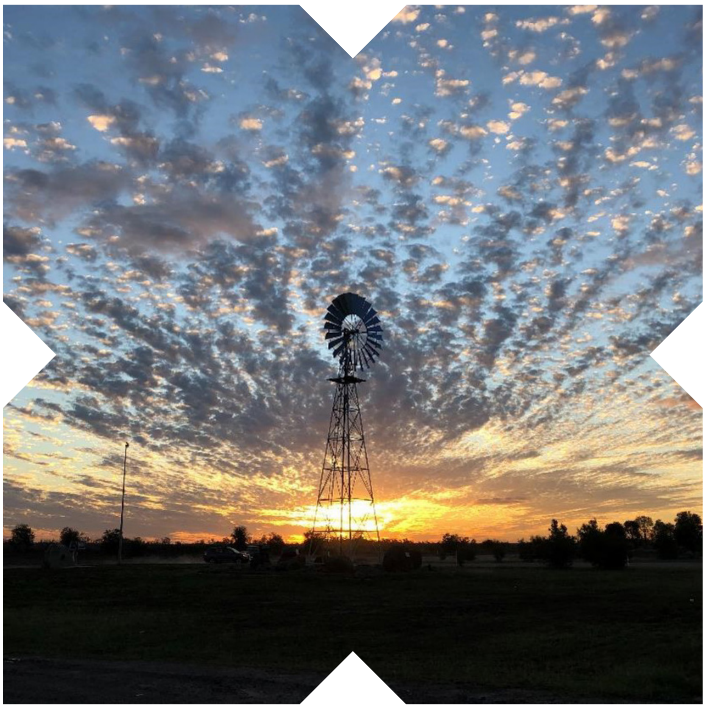

stanmorecoal

Strong
production
**performance**

# ANNUAL REPORT
2020

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# CHAIRMAN'S LETTER

Dear Shareholders,

On behalf of the Directors, I am pleased to make my first report to you as Chairman of Stanmore Coal Limited. The Company has delivered another solid operational performance in a year of significant change.

## Financial performance

The Company's revenue from operations totalled $364.5 million, a reduction of 10% on the previous year. Gross profit was also lower at $97.0 million, compared with $164.8 million in FY19. Underlying Earnings before Interest, Tax, Depreciation and Amortisation was $87.4 million, against the FY19 result of $154.9 million. The reduction is due to a 42.4% decrease in underlying margin as a result of increased waste removal costs following changes in the mine plan and equipment mix to deal with geological challenges. The average A$ realised price from coal sales also decreased by A$14.33/tonne as a result of reduced demand because of the impacts of COVID-19 on our customers and the relative strength of the Australian dollar against the US dollar. Stanmore Coal reported Net Profit After Tax of $34.9 million, compared with $91.6 million for the previous year.

Cash generated from operations totalled $6.4 million compared with $140.0 million in FY19. The difference can mostly be attributed to increases in payments to suppliers and employees and income tax, and reduced receipts from customers.

During the June quarter, formal notice was given by Taurus to cancel the US$12 million bonding facility and the undrawn US$28 million working capital facility with effect from 16 September following the change of control of the Company. The Company subsequently signed a non-binding term sheet with its parent entity, Golden Energy and Resources Limited in respect of a replacement US$40 million term loan facility to 30 June 2022 on terms that are substantially similar to those entered into with Taurus.

The Board declared a fully franked interim dividend of 3 cents per share which was paid to shareholders on 30 April 2020. Shareholders on the register at that date also received a bonus issue of 7,788,200 new fully paid Stanmore shares, for no consideration. Taking account of the Company's FY20 earnings and cashflow performance and the uncertainty relating to the ongoing impacts of COVID-19 on customers and coal demand, the Board has elected not to declare a final dividend for the financial year.

## Industry outlook

While the COVID-19 pandemic has had minimal direct impact on our operations, it has affected our customers and the level of demand for product coal, resulting in a decrease in realised prices from coal sales.

Metallurgical coal has been relatively less affected by these market dynamics than thermal coal, and Stanmore's concentration on metallurgical coal has supported the Company's performance. A large proportion of the Company's product coal is contracted to term customers, which has underpinned relatively stable prices compared with prevailing market prices. The Company expects realised prices on coal sales to remain stable, in line with industry forecasts.

## Corporate activity

The unconditional on-market takeover offer by Golden Investments (Australia) Pte Ltd was announced on 2 April, with the offer opening on 17 April and closing on 18 May 2020. The offer closed with Golden Investments' holding a 75.33% in Stanmore Coal.

Subsequently, Stewart Butel, Neal O'Connor and Stephen Bizzell resigned as Directors of the Company on 18 May 2020. On the same date, four Non-Executive Directors were appointed: myself as Chairman along with Mark Trevan, Richard Majlinder and Mary Carroll. The Company thanks the former Directors for their service to Stanmore Coal and wishes them the best for the future.

Jimmy Lim and Marcelo Matos also joined the Board during the reporting period, in October and November 2019 respectively.

The Company also thanks Dan Clifford, who resigned as Managing Director and CEO in October 2019, for his leadership of Stanmore Coal over approximately three years. Craig McCabe was appointed as Chief Executive Officer on 16 March 2020. After the reporting period, on 31 August 2020, Mr McCabe announced his resignation from the Company and we wish him well in his future endeavours. Marcelo Matos is acting as Interim Chief Executive Officer until a permanent appointment is announced.

Stanmore Coal has reported a solid operating performance in a year of significant change for the Company and uncertainty as a result of the COVID-19 pandemic. On behalf of the Board, I would like to thank the employees, management team and contract partners of Stanmore for their efforts which have supported this result for the business. Thank you also to shareholders for their continuing support for the Company.

**Dwi Suseno**

**Stanmore Coal has reported a solid operating performance** in a year of significant change for the Company and uncertainty as a result of the COVID-19 pandemic.

Revenue from operations

**$364.5m**

Underlying EBITDA

**$87.4m**

# CHIEF EXECUTIVE OFFICER'S REPORT

During FY20, Stanmore Coal focused on maintaining our track record of operational delivery and extending the alternatives of coal sources to feed our Isaac Plains operating infrastructure. We have made progress against these objectives in spite of the impacts of the COVID-19 pandemic on our major markets in the last quarter of the year.

The Company achieved a record for ROM (run of mine) coal production of 3.02Mt, driven by industry leading dragline performance and the commencement of the Company's new CAT6060 excavator in November 2019. Prime overburden removal was 41.319 million bcm, a 60.4% increase over last year's figure of 25.756 million bcm, and a record for the Isaac Plains Complex.

Product coal for the year totalled 2.39Mt which was ahead of guidance of 2.35Mt and matched the record for coal produced achieved in FY19. The product mix of semi-soft coking to thermal coals improved to 99:1. Semi-soft coking coal is a higher margin product and the Company does not expect that the volume of thermal coal production will increase as mining progresses in Isaac Plains East.

Increased waste removal costs at the mine contributed to a rise in operating costs. Underlying FOB (free on board) costs were $15.02/tonne higher than last financial year at $119.67/tonne. This includes state royalties averaging $13.83/tonne, which was 13% or $2.05/tonne lower than in FY19. A 14% increase in ROM strip ratio to 10.4 (FY19: 9.1) was the major contributor to increased operating costs along with changes to the mix of mining equipment deployed to address challenging geological conditions in areas of the mine.

Total coal sales were negatively affected in the fourth quarter as COVID-19 impacted our term contract customers resulting in reduced demand. However, coal sales for the full year remained in line with FY19, totalling 2.29Mt. Coal prices were also affected by this slowdown in demand, resulting in an average achieved sale price for the full year of $159.5/tonne, down from $173.8/tonne in FY19.

The health and safety of everyone at our mine site is the first priority of our operations and critical to the success of our business. I am pleased to report that the resources and efforts committed to implementing safety discipline and initiatives over the past 12-18 months have led to significant improvements. Stanmore undertook or managed 890,628 hours of coal mining, drilling, exploration and mine development activities in FY20 (FY19: 657,966 hours) and recorded no lost time injuries. The Total Reportable Injury Frequency Rate for the year was 3.4 per million hours, a substantial improvement from 16.7 in the previous financial year.

The Company progressively rehabilitates land that has been disturbed by our mining operations in accordance with its regulatory obligations. During the year, 99 hectares of land were recontoured and 140 hectares seeded for re-vegetation. Currently 19% of available land has been rehabilitated. A provision is made for rehabilitation costs, reflecting the area of land disturbed by mining operations which has not yet been rehabilitated. The total rehabilitation provision reduced by $4.8 million in the reporting period due to rehabilitation works completed at Isaac Plains.

Extending the coal sources to feed the Isaac Plains operating infrastructure is an important part of the Company's strategy. During the year, the Company progressed environmental approvals for an extension to the current Isaac Plains East operations within the existing granted mining leases. The extension will allow existing operations to bridge any potential risk of production continuity relatively to the planned commencement of the Isaac Downs project, when regulatory approvals are received.

The Isaac Downs project will extend the economic life of the Isaac Plains Complex, and will be operated as a satellite open-cut mine providing ROM coal to the Company's existing coal processing plant and train loading facilities. After the reporting period, Mineral Resources for the project were updated to 36.2 million[1] tonnes and the JORC classification of Mineral Resources significantly improved with 24.7 million tonnes classified as a Measured Resource and 11.5 million tonnes as Indicated Resources.

1 Mr James Knowles, "Mineral Resources and Coal Reserve Update for Isaac Downs", ASX 21 August 2020

During the year, Stanmore's Environmental Impact Statement (EIS) for the project was accepted by the State Government and the Company is now assessing submissions received during public consultation. It is anticipated that a Supplementary EIS will be submitted after additional field work and investigations are completed. Additional drilling to increase geological confidence and improve understanding of coal quality commenced during the year and will become part of a Bankable Feasibility Study that will quantify the capital expenditure required for the project and provide updated information on its economic attractiveness. Infrastructure designs are also being developed for the major civil works elements of the project including a flood protection levee between the Isaac River and the mining operation, a haul road linking to Isaac Plains, and site establishment and environmental protection facilities. At this stage, the Company believes the process is on track for approvals to be granted in the first half of 2021 based on no material objections being raised.

The focus on operational excellence and extending the economic life of the Isaac Plains Complex has underpinned a solid performance in a challenging year for the industry and our business. The combination of operational discipline and capital light project development has positioned the Company to manage through the uncertainty arising from the economic impacts of the global pandemic.

I would like to take the opportunity to acknowledge the dedication and efforts over the past year of the team of people who make up Stanmore Coal. I thank our employees and contractors for their contribution to the performance of the business, and my fellow directors for their strategic guidance. I would also like to thank our traditional owners, neighbours, customers and shareholders for their continuing support of Stanmore Coal.

**Marcelo Matos**
Interim Chief Executive Officer

**The focus on operational excellence and extending the economic life** of the Isaac Plains Complex has underpinned a solid performance in a challenging year for the industry and our business.

Record ROM coal production of **3.02Mt**

Product coal **2.39Mt** ahead of FY20 guidance

# **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 2020 (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:

### Dwi Suseno

B.Commerce, Grad. Dip Tax, Grad.Dip in Business, MBA, CA (Singapore), FCPA

**Non-Executive Director**
**(Appointed 15 May 2020)**

**Chairman**
**(Appointed 15 May 2020)**

Mr Dwi Suseno is an Executive Director and Deputy Group Chief Executive Officer of Golden Energy and Resources Limited (GEAR). GEAR is the parent company of Golden Investments (Australia) Pte Ltd and the major shareholder of Stanmore Coal Limited.

Mr. Suseno has over 25 years' experience in management, commercial, finance and commodities in both Australia and internationally. Mr Suseno was previously an Executive Director and CFO of Straits Corporation Group, which was then part of the SGX-listed coal mining company Straits Asia Resources Limited. Mr Suseno has previously worked with Baker Hughes Inc. (Fortune 500 NYSE listed oilfield services company), Arthur Andersen Australia and Ernst & Young LLP.

Mr Suseno is a Certified Public Accountant in both Australia and Singapore, graduated with a Bachelor of Commerce Degree from the University of Western Australia, Graduate Diploma in Tax from the University of Melbourne's Law Masters program, as well as a Postgraduate Diploma in Business from Curtin University. He also holds an executive Masters in Business Administration from the Kellogg School of Management & Hong Kong University of Science and Technology.

Mr Suseno is a member of the Audit and Risk Management Committee.

