74,269
LIABILITIES			
Current Liabilities			
Trade and other payables		478	556
Total Current Liabilities		478	556
Non-Current Liabilities			
Other loans and borrowings		-	-
Total Non-Current Liabilities		-	-
TOTAL LIABILITIES		478	556
NET ASSETS		72,623	73,713
EQUITY			
Issued capital	5	88,359	88,359
Convertible Note Reserve		9,027	9,027
Option Reserve		4,207	4,098
Accumulated Losses		(28,970)	(27,771)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF STANMORE COAL LIMITED		72,623	73,713

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

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Issued Capital \$ '000s	Convertible Note Reserve \$ '000s	Accumulated Losses \$ '000s	Option Reserve \$ '000s	Total Equity \$ '000s
At 1 July 2013	88,253	-	(16,711)	3,543	75,085
Total comprehensive income for the half-year					
Loss for the half-year	-	-	(3,097)	-	(3,097)
	-	-	(3,097)	-	(3,097)
Transactions with owners in their capacity as owners					
Issue of share capital	16	-	-	-	16
Costs associated with issue of share capital	-	-	-	-	-
Share-based payments	9	-	-	285	294
	25	-	-	285	310
At 31 December 2013	88,278	-	(19,808)	3,828	72,298
At 1 July 2014	88,359	9,027	(27,771)	4,098	73,713
Total comprehensive income for the half-year					
Loss for the half-year	-	-	(1,199)	-	(1,199)
	-	-	(1,199)	-	(1,199)
Transactions with owners in their capacity as owners					
Issue of shares	-	-	-	-	-
Costs associated with issue of share capital	-	-	-	-	-
Reclassification of convertible notes previously disclosed as liabilities	-	-	-	-	-
Share-based payments	-	-	-	109	109
	-	-	-	109	109
At 31 December 2014	88,359	9,027	(28,970)	4,207	72,623

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

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	Consolidated Entity	
		31 December 2014 \$ '000s	31 December 2013 \$ '000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,022	-
Payments to suppliers and employees (including payments of Goods & Services Tax)		(1,545)	(2,034)
Interest received		295	383
Interest paid		-	-
Net cash outflow from operating activities		(228)	(1,651)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for security and other deposits		249	1,136
Payments for property plant & equipment		(3)	(42)
Receipts relating to exploration grants		989	-
Payments for exploration, evaluation and development assets		(1,725)	(3,053)
Repayment of loans to finance port infrastructure		-	1,392
Net cash outflow from investing activities		(490)	(567)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		-	(3,226)
Net cash outflow from financing activities		-	(3,226)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(718)	(5,444)
Cash and cash equivalents at beginning of period		17,830	24,360
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3	17,112	18,916

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

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1. BASIS OF PREPARATION

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

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

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

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2014 and any public announcements made by Stanmore Coal Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

(a) Going concern

The half-year financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the Consolidated Entity to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding through debt, equity or farm-out, or the successful exploration and subsequent exploitation of the Consolidated Entity's tenements. Should these avenues be delayed or fail to materialise, the Group expects to have the ability to scale back its activities to allow the Group to continue as a going concern and meet its debts as and when they fall due.

(b) Comparatives

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

2. INDIVIDUALLY SIGNIFICANT ITEMS

There were no individually significant items for the half-year ended 31 December 2014.

3. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents of \$17.112 million at 31 December 2014, includes \$14.5 million held on term deposit with various financial institutions. The treasury strategy employed by the group seeks to optimise fixed income earnings for funds which are deemed to be surplus to short term requirements. At all times these funds on term deposit are immediately callable and accessible by the group. The remaining balance of \$2.612 million in cash and cash equivalents is held in several operating accounts for day to day working capital and other short term requirements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

4. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are \$31.729 million at 31 December 2014. The movement from 30 June 2014 (decrease of \$0.027 million) represents gross exploration across the portfolio less exploration funding received from our partners (Japan Oil Gas and Metal National Corporation and Taiheiyo Kouhatsu Inc) at the Clifford and Belview Projects.

5. EQUITY SECURITIES ISSUED	Consolidated Entity		Consolidated Entity	
	31 December	30 June 2014	31 December	30 June 2014
	2014 No.	No.	2014 \$ '000s	\$ '000s
(a) Ordinary shares				
At the beginning of the period / year	209,124,058	208,419,252	88,359	88,253
- 15 th August 2013 (1)		50,000		9
- 20 th November 2013 (2)		100,000		16
- 16 th January 2014 (3)		525,000		79
- 18 th June 2014 (4)		29,806		2
At end of the period / year	209,124,058	209,124,058	88,359	88,359

- (1) On 15th August 2013 50,000 ordinary shares (value \$9 thousand) were issued pursuant to the terms of an employment contract.
- (2) On 20th November 2013 100,000 ordinary shares (value \$16 thousand) were issued in return for the extension of a payment for the acquisition of land.
- (3) On 16 January 2014, 525,000 ordinary shares (value \$79,000) were issued to a Director of the Company as a result of the Director exercising 525,000 options. The options had been provided to the Director during the IPO of the Company in 2009.
- (4) On 18 June 2014, 29,806 ordinary shares (value \$2,000) were issued to a consultant pursuant to terms of a consulting contract

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

6. SEGMENT INFORMATION

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The consolidated entity is managed primarily on a geographic basis, that is, the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the Board which is at the consolidated entity level. The Consolidated entity does not have any products or services it derives revenue from.

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

7. CONTINGENT LIABILITIES

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

8. EVENTS SUBSEQUENT TO REPORTING DATE

There have been no events since 31 December 2014 that impact upon the financial report as at 31 December 2014.

STANMORE COAL LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

The directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (a) Complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Nicholas Jorss
Managing Director

Brisbane
11 March 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Stanmore Coal Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Stanmore Coal Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Stanmore Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit Pty Ltd

BDO



T J Kendall
Director

Brisbane, 11 March 2015