### Marcelo Matos

B. Business Administration, Executive MBA

**Non-Executive Director**
**(Appointed 27 November 2019)**
**(Resigned 31 August 2020)**

**Executive Director and Interim Chief Executive Officer**
**(Appointed 31 August 2020)**

Mr Marcelo Matos has over 20 years of experience in management, marketing and business development roles in the mining sector in Australia, Asia, Mozambique and Brazil. Mr Matos worked for Vale for many years in various senior roles, including as its Chief Marketing and Strategy Officer for Coal as well as its Managing Director in Australia. Prior to his appointment as Interim Chief Executive Officer, Mr Matos was the Chief Commercial Officer for M Resources.

Mr Matos holds a Bachelor of Business Administration degree from the Pontifical Catholic University, Rio de Janeiro, Brazil, and an Executive MBA from IBMEC Business School.

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

## Jimmy Lim

B. Science, B. Engineering, Fellow FINSIA, MBA

### Non-Executive Director (Appointed 23 October 2019)

Mr Jimmy Lim has 19 years of experience in finance and investment management in the metals and mining sector, with extensive industry relationships in Australia and globally. Mr. Lim started his career in Perth with Ernst & Young in Tax, serving natural resources and infrastructure companies of all sizes before moving into Corporate Finance with Ernst & Young and then KPMG where he continued advising clients in the natural resources sector. From there, Mr. Lim then moved on to work for JPMorgan in Melbourne where he worked on assignments advising and financing some of the largest mining companies in the world before moving to Hong Kong with Morgan Stanley and Goldman Sachs, where he was responsible for coverage of Metals and Mining in Asia excluding China.

Mr Lim is a Fellow of FINSIA and holds an MBA and degrees in Engineering and Science from the University of Western Australia.

Mr Lim is a member of the Health, Safety, Environment and Community Committee and the Chairman of the Remuneration and Nominations Committee.

## Mark Trevan

Dip. Business (Accounting), Grad. Dip. Applied Finance and Investment

### Non-Executive Director (Appointed 18 May 2020)

Mr Mark Trevan has extensive experience in the coal mining industry in Queensland and internationally. Most recently, he was a Director and Deputy Chairman of the Wiggins Island Coal Export Terminal, a Director and consultant at Caledon Coal Pty Ltd and a Non-Executive Director of Ncondezi Energy Limited (a London listed, Mozambique focused coal mine development company). Prior to those appointments, he was the Managing Director of Caledon Resources Plc, based in Brisbane, where under his management the Cook underground coking coal mine was recommissioned, and the Minyango underground coking coal project was advanced. Mr Trevan also oversaw the takeover of Caledon by Guandong Rising Asset Management, and the delisting of the company. Prior to joining Caledon in 2006, Mr Trevan spent 25 years with Rio Tinto in senior executive roles in the areas of marketing, general commercial, corporate strategy and project feasibility.

Mr Trevan holds a Diploma in Business from the Preston Institute of Technology (now Latrobe University) and a Graduate Diploma in Applied Finance and Investment from the Securities Institute.

Mr Trevan is the Chairman of the Health, Safety, Environment and Community Committee.

## Mary Carroll

MAICD

### Non-Executive Director (Appointed 15 May 2020)

Ms Mary Carroll is the Chief Executive Officer, Capricorn Tourism and Economic Development Ltd (Capricorn Enterprise). Capricorn Enterprise is a not-for-profit, membership-based organisation that aims to assist the central Queensland region in tourism and economic development, working with businesses and government to promote the region. Ms Carroll was also previously a Member of the Central Queensland University Council (appointed by the Governor In Council), Director of the Queensland Tourism Industry Council and Chair of the Regional Tourism Network in Queensland.

## Richard Majlinder

B. Science (Hons) (Economic History), Fellow ICA England and Wales, ICAA, MAICD

### Non-Executive Director (Appointed 15 May 2020)

Mr Richard Majlinder is the Chief Commercial Officer for Madison Group Enterprises which is a manufacturer and B2B distributor of technology infrastructure and hardware. Prior to this, Mr Majlinder held a number of roles at PriceWaterhouseCoopers including as a Partner in Private Clients Advisory leading client projects across mergers and acquisitions, consulting and financial management.

Mr Majlinder holds a Bachelor of Science (Honours) in Economic History from the London School of Economics and is a Fellow of the Institute of Chartered Accountants in England and Wales, a Member of the Institute of Chartered Accountants in Australia & New Zealand, and a Member of the Australian Institute of Company Directors.

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

### Stewart Butel

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

#### Non-Executive Director (Resigned 15 May 2020)

#### Chairman (Resigned 15 May 2020)

Mr Butel 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.

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

- RPM Global Holdings Limited (Appointed 01/09/2018 – resigned 18/05/2020)

Prior to his resignation Mr Butel was a member of the Remuneration and Nominations Committee, the Audit and Risk Management Committee and the Health, Safety, Environment and Community Committee.

### Dan Clifford

B. Eng (Mining)

#### Managing Director (Resigned 22 November 2019)

Mr Clifford has more than 25 years' experience in the coal mining industry and has worked in Australia, South Africa and New Zealand. He gained substantial open cut and underground coal mining experience under previous employers including Glencore, Anglo Coal, BHP Billiton and Solid Energy.

Prior to his resignation, Mr Clifford was a member of the Health, Safety, Environment and Community Committee from 26 October 2018 to 3 May 2019.

### Stephen Bizzell

B. Com, MAICD

#### Non-Executive Director (Resigned 15 May 2020)

Mr Bizzell 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 also a co-founder and director of Bow Energy Ltd until its $550 million takeover.

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

- Armour Energy Limited (Appointed 09/03/2012 – current)
- 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)

Prior to his resignation, Mr Bizzell was 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 (Resigned 15 May 2020)

Mr O'Connor 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.

During the past three years, Mr O'Connor has also served as a Director of the following listed company:

- Mitchell Services Limited (Appointed 21/10/2015 – current)

Prior to his resignation, Mr O'Connor was the Chairman of the Remuneration and Nominations Committee and a member of the Health, Safety, Environment and Community Committee.

### Darren Yeates

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

**Non-Executive Director**
**(Appointed 3 May 2019)**
**(Resigned 5 February 2020)**

Mr Yeates 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.

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

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

Prior to his resignation, Mr Yeates was the Chairman of the Health, Safety, Environment and Community Committee and a member of the Audit and Risk Management Committee.

## Chief Executive Officer

### Craig McCabe

B. Eng (Mining), B. Sci (Geoscience), Grad. Cert. Business Administration

**(Appointed 1 April 2020)**
**(Resigned 31 August 2020)**

Mr McCabe has worked in a wide range of operational and leadership roles within Wesfarmers Limited between 2008 and 2019, including as CEO of Wesfamers Resources between 2017 and 2019 with the responsibility of Curragh and Bengalla mining operations.

## Chief Financial Officer

### Frederick Kotzee

**(Appointed 21 September 2020)**

**Interim Chief Financial Officer**
**(Appointed 2 June 2020 – 20 September 2020)**

LLB., CA (SA)

Mr Kotzee is an experienced Chief Financial Officer of listed companies across a range of industries and commodities. Mr Kotzee has served as Chief Financial Officer of Kidman Resources Limited before the successful takeover by Wesfarmers Limited. Prior to this Mr Kotzee was Chief Financial Officer of Kumba Iron Ore Limited, a global iron ore miner listed on the Johannesburg Stock Exchange, and a member of the Anglo American Plc Group. Mr Kotzee has extensive experience in investment banking, joint ventures, corporate finance and business development.

Mr Kotzee holds a Bachelor of Laws from the University of South Africa and is a qualified Chartered Accountant (SA).

## Company Secretary

### Tristan Garthe

B. Comm (Accounting and Finance), MBA, CPA, GIA (Affiliate)

**(Appointed 16 June 2020)**

Mr Garthe has worked in a wide range of financial and commercial roles within the coal mining sector, and the mining industry in general. Mr Garthe's experience crosses both open cut and underground mining operations in Australia and Africa. Mr Garthe has held senior positions in finance and company secretarial roles for listed and international resources companies.

Mr Garthe holds a Masters in Business Administration and a Bachelor of Commerce (Accounting and Finance). He is a Certified Practising Accountant and a Member of the Governance Institute of Australia.

### Ian Poole

B. Econ, CA

**Chief Financial Officer (resigned 26 June 2020) and Company Secretary (resigned 16 June 2020)**

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' 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 |
|---|---|
| Dwi Suseno | – |
| Jimmy Lim | – |
| Marcelo Matos | – |
| Mark Trevan | – |
| Mary Carroll | – |
| Richard Majlinder | – |

## 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 |
| Dwi Suseno | 3 | 3 | 1 | 1 | - | - | - | - |
| Jimmy Lim | 20 | 15 | - | - | 2 | 2 | 3 | 2 |
| Marcelo Matos | 18 | 15 | 4 | 4 | - | - | 3 | 3 |
| Mark Trevan | 2 | 2 | - | - | - | - | 1 | 1 |
| Mary Carroll | 2 | 2 | - | - | - | - | - | - |
| Richard Majlinder | 2 | 2 | 1 | 1 | - | - | - | - |
| Stewart Butel | 28 | 28 | 4 | 4 | 4 | 4 | 2 | 2 |
| Dan Clifford | 11 | 11 | 1 | 1 | 2 | 2 | - | - |
| Stephen Bizzell | 28 | 27 | 4 | 4 | 4 | 4 | - | - |
| Neal O'Connor | 28 | 27 | 1 | 1 | 4 | 4 | 2 | 2 |
| Darren Yeates | 18 | 16 | 3 | 3 | - | - | 1 | 1 |

## 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

Highlights for the year ending 30 June 2020 include:

- Full year net profit after tax of $34.893m
- Underlying EBITDA (non-IFRS measure) of $87.470m (FY19 $154.895m)
- Net cash of $32.244m at 30 June 2020 (FY19 $90.465m), with no working capital debt drawn
- Prime overburden removal for FY20 41.319m bcm (FY19 25.756m bcm) a record for the Isaac Plains Complex
- Acquisition of 600 tonne excavator using OEM finance
- Isaac Downs Environmental Impact Study (EIS) submitted and approvals progressing in line with consenting timetable
- Unconditional on market takeover by Golden Investments of $1.00 per share announced on 2 April. Offer opened on 17 April 2020 and closed on 18 May 2020. At the end of the offer Golden Investments' shareholding increased from 31.35% to 75.33% in the Consolidated Entity
- Final FY19 dividend of 8 cps fully franked paid 31 October 2019
- H1 FY20 interim dividend of 3 cps fully franked paid on 30 April 2020
- Bonus share issue of 7,788,200 new fully paid ordinary shares issued to shareholders on the register as at 30 April 2020 for no consideration
- A$10m working capital facility entered into with parent entity, Golden Energy and Resources Limited (GEAR)
- Non-binding Term Sheet entered into with parent entity, GEAR in relation to a US$40m financing facility.

## Financial Performance and Financial Position

| | 2020 $M | 2019 $M |
|---|---|---|
| Coal Sales and Other Revenue | 364.485 | 403.059 |
| Cost of sales | (267.514) | (238.285) |
| **Gross Profit/(Loss)** | **96.971** | **164.774** |
| Other income and expenses | (37.375) | (26.620) |
| **Profit/(loss) before income tax and net finance expenses** | **59.596** | **138.154** |
| Finance income | 0.579 | 0.476 |
| Financial expenses | (8.597) | (10.100) |
| **Profit/(loss) before income tax benefit/(expense)** | **51.578** | **128.530** |
| Income tax benefit/(expense) | (16.685) | (36.932) |
| **Profit/(loss) after income tax expense** | **34.893** | **91.598** |

## Operating and financial review (continued)

### Underlying EBITDA result (non-IFRS measure)

Underlying EBITDA (non-IFRS measure) reflects statutory EBITDA as adjusted to reflect the Director's assessment of the result for the ongoing business activities of the Consolidated Entity. The items adjusted for are determined to be not in the ordinary course of business. The presentation of non-IFRS financial information provides stakeholders the ability to compare against prior periods in a consistent manner. These numbers have not been audited.

| | Note | 2020 $M | 2019 $M |
|---|---|---|---|
| **Profit/(loss) before income tax and net finance expenses** | | **59.596** | **138.154** |
| Depreciation and amortisation | 2 | 26.916 | 11.383 |
| **Earnings before interest, depreciation and amortisation (EBITDA)** | | **86.512** | **149.537** |
| Adjustments for Underlying EBITDA (non-IFRS measure) | | | |
| Write-off of non-current inventory | 2 | – | 4.364 |
| Takeover costs | 2 | 4.419 | 1.143 |
| Remeasurement of onerous contracts | 15 | (0.150) | (9.428) |
| Remeasurement of rehabilitation provision | 16 | 1.076 | 3.134 |
| Fair value movement contingent consideration | 17 | (4.387) | 6.145 |
| **Underlying EBITDA (non-IFRS measure)** | | **87.470** | **154.895** |

The Underlying EBITDA (non-IFRS measure) of $87.470m in FY20 was a $67.425m decrease compared to Underlying EBITDA (non-IFRS measure) of $154.895m in FY19. The reduction in EBITDA was due to a 42.4% reduction in underlying margin of A$39.8/t in FY20 compared to $69.1/t in FY19. The driver behind the significant reduction in margin for the financial year was as a result of lower sales prices and an increase in waste removal costs. The waste removal costs have increased due to higher strip ratio, longer haulage distance, additional geological challenges that were experienced and changes in equipment mix to accommodate these changes.

The primary drivers contributing to the NPAT result $34.893m include:

- Gross revenue from coal sales decreased to $364.485m in FY20 from $403.059m in FY19. The decrease was driven by a $14.33/t decrease in the A$ realised price to an average of A$159.47/t from $173.8/t in FY19 and a decrease in sales of produced coal to 2,286kt in FY20 from 2,319kt in FY19.
- Underlying FOB costs of $119.67/t were $15.02/t higher than FY19 as a result of the above operational and geological issues and included $13.83/t of state royalties.
- Depreciation and amortisation costs increased by $15.533m following the increased mining undertaken at Isaac Plains East mine and a change in estimates of the useful life of certain depreciable assets.

The variance between Underlying EBITDA (non-IFRS measure) and cashflow from operations is primarily due to the movement in working capital, as outlined in the table below.

| | Note | 2020 $M | 2019 $M |
|---|---|---|---|
| **Underlying EBITDA (non-IFRS measure)** | | **87.470** | **154.895** |
| Net Financing costs | 2 | (0.319) | (1.268) |
| Settlement of onerous contracts | 15 | (0.866) | (1.849) |
| Completion of rehabilitation works | 16 | (4.896) | (4.848) |
| Settlement of vendor royalties – contingent consideration | 17 | (8.980) | (9.560) |
| Net movement in working capital | | (65.967) | 2.673 |
| **Cash flow from operations** | | **6.442** | **140.043** |

In FY20 $65.967m was invested in working capital, primarily $36.721m for overburden in advance and $12.979m in product coal stocks. Trade and other payables also decreased $17.610m. The investment in overburden in advance was a commercial decision to build inventories to assist with the anticipated transition to Isaac Downs.

In FY20 $4.896m (FY19 $4.848m) was invested in rehabilitation at the Isaac Plains Complex. Stanmore Coal integrates this core activity with operations to ensure timely and efficient close out of rehabilitation.

### Cashflow

In the year to 30 June 2020, a total net cash outflow of $58.221m was recorded. The net inflow from operating activities was $6.442m. Cash outflows from investing activities were $45.108m. Of this $26.454m related to payments for plant and equipment, including the acquisition of the CAT 6060 excavator and ancillary equipment and maintenance of the CHPP and Dragline. The final acquisition payment of $5m for Isaac Downs was also made. At the end of year, no funds were drawn from the working capital facility. The net outflow from financing activities includes $13.719m drawn down from the equipment loan to finance the CAT 6060 excavator, finance lease payments, dividends paid during the year totalling $24.073m and payment for financial securities that were historically secured by way of bank guarantees of $3.707m.

| | 2020 $M | 2019 $M |
|---|---|---|
| **Net cash at beginning of year** | **90.465** | **19.817** |
| Net cash from operating activities | 6.442 | 140.043 |
| Net cash from investing activities | (45.433) | (60.777) |
| Net cash from financing activities | (19.230) | (8.618) |
| **Net increase/(decrease) in cash held** | **(58.221)** | **70.648** |
| **Net cash at end of year** | **32.244** | **90.465** |

## 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 890,628 hours (FY19 657,966 hours) of coal mining, drilling, exploration, and mine development activities (directly and through its contractors) during the year and reported no lost time injuries (FY19 – 5). The Total Reportable Injury Frequency Rate for the year was 3.4 per million hours, with a Lost Time Injury Frequency Rate of 0 per million hours. The Consolidated Entity is encouraged by the safety performance results for FY20 which were supported by several safety initiatives implemented over the past 12 months.

## Operational summary (continued)

Rehabilitation continues to be a strong focus of the Consolidated Entity with 99ha recontoured and 140ha seeded. The Consolidated Entity will continue to focus on rehabilitation and has currently rehabilitated 32% of available land. Additionally, several improvement projects were completed during FY20 to reduce the consumption of raw water and increase the use of mine affected water. This has improved the overall environmental integrity across the Isaac Plains Complex.

The Consolidated Entity 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.

### Operations

The Isaac Plains Complex mined 41,319k bcm of prime overburden, which is a record for the complex and provides the Consolidated Entity with a strong investment in working capital moving into FY21. Mining operations delivered 3,020kt of ROM coal to the coal handling and processing plant (CHPP) at a prime strip ratio of 13.7x. The strip ratio is up against that of FY19 as the depth of the pit increases as mining progresses and overburden stocks are increased at Isaac Plains East. The Consolidated Entity is currently reviewing the existing mine plan and evaluating options around switching to the lowest cost operation given the pricing volatility as a result of COVID-19. The lowest cost mine plan would also extend the life of Isaac Plains East and ensure a smooth transition to Isaac Downs following the grant of the required approvals.

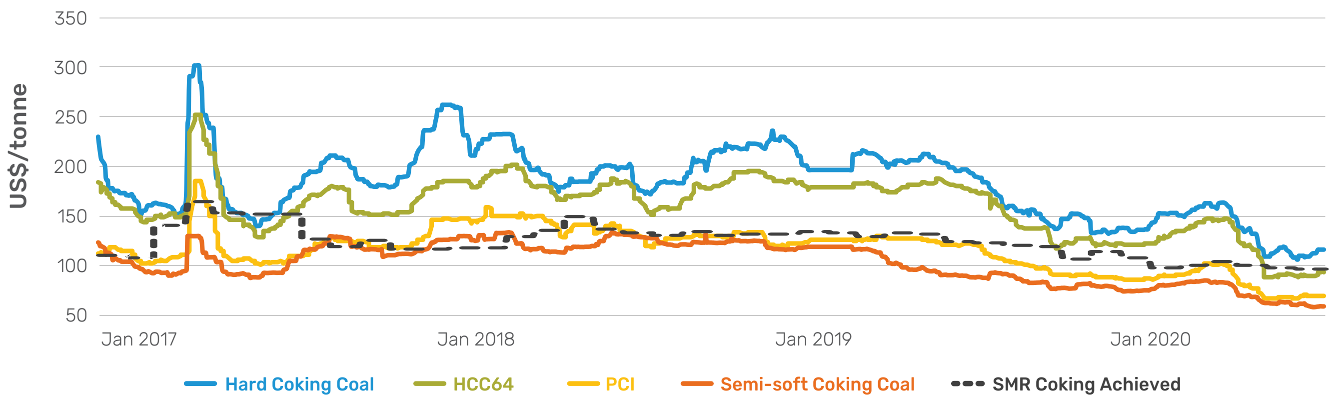
Product coal production was 2,390kt, with the CHPP delivering a total yield of 78.1%. The FY20 production split of semi soft and thermal coal was 99% semi-soft and 1% thermal. The thermal coal produced was from small faulted areas within the mine and is not expected to significantly increase as mining progresses at Isaac Plains East.

The Consolidated Entity completed capital works for the CHPP and dragline during the year. There is a major dragline shutdown planned for August 2020. Other capital outflows included the commissioning of the new CAT 6060 excavator and associated infrastructure. These capital outflows contributed to the net capital outflow for the Consolidated Entity of $26.454m.

The average sale price achieved for all coal (both metallurgical and thermal) during the year was A$159.47/t, compared to FY19 of A$173.8/t. The reduction in price is driven by the recent impacts of COVID-19 which have reduced overall global demand for coking coal, whilst strengthening the Australian dollar against the United States dollar, in which our revenue is received. The Consolidated Entity continues to place emphasis on tethering pricing dynamics to premium hard coking coal indices, further distancing its brand from the Hunter Valley semi-soft products and focusing sales to customers on a long-term contract basis rather than being exposed to the spot market.

The Consolidated Entity notes potential continued pricing volatility as a result of the cyclical nature of the business and the global impacts of COVID-19. However, it should be noted that our products traditionally have an advantage in these market conditions, with end users able to extend coke oven times allowing for greater utilisation of lower quality coking coals. Within the short term, the Consolidated Entity has seen term contract recovery from its customer base, and this is forecast to continue. With a large proportion of tonnage contracted into term customers, the Consolidated Entity expects its achieved prices to remain stable, in line with industry forecasts.

**Coal Type Price**




Source: Platts – August 2020 Coal Trader International.

## COVID-19 Impacts

The Consolidated Entity continues to follow recommendations from Queensland Health and the Australian Government to provide a COVID-19 safe workplace.

The Consolidated Entity is also aware that travel restrictions to remote indigenous communities were in place during the financial year ending 30 June 2020. These restrictions delayed some exploration activities to be undertaken by the Consolidated Entity. These restrictions continue to be in place in some communities. The Consolidated Entity remains committed to following the guidelines released by the Government.

The other impact that COVID-19 has had on the Consolidated Entity is discussed further on page 14 of this report. This impact is not material to the Consolidated Entity.

These impacts are not significant to the Consolidated Entity and will not negatively impact the financial statements or trigger any significant uncertainties with respect to events or conditions which may adversely impact the Consolidated Entity as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

| | 2020 | 2019 |
|---|---|---|
| Prime Overburden (bcm) | 41,319 | 25,758 |
| ROM coal produced – Open cut (kt) | 3,020 | 2,929 |
| ROM strip ratio (prime) | 13.7 | 8.8 |
| CHPP feed (kt) | 3,061 | 2,951 |
| ROM stockpile (kt) | 69 | 109 |
| Saleable coal produced (kt) | 2,390 | 2,390 |
| Saleable coal purchased (kt) | – | 27 |
| **Coal sales** | | |
| *– Metallurgical (kt)* | 2,266 | 1,985 |
| *– Thermal (kt)* | 20 | 334 |
| **Total gross coal sales (kt)** | **2,286** | **2,319** |
| Product Yield | 78.1% | 81.0% |
| Coal product stockpiles (kt) | 276 | 191 |
| **Average sale price achieved (A$/t)** | **159.5** | **173.8** |
| **Unit costs of sales (A$/t sold)** | | |
| FOR cost (A$/t sold) | 88.7 | 70.0 |
| FOR to FOB cost (ex. State royalty) (A$/t sold) | 17.2 | 18.8 |
| State royalty (A$/t sold) | 13.8 | 15.9 |
| **FOB cash cost (A$/t sold)** | **119.7** | **104.7** |
| **Margin (A$/t sold)** | **39.8** | **69.1** |

## Operational summary (continued)

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

| | 2020 $M | 2019 $M |
|---|---|---|
| Coal sales (t'000) | 2,286 | 2,319 |
| Margin (A$/t) | 39.80 | 69.1 |
| **Coal sales margin** | **90.983** | **160.243** |
| Margin from toll loading 3rd party coal | – | (0.003) |
| Unallocated corporate overhead | (3.513) | (5.345) |
| **Underlying EBITDA (non-IFRS measure)** | **87.470** | **154.895** |

### Isaac Downs Project

In July 2019, the final payment for the acquisition of Isaac Downs was made. 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.

During the year, the Consolidated Entity completed an exploration drilling programme to improve the geological confidence and coal quality understanding of the resource. This was an important input into the feasibility studies that commenced to formalise the detailed assessment of Isaac Downs. Palaris Australia was the successful tenderer in December 2019 for the preparation of a Bankable Feasibility Study (BFS) and as at 30 June 2020, the BFS was close to being finalised. The BFS addresses all the main study components to define the project in sufficient detail to quantify the capital expenditure requirement to establish the mine.

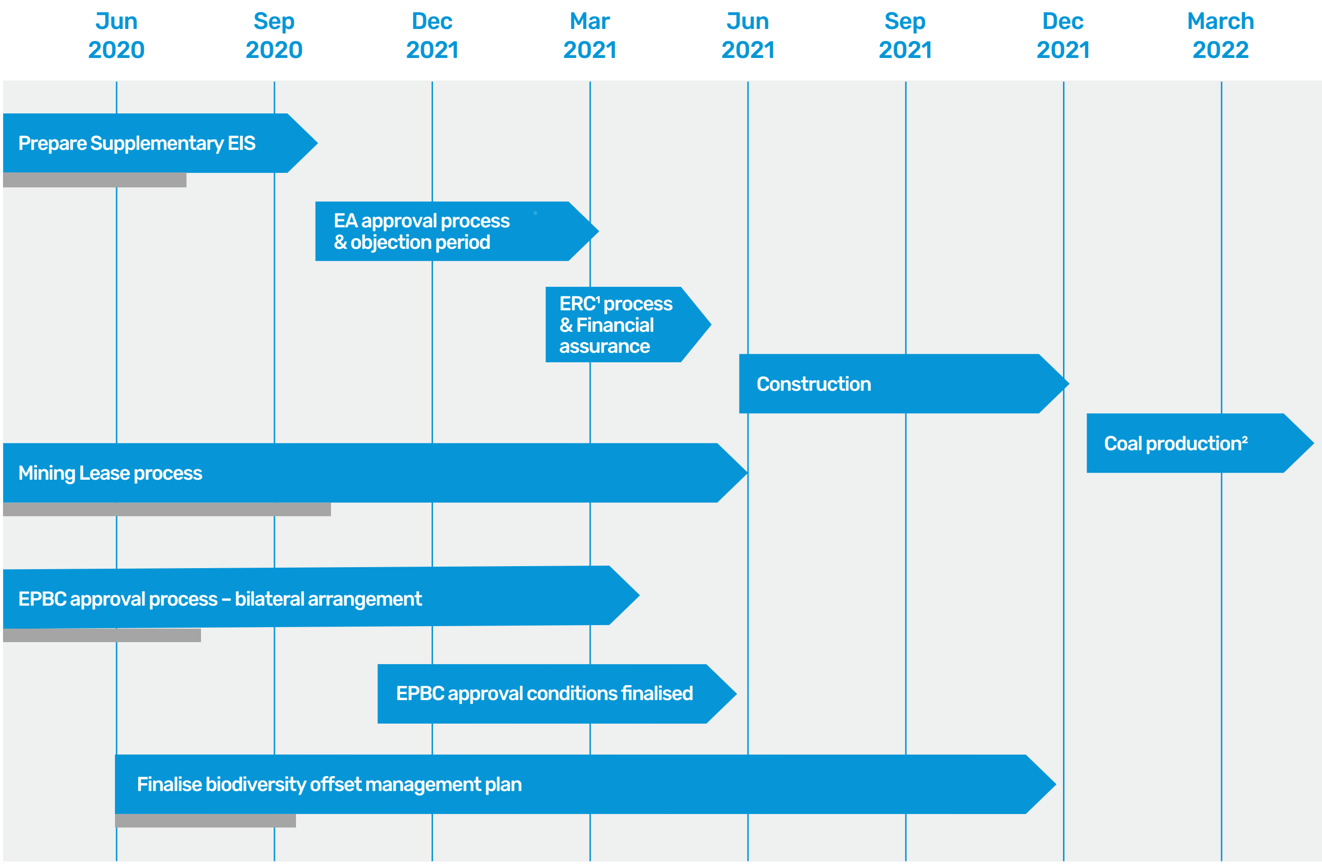
The Consolidated Entity also commissioned a consulting contract with an experienced civil construction company after a competitive tender process. The Early Contractor Involvement (ECI) contract is aimed at undertaking sufficient engineering design to finalise a design and construction contract for the major civil works required to establish the mine. The main components are an underpass and bridge structure for the haul road to cross the Peak Downs highway, the construction of the haul road to link Isaac Downs to Isaac Plains, the construction of a flood protection levee between the Isaac River and the mining operation, and site establishment and environmental protection facilities.

The Mineral Resources for the Isaac Downs Project were updated as at August 2020 to 36.2[1] million tonnes (Mt) from 22.9Mt at the time of acquisition from Peabody. Importantly the JORC classification of Mineral Resources has improved significantly such that 24.7 Mt is classified as a Measured Resource and 11.5 Mt is classified as Indicated Resources (no Inferred tonnes estimated).

Isaac Downs EIS was accepted by the Queensland State Government and made available for comment during the formal public notification stage from 9 March to 21 April 2020. The EIS process is being undertaken under the bilateral agreement between the Queensland Government (Environmental Protection Act) and Commonwealth Government (EPBC Act – the project is a 'controlled action') for project assessment. Three mining lease applications were submitted to the Queensland Department of Natural Resources Mines and Energy (DNRME) and all the requisite third party agreements required for the grant of the mining leases are well advanced. At this stage, the approval process is on track for approvals to be granted in the first half of 2021 (based on no material objections being raised).

1 Represented by Indicated 11.5Mt, Measured 24.7Mt and Inferred 0Mt. Mr James Knowles, "Mineral Resources and Coal Reserve Update for Isaac Downs", ASX 21 August 2020

## Approvals Timeline: Isaac Downs




1 EIS – Environmental Impact Statement; EA – Environmental Authority; ERC – Estimated Rehabilitation Cost
2 Based on no material objections arising during public notification processes or any matter requoreing Land Court determination

### CAT Excavator Purchase

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

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

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

The total investment in the CAT 6060 is $14.6m which includes additional capital to support the CAT 6060, such as warehouse 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.

## Operational summary (continued)

### On-market Takeover – Golden Energy and Resources

On 2 April 2020, Golden Investments (Australia) Pte. Ltd (Golden Investments) announced an on-market, unconditional takeover offer for all the remaining shares in the Consolidated Entity, at $1.00 per share.

At the time of the announcement, Golden Investments held 31.35% (80,291,962 shares) of the issued share capital in the Consolidated Entity. The key features of the offer were;

- It was an on-market, unconditional offer of $1.00 per share in the Consolidated Entity. At the time of the announcement this was a 22.0% premium to the closing share price on 1 April 2020
- The offer period opened on 17 April 2020 and ended on 18 May 2020

Following close of the offer period on 18 May 2020, Golden Investments held 75.33% of the Consolidated Entity. This represents 203,697,945 shares in the Consolidated Entity.

Golden Investments is a company owned by Golden Energy and Resources Limited (GEAR) and Ascend Global Investment Fund SPC (Ascend Global).

GEAR is a Singapore listed energy and resources company. GEAR's operations include mining of thermal coal through its subsidiary PT Golden Energy Mines Tbk operating in Indonesia, mining of metallurgical coal through Stanmore Coal Limited operating in Bowen Basin in Queensland and mining of gold through a 50% interest in the Ravenswood gold mine operating in Queensland.

Ascend Global is an investment fund with assets under management of US$52.6 million as at 31 December 2019. Ascend Global is managed by Ascend Capital, a Singapore based company registered with the Monetary Authority of Singapore.

### Debt Refinance

On 18 June 2020, the Consolidated Entity was given formal notice by its current financier that the working capital and bank guarantee facility would be cancelled from 16 September 2020. This was following the change of control of the Consolidated Entity, after completion of the on-market takeover by Golden Investments. Effective from this date, no further drawdowns were available, and the balance drawn under the bank guarantee facility was to be repaid by the cancellation date. As at 30 June 2020, there were no drawdowns under the working capital facility and at the date of this report, all bank guarantees provided under this facility have been replaced.

The Consolidated Entity has also signed a non-binding term sheet with its parent entity, Golden Energy and Resources Limited (GEAR) in respect to a new financing facility. The terms of this facility are similar to the terms provided by the previous financier. The Consolidated Entity is progressing this facility.

The key terms of the proposed facility are:

- Facility will be a US$40m facility until 30 June 2022
- Upfront commitment fee of 2.0%
- Interest rate on drawn funds of 8.0% per annum
- Interest rate on undrawn funds 2.0% per annum

On 26 June 2020, the Consolidated Entity entered into a short-term financing agreement with its parent entity, GEAR to cover the period up until the US$40 million finance facility is finalised and in place. The key terms of this short-term facility are:

- Facility is a A$10m facility which expires on the earlier of 31 October 2020, or when the US$40m facility agreement is finalised
- Interest rate is 8.0% per annum on drawn funds

# Outlook and likely developments

### Operations

- The current plan, subject to approvals assumes mining at Isaac Plains East with the dragline until the completion of the Isaac Downs mine development. It is planned that the Isaac Downs development will commence in FY22, with the dragline moving to Isaac Downs during calendar year 2022.
- Following the on-market takeover by Golden Investments, commercial contracts currently in place are being renegotiated to ensure the lowest cost structure is secured by the Consolidated Entity given current market conditions.
- The Consolidated Entity will continue to pursue high value coal sales opportunities to expand its customer base as well as continuing to meet the requirements of its existing customers.
- Of the coal sales made during FY20 1.771Mt 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 FY21 where it makes financial sense to do so.

### Exploration and development

On 21 August 2020, the Consolidated Entity issued an ASX announcement regarding the increase to the coal resources and reserves under the relevant Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code). The total Recoverable Coal Reserves across all tenements formally declared and published are now 166.7Mt[2], and total Marketable Coal Reserves are 130Mt[3].

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 and explore acquisition opportunities where it makes financial and commercial sense to do so.

### 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.

2 Represented by Proved 31.6Mt and Probable 135.1Mt. Mr Mark McKew, Mr Tony O'Connel, Mr Richard Hoskings and Mr Michael Barker, "2020 Annual Coal Resources and Reserve Summary", ASX 21 August 2020

3 Represented by Proved 22.8Mt and Probable 107.2Mt. Mr Mark McKew, Mr Tony O'Connel, Mr Richard Hoskings and Mr Michael Barker, "2020 Annual Coal Resources and Reserve Summary", ASX 21 August 2020

## Outlook and likely developments (continued)

### 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.

### 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 Mineral and Energy Resources (Financial Provisioning) Act 2018 has changed 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 continues to improve greenhouse gas efficiency as part of our operations.

## Indigenous Engagement

As part of the Isaac Downs approval process it was recognised that increased collaboration was required with the traditional owners of the land on which the Consolidated Entity operates.

Through a process of facilitation and recognition of the need for reconciliation, the Consolidated Entity is dedicated to developing a working and collaborative relationship with the Barada Barna people, who are the traditional owners of the land that the Consolidated Entity operates. The Consolidated Entity has committed to developing a Reconciliation Action Plan working committee. This process will not only strengthen ties with the Barada Barna people but pave the way for true reconciliation within the broader meaning.

The Consolidated Entity and the Barada Barna people have developed a Native Title Consent Agreement and reviewed a Cultural Heritage Management Plan. Further, the Consolidated Entity aims to facilitate and implement a Reconciliation Action Plan process that develops long-term strategies including increasing Indigenous employment and business opportunities which will enable the Barada Barna people to become more involved in the Consolidated Entity and encourage a strong working relationship between both parties.

## 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 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 2020, the Consolidated Entity remains well funded with cash reserves and a 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 development 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. Increasingly, financial institutions have made public statements in relation to their unwillingness to finance certain types of coal mines and coal-fired power stations.

Following the on-market takeover by Golden Investments, the Consolidated Entity has been able to access funding through GEAR. See details of the debt refinance on page 18 of this report. At the time of this report GEAR has a credit rating of B1 by rating agency Moody's and B+ by rating agency Fitch. This has reduced the risk that the Consolidated Entity may not have access to capital. Any present risk is still being actively monitored by the Consolidated Entity.

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 Coal of obtaining appropriate levels of insurance.

## 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 Consolidated Entity. The Consolidated Entity's KMP during the year were:

### Details of key management personnel

| Directors | | |
|---|---|---|
| **Dwi Suseno** | Non-Executive Director | (Appointed 15 May 2020) |
| | Non-Executive Chairman | (Appointed 15 May 2020) |
| **Marcelo Matos** | Non-Executive Director | (Appointed 27 November 2019)<br>(Resigned 31 August 2020) |
| | Executive Director and Interim Chief Executive Officer | (Appointed 31 August 2020) |
| **Jimmy Lim** | Non-Executive Director | (Appointed 23 October 2019) |
| **Mark Trevan** | Non-Executive Director | (Appointed 18 May 2020) |
| **Mary Carroll** | Non-Executive Director | (Appointed 15 May 2020) |
| **Richard Majlinder** | Non-Executive Director | (Appointed 15 May 2020) |
| **Stewart Butel** | Non-Executive Director | (Resigned 15 May 2020) |
| | Non-Executive Chairman | (Resigned 15 May 2020) |
| **Dan Clifford** | Managing Director | (Resigned 22 November 2019) |
| **Stephen Bizzell** | Non-Executive Director | (Resigned 15 May 2020) |
| **Neal O'Connor** | Non-Executive Director | (Resigned 15 May 2020) |
| **Darren Yeates** | Non-Executive Director | (Resigned 5 February 2020) |

| Senior management | | |
|---|---|---|
| **Craig McCabe** | Chief Executive Officer | (Appointed 1 April 2020)<br>(Resigned 31 August 2020) |
| **Bernie O'Neill** | General Manager Operations | Current Appointee |
| **Jon Romcke** | General Management Development | Current Appointee |
| | Interim Chief Executive Officer | (18 October 2019 – 31 March 2020) |
| **Frederick Kotzee** | Interim Chief Financial Officer | (Appointed 2 June 2020 – 20 September 2020) |
| | Chief Financial Officer | (Appointed 21 September 2020) |
| **Brendan Schilling** | Group Manager Marketing and Logistics | (Appointed 15 July 2019)<br>(Redundant 15 September 2020) |
| **Ian Poole** | Chief Financial Officer | (Resigned 26 June 2020) |
| | Company Secretary | (Resigned 16 June 2020) |

## 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

### Chief Executive Officer and senior management remuneration

The Consolidated Entity aims to reward the Chief Executive Officer 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 Chief Executive Officer 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 and individual performance, relevant comparative remuneration both in the market and internally, and where appropriate, external advice on policies and remuneration 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 is $750,000 (FY19: $500,000) per annum.

The Non-Executive Director's fee is $50,000 per annum (FY19 $65,000). 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 FY20 was $512,242 (FY19 $439,232) including additional remuneration of $111,127 in aggregate for 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 2020 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 Senior Management, 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
- contribute to the attraction and retention of skilled talent in a competitive market.

## Fixed remuneration (continued)

STI and LTI's were provided in FY20 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 Performance 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).

The change of control provisions within both the STI and LTI plans were triggered when Golden Investments reached a holding of 51% on 2 April 2020 following the announcement of the on-market takeover. As a result, on 17 April 2020 the STI was partially paid out to eligible employees on a pro-rata basis up to the date at which the change of control occurred. The balance of the STI was paid to eligible employees in August 2020.

For the LTI plan, the Board exercised its discretion in relation to the Rights currently on issue at the time the change of control occurred and made the following decisions;

(a) to vest 100% of the Rights granted in FY18 under the Plan Rules;

(b) in the case of the Rights granted in FY19 under the Plan Rules;

  (i) to vest 50% of the Rights granted

  (ii) to allow the balance (50%) of the Rights granted not to lapse and instead to survive the change of control and vest if the relevant vesting criteria for those Rights are satisfied in accordance with the terms of the initial grant.

(c) in the case of the Rights granted in FY20 under the Plan Rules

  (i) to vest 50% of the Rights granted

  (ii) to allow 25% of the Rights granted to lapse immediately

  (iii) to allow the balance (25%) of the Rights granted not to lapse and instead to survive the change of control and vest if the relevant vesting criteria for those Rights are satisfied in accordance with the terms of the initial grant.

Following the change of control, the Board is reviewing the current STI and LTI plans currently on foot to ensure they align to the Consolidated Entity's strategy.

### Incentive outcomes for FY20 and FY19

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

### Short term incentive

| Incentive | Award structure | Outcome/discussion |
|---|---|---|
| **FY20 STI** | Preconditions<br>• Zero fatalities<br>• Company can fund STI<br>Based on multiple key performance indicators<br>• TRIFR<br>• Prime overburden<br>• Product Tonnes<br>• Sales Tonnes<br>• Underlying FOB costs<br>• Balanced Business Plan. | Preconditions (achieved)<br>• Zero fatalities<br>• Company can fund STI<br>The key performance indicators were met to varying levels resulting in a total accrued payout percentage of 77%. All KMP met eligibility requirements. FY20 STI amounts are highlighted below.<br>The FY20 STI was paid out to eligible employees on a pro-rata basis as a result of the Change of Control triggered by the Golden Investments on-market takeover. The balance of the FY20 STI will be paid in August 2020. |

| Incentive | Award structure | Outcome/discussion |
|---|---|---|
| **FY19 STI** | Preconditions<br>• Zero fatalities<br>• Company can fund STI<br>Based on multiple key performance indicators<br>• TRIFR<br>• Prime overburden<br>• Product Tonnes<br>• Underlying FOB costs<br>• Balanced Business Plan<br>• Development targets. | Preconditions (achieved)<br>• Zero fatalities<br>• Company can fund STI<br>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 and were paid out during FY20. |

In FY20 all KMP were entitled to a payment under the STI scheme. During FY20, the FY20 STI was paid out to eligible KMP on a pro-rata basis. This payout was triggered as a result of the change of control of the Consolidated Entity following the on-market takeover by Golden Investments. The balance of the FY20 is still outstanding at 30 June 2020 was paid in August 2020. The FY19 STI was paid out during FY20 to those KMP entitled to a payment.

| | Maximum STI | | FY20 | | Maximum STI | | FY19 | |
|---|---|---|---|---|---|---|---|---|
| | % of Base salary | Max. amount $ | Awarded $ | % of Base salary | % of Base salary | Max. amount $ | Awarded $ | % of Base salary |
| Craig McCabe[1] | 52% | 60,120 | 48,280 | 42% | – | – | – | – |
| Bernie O'Neill | 39% | 134,550 | 108,842 | 32% | 39% | 126,855 | 101,000 | 31.1% |
| Jon Romcke | 39% | 134,550 | 108,842 | 32% | 39% | 124,612 | 112,000 | 35.1% |
| Brendan Schilling[2] | 30% | 72,131 | 58,581 | 24% | – | – | – | – |
| Dan Clifford[3] | – | – | – | – | 39% | 224,120 | 202,000 | 46.9% |
| Ian Poole[4] | 39% | 136,937 | 81,977 | 23% | 39% | 130,650 | 105,000 | 31.3% |

1 Started 1 April 2020, pro-rata STI paid based on start date
2 Started 15 July 2019, pro rata STI paid based on start date
3 Resigned 22 November 2019, not eligible for STI payment
4 Resigned 26 June 2020, pro-rata STI payment made in May 2020 as a result of the change of control of the Company. No further STI paid

## Long term incentive

| Incentive | Award structure | Outcome/discussion |
|---|---|---|
| **FY20 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.<br>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. FY22. 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 (FY23) subject to the escalated performance target. Further details regarding the LTI plan are shown below. | During FY20, Rights were granted to KMP as outlined below to: Ian Poole, Bernie O'Neill, Jon Romcke and Brendan Schilling.<br>Following the change of control triggered by the on-market takeover by Golden Investments on 2 April 2020, the Board exercised its discretion and vested 50% of the Rights issued. 25% of the Rights that did not vest, are subject to the existing vesting conditions and the remaining 25% of Rights lapsed. The Rights that vested were paid in Shares. |

## Fixed remuneration (continued)

| 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.<br>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.<br>Following the change of control triggered by the on-market takeover by Golden Investments on 2 April 2020, the Board exercised its discretion and vested 50% of the Rights issued. The balance of the Rights that did not vest, are subject to the existing vesting conditions. The Rights that vested were paid in Shares. |
| **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.<br>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.<br>Following the change of control triggered by the on-market takeover by Golden Investments on 2 April 2020, the Board exercised its discretion and vested 100% of the Rights. The Rights that vested were paid in Shares. |

As a result of the Board exercising its discretion in relation to the Rights outstanding on 1 April 2020, the day immediately before the change of control, a modification under AASB 2 *Share Based Payments* was triggered. This modification required the Rights that vested as a result of the change in control to be revalued immediately before the change of control and any value increase between the revalued amount and the share price on the day of modification be recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The performance conditions attached to the Rights were unchanged. The performance conditions for the Rights are referenced on page 27 – 28 of this report.

This modification had the following impact to the Statement of Profit or Loss and other Comprehensive Income.

| Tranche | Exercise Price | Vesting | No. of rights | Modification | Fair Value[1] | Share price[2] | Impact on profit and loss |
|---|---|---|---|---|---|---|---|
| FY18 | $0.00 | 2-Apr-20 | 1,506,488 | 100% of the rights vested | 0.28 | 0.96 | 1,024,412 |
| FY19 | $0.00 | 2-Apr-20 | 332,884 | 50% of the rights vested | 0.15 | 0.96 | 269,636 |
| FY19 | $0.00 | 31-Jul-21 | 332,883 | 50% of the Rights did not vest | N/A | N/A | - |
| FY20 | $0.00 | 2-Apr-20 | 254,596 | 50% of the rights vested | 0.13 | 0.96 | 211,315 |
| FY20 | $0.00 | - | 127,298 | 25% of the rights lapsed | N/A | N/A | - |
| FY20 | $0.00 | 31-Jul-22 | 127,298 | 25% of the Rights that did not vest | N/A | N/A | - |
| | | | **2,681,447** | | | | **1,505,363** |

1 The fair value is the accounting valuation of the Rights on the day immediately before change of control occurred
2 The closing share price following change of control on 2 April 2020

During FY20 509,192 rights were granted to KMP. The FY20 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. 308,971 (FY19 and FY20) rights remain on issue at 30 June 2020.

| 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 |
|---|---|---|---|---|---|---|---|---|
| Bernie O'Neill | FY20 | 36,342 | 30/06/2022 | 30% | $207,000 | $1.42 | $0.37 | $13,447 |
| | FY19 | 110,510 | 30/06/2021 | 30% | $195,161 | $0.88 | $0.45 | $49,730 |
| Jon Romcke | FY20 | 36,342 | 30/06/2022 | 30% | $207,000 | $1.42 | $0.37 | $13,447 |
| | FY19 | 108,556 | 30/06/2021 | 30% | $191,711 | $0.88 | $0.45 | $48,850 |
| Brendan Schilling | FY20 | 17,221 | 30/06/2022 | 30% | $150,000 | $1.42 | $0.37 | $6,372 |
| **Total** | | **308,971** | | | | | | |

1 KMP employed as at 30 June 2020 and have Rights outstanding
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

Below is a summary of the performance conditions for vesting for Tranche 4 (FY20) Rights granted:

| Performance Level | ATSR [(a)] of SMR [(b)] CAGR [(c)] | % of Stretch/ Maximum Vesting | Jun 22 Share Price for vesting |
|---|---|---|---|
| Stretch | 20.00% | 100.00% | $2.46 |
| Between Target and stretch | >15.00%<20.00% | Pro-rata | Pro-Rata |
| Target | 15.00% | 50.00% | $2.17 |
| Between Threshold and Target | >10.00%<15.00% | Pro-Rata | Pro-Rata |
| Threshold | 10.00% | 0% | $1.90 |
| Below Threshold[(d)] | <10.00% | 0% | $0.00 |

(a) Absolute Total Shareholder Return
(b) Stanmore Coal Limited
(c) Compound Annual Growth Rate (CAGR)
(d) Subject to Retest in FY23 at CAGR

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

## Fixed remuneration (continued)

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[(e)] | <22.92% | 0% | $0.00 |

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

### 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 FY20 the Remuneration and Nominations Committee received recommendations from Godfreys. These recommendations were 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 $16,000 (FY19 $9,100).

### Relationship between remuneration and company performance

| Performance Measure | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Revenue ($M) | 364.485 | 403.059 | 208.081 | 137.846 | 12.700 |
| Profit/(loss) attributable to the Group ($M) | 34.893 | 91.598 | 5.966 | 12.035 | (19.746) |
| Share Price at year end ($/share) | $0.78 | $1.425 | $0.87 | $0.34 | $0.28 |
| Basic EPS (c/Share) | 13.2 | 35.1 | 2.4 | 5.1 | (8.9) |
| Diluted EPS (c/Share) | 13.2 | 35.6 | 2.3 | 5.1 | (8.9) |
| Shareholder dividends paid (c/share) | 11.0 | 5.0 | – | – | – |

It is the Board's policy that employment contracts or consultancy agreements are entered into with all Non-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.

### Interim Chief Executive Officer

Stanmore Coal Limited has an Executive Service Agreement (ESA) with Mr Marcelo Matos for the position of Interim Chief Executive Officer which commenced on 31 August 2020. From commencement date Mr Matos' base remuneration is $530,000 per annum plus statutory superannuation. The ESA provides for termination by either party by providing three month's written notice, or immediately in the case of serious misconduct or bankruptcy.

Mr Matos is eligible to participate in the STI and LTI schemes. Under the ESA, the maximum annual STI is 52% (Stretch) of base remuneration. 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 25 of this report.

### Chief Executive Officer (resigned 31 August 2020)

Stanmore Coal Limited has an Executive Service Agreement (ESA) with Mr Craig McCabe for the position of Chief Executive Officer which commenced on 1 April 2020. For FY20 Mr McCabe's base remuneration is $465,000 per annum plus statutory superannuation. The ESA provides for termination by either party by providing six month's written notice, or immediately in the case of serious misconduct or bankruptcy. On 31 August 2020, Mr McCabe resigned from his position and finishes with the Company on 30 September 2020.

Prior to his resignation, Mr McCabe was eligible to participate in the STI and LTI schemes. For FY20, the maximum annual STI is 52% (Stretch) of base remuneration. As a result of Mr McCabe's start date, he was not eligible to participate in the FY20 LTI scheme.

## Senior management

### 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. For FY20 Mr O'Neill received a base remuneration of $345,000 (FY19 $325,269) per annum plus statutory superannuation. The ESA provides for termination by either party by providing three month's written notice, or immediately in the case of serious misconduct or bankruptcy.

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 25 of this report.

### General Manager Development

Stanmore Coal Limited has an Executive Services Agreement (ESA) with Mr Jon Romcke for the position of General Manager Development which commenced on 21 August 2017. For FY20 Mr Romcke received a base remuneration of $345,000 (FY19 $319,518) per annum plus statutory superannuation. The ESA provides for termination by either party by providing three month's written notice, or immediately in the case of serious misconduct or bankruptcy. Following the resignation of the former Managing Director, Mr Dan Clifford, Mr Romcke held the role of Interim Chief Executive Officer between October 2019 and March 2020. During this time, Mr Romcke's base remuneration was $445,000 per annum.

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 25 of this report.

### Group Manager Marketing and Logistics

Stanmore Coal Limited has an Employment Contract with Mr Brendan Schilling for the position of Group Manager Marketing and Logistics which commenced on 15 July 2019. For FY20 Mr Schilling received a base remuneration of $250,000 (FY19 $nil) per annum plus statutory superannuation contributions. On 15 September 2020, Mr Schilling was made redundant from this position and is no longer working for Stanmore Coal Limited.

Prior to his redundancy, Mr Schilling was eligible to participate in the STI and LTI schemes. The maximum annual STI is 30% (Stretch) of base remuneration and the maximum annual LTI is 20% 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 25 of this report.

## Senior management (continued)

### Chief Financial Officer

Stanmore Coal Limited has an Executive Service Agreement (ESA) with Mr Frederick Kotzee for the position of Chief Financial Officer which commenced on 21 September 2020. Under this ESA, Mr Kotzee receives a remuneration package of $380,000 per annum plus statutory superannuation. At the signing of the ESA, Mr Kotzee also received a one-off payment of $80,000 which related to his position as Interim Chief Financial Officer.

Mr Kotzee is eligible to participant in the STI and LTI schemes. The maximum annual STI is 39% (Stretch) of his remuneration package and the maximum annual LTI is 30% of his remuneration package at Target performance and a further 30% of his remuneration package at Stretch performance. Details of the instruments issued under the LTI scheme are on page 25 of this report.

## Remuneration Details

The following tables detail the components of remuneration for KMP of the Company, for both 30 June 2020 and 30 June 2019.

| | Short-term benefits | | | |
|---|---|---|---|---|
| **2020** | **Salary and Fees $** | **Cash Bonus $** | **Other Short-term benefits $** | **Other Non-cash benefits $** |
| **DIRECTORS** | | | | |
| Dwi Suseno[1] | - | - | - | - |
| Jimmy Lim[2] | 47,526 | - | - | - |
| Marcelo Matos[3] | 39,764 | 18,265 | - | - |
| Mark Trevan[4] | 6,744 | - | - | - |
| Mary Carroll[5] | 5,796 | - | - | - |
| Richard Majlinder[5] | 7,533 | - | - | - |
| Steward Butel[6] | 88,304 | 32,842 | - | - |
| Dan Clifford[7] | 199,273 | - | - | 2,612 |
| Stephen Bizzell[6] | 69,893 | 30,000 | - | - |
| Neal O'Connor[6] | 66,316 | 24,566 | - | - |
| Darren Yeates[8] | 47,816 | - | - | - |
| **TOTAL** | **578,965** | **105,673** | **-** | **2,612** |
| **SENIOR MANAGEMENT** | | | | |
| Craig MacCabe[9] | 116,250 | 48,280 | - | 1,650 |
| Bernie O'Neill | 345,000 | 108,842 | 51,750 | - |
| Jon Romcke | 345,000 | 108,842 | 51,750 | 6,600 |
| Brendan Schilling[10] | 247,115 | 58,581 | - | - |
| Frederick Kotzee[11] | 29,505 | - | - | - |
| Ian Poole[12] | 352,269 | 81,977 | 53,250 | 6,600 |
| **TOTAL** | **1,435,139** | **406,522** | **156,750** | **14,850** |
| **Total Director and senior management remuneration** | **2,014,104** | **512,195** | **156,750** | **17,462** |

1 appointed 15 May 2020. Mr Suseno is a nominee from Golden Investments and is not paid by the Consolidated Entity
2 appointed 23 October 2019
3 appointed 27 November 2019
4 appointed 18 May 2020
5 appointed 15 May 2020
6 resigned 15 May 2020
7 resigned 22 November 2019
8 resigned 6 February 2020
9 appointed 1 April 2020, resigned 31 August 2020
10 appointed 15 July 2020
11 appointed 2 June 2020
12 resigned 26 June 2020

Prior to his position of Chief Financial Officer, Stanmore Coal Limited had a fixed term Employment Contract with Mr Kotzee for the position of Interim Chief Financial Officer which commenced on 2 June 2020. Under this contract, Mr Kotzee received a base remuneration of $355,000 per annum plus statutory superannuation and accommodation support. He was also eligible for a one-off payment, subject to Board discretion of up to $80,000 following the completion of his contract. This was paid to Mr Kotzee upon his commencement of Chief Financial Officer.

| Post-Employment | | Share based payments | | | | |
|---|---|---|---|---|---|---|
| Superannuation $ | Termination Benefits $ | Equity settled (options) $ | Equity Settled (Shares) $ | Cash Settled (Rights) | Total $ | Performance related % |
| | | | | | | |
| - | - | - | - | - | **-** | |
| - | - | - | - | - | **47,526** | |
| 5,294 | - | - | - | - | **63,323** | 29% |
| 481 | - | - | - | - | **7,225** | |
| 417 | - | - | - | - | **6,213** | |
| 542 | - | - | - | - | **8,075** | |
| 11,509 | - | - | - | - | **132,655** | 25% |
| 10,501 | 11,981 | - | (323,034) | - | **(98,667)** | |
| - | - | - | - | - | **99,893** | 30% |
| 8,634 | - | - | - | - | **99,516** | 25% |
| - | - | - | - | - | **47,816** | |
| **37,378** | **11,981** | **-** | **(323,034)** | **-** | **413,575** | |
| | | | | | | |
| 6,610 | - | - | - | - | **172,790** | 28% |
| 21,003 | - | - | 647,714 | - | **1,174,309** | 64% |
| 21,003 | - | - | 586,507 | - | **1,119,702** | 62% |
| 21,003 | - | - | 49,326 | - | **376,025** | 29% |
| 2,803 | - | - | - | - | **32,308** | |
| 21,003 | 3,976 | - | 701,441 | - | **1,220,516** | 64% |
| **93,425** | **3,976** | **-** | **1,984,988** | **-** | **4,095,650** | |
| **130,803** | **15,957** | **-** | **1,661,954** | **-** | **4,509,225** | |

## Remuneration Details (continued)

| | Short-term benefits | | | |
|---|---|---|---|---|
| **2019** | **Salary and Fees $** | **Cash Bonus $** | **Other Short-term benefits $** | **Other Non-cash benefits $** |
| **DIRECTORS** | | | | |
| Steward Butel | 95,890 | – | 38,813 | – |
| Dan Clifford | 431,000 | 202,000 | 71,833 | 6,600 |
| Stephen Bizzell | 80,000 | – | 32,500 | – |
| Neal O'Connor | 74,581 | – | 29,680 | – |
| Darren Yeates[4] | 12,096 | – | – | – |
| Patrick O'Connor[1] | 18,750 | – | – | – |
| Chris McAuliffe[2] | 29,167 | – | – | – |
| Andrew Martin[3] | 4,615 | – | – | – |
| **TOTAL** | **746,099** | **202,000** | **172,826** | **6,600** |
| **SENIOR MANAGEMENT** | | | | |
| Ian Poole | 335,000 | 105,000 | 55,833 | 6,600 |
| Bernie O'Neill | 325,269 | 101,000 | 54,212 | – |
| Jon Romcke | 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** |

1 resigned 28 September 2018
2 resigned 7 December 2018
3 appointed 26 October 2018 and resigned 16 November 2018
4 commenced 27 August 2017

| Post-Employment | | Share based payments | | | |
|---|---|---|---|---|---|
| Superannuation $ | Termination Benefits $ | Equity settled (options) $ | Equity Settled (Shares) $ | Total $ | Performance related remuneration % |
| | | | | | |
| 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** | |

## Remuneration Details (continued)

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

For the financial year ending 30 June 2020 the balance of the STI not already paid will be paid on the expected payment date.

| | Maximum STI Cap $ | STI Awarded $ | % of STI | % of STI forfeit | Expected payment date |
|---|---|---|---|---|---|
| Craig MacCabe[1] | 60,120 | 48,280 | 80% | 20% | 27 August 2020 |
| Bernie O'Neill | 134,550 | 108,842 | 81% | 19% | 27 August 2020 |
| Jon Romcke | 134,550 | 108,842 | 81% | 19% | 27 August 2020 |
| Brendan Schilling[2] | 64,250 | 58,581 | 91% | 9% | 27 August 2020 |
| Ian Poole[3] | 136,937 | 81,977 | 59% | 41% | - |

1 Based on pro-rata earnings from start date 1 April 2020
2 Based on pro-rata earning from start date of 15 July 2019
3 Resigned 26 June 2020, STI awarded reflects payment made following change of control

Current Rights on issue to KMP (FY18, FY19 and FY20) are outlined below.

| | FY20 Rights Issued | FY20 Rights vested | FY20 Rights forfeited | Net FY20 Rights |
|---|---|---|---|---|
| Bernie O'Neill | 145,366 | 72,683 | 36,341 | 36,342 |
| Jon Romcke | 145,366 | 72,683 | 36,341 | 36,342 |
| Brendan Schilling | 68,882 | 34,441 | 17,220 | 17,221 |
| Ian Poole | 149,578 | 74,789 | 74,789 | - |

| | FY19 Rights Issued | FY19 Rights vested | FY19 Rights forfeited | Net FY19 Rights |
|---|---|---|---|---|
| Dan Clifford | 585,730 | - | 585,730 | - |
| Ian Poole | 227,633 | 113,817 | 113,817 | - |
| Bernie O'Neill | 221,021 | 110,511 | - | 110,510 |
| Jon Romcke | 217,113 | 108,557 | - | 108,556 |

| | FY18 Rights Issued | FY18 Rights vested | 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 | - | - |

## 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 2019 | Issued under DRP | Bonus issue | Net Change Other[1] | Balance FY20 |
|---|---|---|---|---|---|
| Stewart Butel | 316,379 | 18,607 | 9,588 | (344,574) | – |
| Dan Clifford | 513,952 | 13,952 | – | (527,904) | – |
| Stephen Bizzell | 7,377,106 | 2,304 | 2,206 | (7,381,616) | – |
| Neal O'Connor | 125,204 | 3,964 | 3,795 | (132,963) | – |
| **TOTAL** | **8,332,641** | **38,827** | **15,589** | **(8,387,057)** | **–** |

| Senior management | Balance at 1 July 2019 | Granted as remuneration | Bonus issue | Exercise of Rights | Net Change Other[1] | Balance FY20 |
|---|---|---|---|---|---|---|
| Bernie O'Neill[2] | 300,000 | 1,000 | 71 | 676,057 | (976,024) | 1,104 |
| Jon Romcke[3] | 33,583 | 1,000 | 71 | 601,455 | (635,005) | 1,104 |
| Brendan Schilling | – | – | – | 34,441 | (34,441) | – |
| Ian Poole | 94,614 | 1,000 | 71 | 782,016 | (877,701) | – |
| **TOTAL** | **428,197** | **3,000** | **142** | **2,093,969** | **2,523,171** | **2,208** |

1 The net change in shareholding for all KMP relates the sale of shares on market.
2 Shares held indirectly.
3 Shares held directly and beneficially.

There were no shares held nominally at 30 June 2020.

## OPTIONS HOLDINGS

The Consolidated Entity had no options on issue at 30 June 2020.

## 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 FY22[1] | Vesting FY23[2] |
|---|---|---|---|---|---|---|---|
| Bernie O'Neill | 808,869 | 145,366 | (771,042) | (36,341) | 146,852 | 110,510 | 36,342 |
| Jon Romcke | 637,328 | 145,366 | (601,455) | (36,341) | 144,898 | 108,556 | 36,342 |
| Brendan Schilling | – | 68,882 | (34,441) | (17,220) | 17,221 | – | 17,221 |
| Dan Clifford | 2,222,247 | – | (531,497) | (1,690,750) | – | – | – |
| Ian Poole | 821,043 | 145,578 | (782,016) | (188,605) | – | – | – |
| | **4,489,487** | **505,192** | **(2,720,451)** | **(1,969,257)** | **308,971** | **219,066** | **89,905** |

1 Following the on-market takeover by Golden Investments, the Rights granted in FY19 have vested at 50% with the balance subject to relevant vesting criteria set prior to the change of control.
2 Following the on-market takeover by Golden Investments, the Rights granted in FY20 have vested at 50% with the 25% lapsed and the remaining 25% to vest subject to the relevant vesting criteria set prior to the change of control.

## Transactions with Directors and Director-related entities

In July 2019, the Consolidated Entity entered into a commercial agreement with a Director-related entity for the purposes of leasing some office space. The commercial agreement was for a period of 6 months and the Consolidated Entity paid market-based rent and a share of outgoings. As at the date of this report, the commercial agreement is no longer in place.

## Loans to Key Management Personnel

There were no loans to KMP during the FY20.

**End of Remuneration Report (Audited).**

## Indemnification and insurance of Directors, officers and auditor

Each of the Directors and the Company Secretary of Stanmore Coal Limited have entered into a Deed whereby Stanmore Coal Limited has provided certain contractual rights of access to books and records of Stanmore Coal Limited to those Directors and the Company 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 nor insured its auditor.

## Options and Rights

At the date of this report there were nil unissued ordinary shares under options, and 308,971 potential unissued ordinary shares under Rights as follows:

- 219,066 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.
- 89,905 unlisted Rights vesting subject to various performance hurdles in 2022 or in the event that no vesting at all occurs, the Rights may be retested vesting in 2023 subject to escalated performance hurdles and other agreed conditions.

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

During the year ended 30 June 2020 there were 270,417,381 fully paid ordinary shares in Stanmore Coal Limited on issue, with 4,325,518 issued under DRP, 2,193,969 issued as part of the vesting of LTIP Rights, 7,788,662 issued as part of the bonus share issue and 14,994 issued to employees as part of the employee share scheme.

During the year ended 30 June 2020, 509,192 Rights were granted to KMP as part of the Stanmore Coal Limited Rights Plan. During FY20 there were 1,969,257 Rights forfeited and 2,720,451 vested.

## Changes to capital structure

At the date of this report, the Consolidated Entity had 270,417,381 ordinary shares, nil unlisted options and 308,971 Rights on issue.

## Events after reporting date

On 27 July 2020 the Consolidated Entity announced that it has entered into a marketing services agreement with M Resources Trading Pty Ltd (M Resources). M Resources will exclusively manage the Consolidated Entity's global sales contracts and customer relationships, as well securing additional sales to customers. M Resources will be managing sales for all of the Consolidated Entity's coal output, including for the Isaac Downs project.

The key terms of the agreement are:

- initial contract term is for 3 years with an option to extend for an additional 12 months if agreed by both parties
- the contract is a fixed base fee contract with an additional performance based variable fee linked to agreed performance-based targets.

M Resources is an independent Brisbane based marketing services and trading company supported by an experienced team with a long track record in market development, technical marketing, sales, processing and logistics management. M Resources and its owner, Matt Latimore are substantial shareholders of the Consolidated Entity, creating a strategic alignment towards shareholder goals.

On 27 July 2020, the Consolidated Entity announced a change to its accounting period to align accounting periods with its parent entity, GEAR. The Consolidated Entity will have a 6-month transitional financial period beginning 1 July 2020 and ending 31 December 2020. The Consolidated Entity will then revert to a financial year period 1 January to 31 December.

On 31 August 2020, Queensland Treasury, as part of the Financial Provisioning scheme assessed the Initial Risk Category of the Consolidated Entity's ability to rehabilitate Isaac Plains and Isaac Plains East as Moderate. This risk classification allows the Consolidated Entity to form part of the Queensland Treasury State Pool in relation to providing financial security over its future rehabilitation obligations for Isaac Plains and Isaac Plains East. The Consolidated Entity is required to contribute 2.75% of its estimated rehabilitation costs to the State Pool for this security.

On 31 August 2020, Mr Craig McCabe the Chief Executive Officer of the Consolidated Entity resigned from his position effective immediately. Mr Marcelo Matos was appointed Interim Chief Executive Officer and Executive Director from this date. Details of Mr Matos' appointment can be found in the accompanying Remuneration Report.

No other events have occurred since 30 June 2020.

## 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

A final franked dividend relating to FY19 of 8 cps was paid on 31 October 2019

An interim fully franked dividend relating to H1 FY20 of 3 cps was paid on 30 April 2020

No further dividend has been declared for FY20.

## 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.

## 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.

# DIRECTORS' REPORT
(CONTINUED)

The following fees were paid or payable to BDO Services (QLD) Pty Ltd for non-audit services provided during the year ended 30 June 2020:

| | |
|---|---|
| Taxation services | $60,225 |
| Corporate Finance (takeover defence) | $101,989 |

## Auditor's Independence Declaration

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 52.

## Significant changes and likely developments

Comments on significant changes and likely developments are included in the operating and financial review on pages 11 to 13.

## Competent Person Statement

The information in this report relating to coal reserves for Isaac Downs was announced on 21 August 2020, titled "Mineral Resources and Coal Reserve update for Isaac Downs" is based on information compiled by Mr James Knowles who is Principal Geologist and Director of Measured Group and Mr Michael Barker who is an employee of Palaris Australia.

Mr Knowles is a resource geologist with over 20 years' of mining industry experience. Mr Knowles specialises in technical management and resource evaluation. Mr Knowles' technical expertise includes exploration project development and mine operations support, resource estimation and reporting. Mr Knowles is 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 Michael Barker is the General Manager Feasibility Studies at Palaris Australia. Mr Barker has over 20 years' experience in the mining sector, including 10 years in resource consulting. Mr Barker has experience in technical services, including asset performance and mine design and optimisation. Mr Barker is a 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.

**Marcelo Matos**
Chief Executive Officer
Director

Brisbane
Date: 30 September 2020

# AUDITOR'S INDEPENDENCE DECLARATION

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Australia

**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 2020, 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, 30 September 2020

# **CONSOLIDATED STATEMENT** OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

| | Note | 2020 $'000 | 2019 $ '000 |
|---|---|---|---|
| Revenue | 1 | 364,485 | 403,059 |
| Cost of sales | 2 | (267,514) | (238,285) |
| **Gross Profit/(Loss)** | | **96,971** | **164,774** |
| Other income | 1 | 5,604 | 9,937 |
| Other expenses | 2 | (42,979) | (36,557) |
| **Profit/(loss) before income tax and net finance expenses** | | **59,596** | **138,154** |
| Finance income | 1 | 579 | 476 |
| Financial expenses | 2 | (8,597) | (10,100) |
| **Profit/(loss) before income tax expense** | | **51,578** | **128,530** |
| Income tax benefit/(expense) | 3 | (16,685) | (36,932) |
| **Net profit/(loss) for the year** | | **34,893** | **91,598** |
| Other comprehensive income | | - | - |
| **Total comprehensive profit/(loss) for the year** | | **34,893** | **91,598** |
| Profit/(loss) for the year is attributable to: | | | |
| **Owners of Stanmore Coal Limited** | | **34,893** | **91,598** |
| Total comprehensive income profit/(loss) for the year is attributable to: | | | |
| **Owners of Stanmore Coal Limited** | | **34,893** | **91,598** |

| Earnings/(loss) per share attributable to the owners of Stanmore Coal Limited: | | Cents | Cents |
|---|---|---|---|
| Basic earnings/(loss) per share (cents per share) | 19 | 13.2 | 35.1 |
| Diluted earnings/(loss) per share (cents per share) | 19 | 13.2 | 35.6 |

*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 2020

| | Note | 2020 $'000 | 2019 $ '000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 4(a) | 32,244 | 90,465 |
| Trade and other receivables | 6 | 4,715 | 20,802 |
| Inventories | 7 | 78,864 | 29,631 |
| Other current assets | | 2,867 | 4,206 |
| **Total current assets** | | **118,690** | **145,104** |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 8 | 62,891 | 45,592 |
| Capitalised development costs | 9a | 314 | - |
| Mine Properties | 9b | 24,946 | 34,808 |
| Exploration and evaluation assets | 10 | 80,970 | 75,496 |
| Intangible assets | 11 | 2,771 | 3,275 |
| Other non-current assets | | 6,187 | 2,313 |
| **Total non-current assets** | | **178,079** | **161,484** |
| **Total assets** | | **296,769** | **306,588** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | 33,146 | 50,756 |
| Interest-bearing loans and borrowings | 13 | 2,218 | - |
| Lease Liability | 14 | 57 | - |
| Onerous contracts provision | 15 | 842 | 867 |
| Rehabilitation provision | 16 | 3,072 | 4,700 |
| Vendor royalties - contingent consideration | 17 | 7,617 | 7,955 |
| Income Tax Payable | | 160 | 25,309 |
| **Total current liabilities** | | **47,112** | **89,587** |
| **NON-CURRENT LIABILITIES** | | | |
| Provision for employee benefit | | 366 | 254 |
| Interest-bearing loans and borrowings | 13 | 10,251 | - |
| Lease Liability | 14 | 766 | - |
| Onerous contracts provision | 15 | 4,520 | 5,198 |
| Rehabilitation provision | 16 | 26,890 | 24,256 |
| Vendor royalties - contingent consideration | 17 | 15,033 | 24,598 |
| Deferred tax liabilities | 3 | 23,248 | 5,591 |
| **Total non-current liabilities** | | **81,074** | **59,897** |
| **Total liabilities** | | **128,186** | **149,484** |
| **Net assets** | | **168,583** | **157,104** |
| **EQUITY** | | | |
| Issued capital | 20 | 121,725 | 117,613 |
| Share based payment reserve | | 2,348 | 1,703 |
| Retained earnings | | 44,510 | 37,788 |
| **Total equity attributable to the owners of Stanmore Coal Limited** | | **168,583** | **157,104** |

*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 2020

| | Issued capital $ '000 | Retained Earnings $ '000 | Share based payment reserve $ '000 | Total $ '000 |
|---|---|---|---|---|
| **At 1 July 2018** | **113,200** | **(41,190)** | **1,152** | **73,162** |
| **TOTAL COMPREHENSIVE INCOME FOR THE 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** |

| | Issued capital $ '000 | Retained Earnings $ '000 | Share based payment reserve $ '000 | Total $ '000 |
|---|---|---|---|---|
| **At 1 July 2019** | **117,613** | **37,788** | **1,703** | **157,104** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | | | |
| Profit/(loss) for the year | - | 34,893 | - | 34,893 |
| Other comprehensive income | - | - | - | - |
| | **-** | **34,893** | **-** | **34,893** |
| **TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS** | | | | |
| Issue of Shares – Note 20 | 4,112 | - | - | 4,112 |
| Dividends paid | - | (28,171) | - | (28,171) |
| Share based payments | - | - | 645 | 645 |
| **At 30 June 2020** | **121,725** | **44,510** | **2,348** | **168,583** |

*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 2020

| | Note | 2020<br>$ '000 | 2019<br>$ '000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 383,636 | 405,644 |
| GST refunds | | 33,633 | 22,950 |
| Payments to suppliers and employees | | (386,330) | (283,923) |
| Interest received | | 515 | 441 |
| Interest and other finance costs paid | | (834) | (1,709) |
| Income Tax paid | | (24,178) | (3,360) |
| **Net cash (outflow)/inflow from operating activities** | 5 | **6,442** | **140,043** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for property, plant and equipment | | (26,454) | (12,093) |
| Payments for exploration, evaluation assets | | (9,829) | (31,103) |
| Payments for mine properties assets | | (9,150) | (17,581) |
| **Net cash (outflow)/inflow from investing activities** | | **(45,433)** | **(60,777)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | 4(b) | 9,402 | 43,263 |
| Repayment of borrowings | | - | (43,674) |
| Payments for dividends | | (24,073) | (8,162) |
| Payments for vested LTIP Rights | | (852) | - |
| Payments for on-market share buy-back | | - | (45) |
| Payment for financial securities | | (3,707) | - |
| **Net cash (outflow)/inflow from financing activities** | | **(19,230)** | **(8,618)** |
| **Net (decrease)/increase in cash held** | | **(58,221)** | **70,648** |
| Net cash at beginning of year | | 90,465 | 19,817 |
| **Net cash at end of year** | 4a | **32,244** | **90,465** |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## About this report

The financial statements of Stanmore Coal Limited for the year ended 30 June 2020 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 Consolidated Entity 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 2020 was authorised for issue in accordance with a resolution of the Directors on 30 September 2020. 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 2019. Refer to Note 32 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 32: 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:

| | | |
|---|---|---|
| Note 1: | Revenue and other income | Page 47 |
| Note 9(a): | Capitalised development costs | Page 59 |
| Note 9(b) | Mine Properties | Page 60 |
| Note 10: | Exploration and Evaluation | Page 61 |
| Note 15: | Onerous contracts provision | Page 65 |
| Note 16: | Rehabilitation provision | Page 66 |
| Note 17: | Vendor royalties – contingent consideration | Page 67 |
| Note 30: | Share based-payments | Page 91 |

## 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.

## Debt Facility

On 18 June 2020, the Consolidated Entity was given formal notice by its current financier that the working capital and bank guarantee facility would be cancelled from 16 September 2020. This was following the change of control of the Consolidated Entity, after completion of the on-market takeover by Golden Investments. Effective from this date, no further drawdowns were available, and the balance drawn under the bank guarantee facility was to be repaid by the cancellation date. As at 30 June, there were no drawdowns under the working capital facility and the bank guarantees provided by the Consolidated Entity's financier were in the process of being replaced with cash security.

On 26 June 2020, the Consolidated Entity entered into a short-term financing agreement with its parent entity, GEAR to cover the period up until the US$40 million finance facility is finalised and in place. The key terms of this short-term facility are:

- Facility is a A$10m facility which expires on the earlier of 31 October 2020, or when the US$40m facility is finalised
- Interest rate is 8.0% per annum on drawn funds

As at 30 June 2020 there have been no draw downs under this facility, but this facility is available if required by the Consolidated Entity.

## COVID-19

These impacts are not significant to the Consolidated Entity and will not negatively impact the financial statements or trigger any significant uncertainties with respect to events or conditions which may adversely impact the Consolidated Entity as at the reporting date or subsequently as a result of the Coronavirus (COVID -19) pandemic.

There is no impact on the going concern of the Consolidated Entity as a result of the above.

## 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.

### New standards, interpretations and amendments adopted by the Consolidated Entity

The accounting standards adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year. The Consolidated Entity has adopted IFRC23 Uncertainty over Income Tax Treatments with no impact on the Financial Statements. The Consolidated Entity has adopted AASB 16 Leases effective from 1 July 2019 using the modified retrospective method, where comparative amounts for the year prior to first adoption have not been restated.

AASB 16 supersedes AASB 117 and its associated interpretative guidance and provides a new lessee to recognise assets and liabilities for all leases with a term more than 12 months, unless the underlying asset is of low value. Under AASB 16, a lessee recognises at the commencement date of the lease, the present value of non-cancellable lease payments as a lease liability on the statement of financial position, with a corresponding right-of-use asset. The unwind of the financial charge on the lease liability and the amortisation of the leased asset are recognised in the Statement of Profit or Loss and Other Comprehensive Income based on the implied interest rate and contract term.

The operating lease commitments as at 30 June 2019 were $0.158 million. The Consolidated Entity did not recognise the right-of-use asset and lease liability as the amount was not considered material, and the Consolidated Entity was in the process of negotiating a new office lease. The new lease entered into has been recognised in accordance with AASB 16.

## NOTE 1 REVENUE AND OTHER INCOME

| | Note | 2020 $ '000 | 2019 $ '000 |
|---|---|---|---|
| **REVENUE** | | | |
| Revenue from contracts with customers | | 364,485 | 403,059 |
| **Total revenue** | | **364,485** | **403,059** |
| **OTHER INCOME** | | | |
| Fair value movement - vendor royalty - contingent consideration | 17 | 4,387 | - |
| Onerous contract re-measurement | 15 | 150 | 9,428 |
| Other income | | 1,067 | 509 |
| **Total other income** | | **5,604** | **9,937** |
| **FINANCE INCOME** | | | |
| Interest income | | 579 | 476 |
| **Total finance income** | | **579** | **476** |

### 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.

| 2020 | Timing of revenue recognition | Asia A$ '000 | Europe A$ '000 | Australia A$ '000 | Total A$ '000 |
|---|---|---|---|---|---|
| Sales - thermal coal | At point in time FOB contract | 1,832 | - | - | 1,832 |
| Sales - semi soft coking coal | At point in time FOB contract | 331,612 | 25,222 | 5,819 | 362,653 |
| **Coal sales - Subtotal** | | **333,444** | **25,222** | **5,819** | **364,485** |
| Toll loading revenue | At a point in time | - | - | - | - |
| **TOTAL** | | **333,444** | **25,222** | **5,819** | **364,485** |

| 2019 | | | | | |
|---|---|---|---|---|---|
| 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** |

### 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.

## NOTE 1 REVENUE AND OTHER INCOME (CONT.)

### 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 2020 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 2020 have subsequently been receipted 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.

#### *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 | 2020 $ '000 | 2019 $ '000 |
|---|---|---|---|
| **COST OF SALES** | | | |
| Mining costs | | 137,729 | 106,208 |
| Processing costs | | 37,519 | 35,241 |
| Transport and logistics | | 34,260 | 36,747 |
| State royalties | | 31,602 | 36,825 |
| Private royalties | | 4,955 | 6,832 |
| Production overheads | | 15,002 | 14,203 |
| Other production costs | | 6,447 | 2,203 |
| **Sub-total cost of sales** | | **267,514** | **238,259** |
| Toll loading costs | | - | 26 |
| **Total cost of sales** | | **267,514** | **238,285** |
| **OTHER EXPENSES** | | | |
| Other expenses[1] | | 41,903 | 22,914 |
| Fair value movement - vendor royalty - contingent consideration | 17 | - | 6,145 |
| Movement in rehabilitation provision | 16 | 1,076 | 3,134 |
| Write-off non-current inventory | | - | 4,364 |
| **Total other expenses** | | **42,979** | **36,557** |

[1] Refer to next page for details of Other expenses

| | Note | 2020 $ '000 | 2019 $ '000 |
|---|---|---|---|
| **FINANCIAL EXPENSES** | | | |
| Interest paid – external parties | | 1,313 | 1,709 |
| Interest amortisation unwinding | 15,16,17 | 4,112 | 4,549 |
| Interest charge – lease liability | 14 | 11 | - |
| Movement in foreign currency | | 824 | (35) |
| Borrowing costs | | 2,337 | 3,877 |
| **Total financial expenses** | | **8,597** | **10,100** |

### 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 7.

## NOTE 2 COST OF SALES AND OTHER EXPENSES (CONT.)

### Other expenses

Other expenses include the following specific items:

| | Note | 2020 $ '000 | 2019 $ '000 |
|---|---|---|---|
| **Depreciation and amortisation** | | | |
| Depreciation - plant and equipment | 8 | 10,832 | 2,945 |
| Depreciation – right of use asset | 8 | 24 | - |
| Amortisation - mine properties | 9b | 15,556 | 7,935 |
| Amortisation - intangibles | 11 | 504 | 503 |
| **Sub-total depreciation and amortisation** | | **26,916** | **11,383** |
| **EMPLOYEE EXPENSES** | | | |
| Employee - salaries and wages | | 5,251 | 6,010 |
| Employee superannuation | | 312 | 340 |
| Share-based payments (rights) | | 1,662 | 551 |
| **Sub-total employee expenses** | | **7,225** | **6,901** |
| Other overhead expenses | | 3,134 | 3,329 |
| Takeover costs | | 4,419 | 1,143 |
| Short term lease payments | | 209 | 158 |
| **Sub-total other expenses** | | **7,762** | **4,630** |
| **Total other expenses** | | **41,903** | **22,914** |

### 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 leases recognised in Other Expenses relate to short term lease obligations where the entity has adopted the recognition exemption. Lease payments for short term leases are charged to profit or loss on a straight-line basis over the term of the lease, net of any incentives.

## NOTE 3 INCOME TAX EXPENSE

| | 2020<br>$ '000 | 2019<br>$ '000 |
|---|---|---|
| **RECONCILIATION** | | |
| Current income tax benefit | (972) | 28,669 |
| Deferred income tax expense | 17,657 | 8,263 |
| **Income tax expense/(benefit)** | **16,685** | **36,932** |
| **RECONCILIATION THROUGH EQUITY** | | |
| Opening balance | (1,129) | (1,129) |
| **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** | **15,473** | **38,559** |
| Add tax effect of: | | |
| - Non-deductible expenses | 431 | 51 |
| - Other assessable income | - | 225 |
| - Prior period deferred taxes over/(under) recognised | 781 | (1,903) |
| **Income tax expense/(benefit)** | **16,685** | **36,932** |
| RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES | | |
| **DEFERRED TAX ASSETS** | | |
| Deductible temporary differences | 22,209 | 25,123 |
| **Sub-total deferred tax assets** | **22,209** | **25,123** |
| **DEFERRED TAX LIABILITIES** | | |
| Assessable temporary differences | (45,457) | (30,714) |
| **Sub-total deferred tax liabilities** | **(45,457)** | **(30,714)** |
| **Deferred tax** | **(23,248)** | **(5,591)** |

Deferred tax assets will only be recognised when;

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

### 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.

## NOTE 3 INCOME TAX EXPENSE (CONT.)

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.

| | Opening balance | Recognised in profit or loss | Closing balance | Deferred tax asset | Deferred tax liability |
|---|---|---|---|---|---|
| **2020** | | | | | |
| Provision for rehabilitation | 8,687 | 302 | 8,989 | 8,989 | - |
| Provision for onerous contracts | 1,820 | (211) | 1,609 | 1,609 | - |
| Property plant and equipment | (4,407) | (1,063) | (5,470) | - | (5,470) |
| Vendor private royalty | 9,766 | (2,971) | 6,795 | 6,795 | - |
| Exploration and development costs | (17,514) | (1,015) | (18,529) | - | (18,529) |
| Unrealised FX | 97 | 329 | 426 | 426 | - |
| Other | 1,006 | (3,632) | (2,626) | 759 | (3,385) |
| Vendor receivable | (2,753) | 1,469 | (1,284) | - | (1,284) |
| Provision for impairment - exploration and development | 3,631 | - | 3,631 | 3,631 | - |
| Rail loop benefit | (983) | 151 | (832) | - | (832) |
| Overburden in advance | (4,941) | (11,016) | (15,957) | - | (15,957) |
| Prior year tax losses | - | - | - | - | - |
| **TOTAL** | **(5,591)** | **(17,657)** | **(23,248)** | **22,209** | **(45,457)** |
| **2019** | | | | | |
| 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)** |

### 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

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **Cash at bank and in hand** | **32,244** | **90,465** |
| Cash at bank bear floating and fixed interest rates between 0.0% and 1.25% (2019: 0.85% and 2.23%). | | |
| **RECONCILIATION OF CASH** | | |
| The above figures are reconciled to the consolidated statement of cash flows as follows: | | |
| Balances as above | 32,244 | 90,465 |
| Balances per consolidated statement of cash flows | 32,244 | 90,465 |

### 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

| | Opening 2019 $ '000 | Cash Inflows | Cash Outflows | Non cash changes | Closing 2020 $ '000 |
|---|---|---|---|---|---|
| Chattel Mortgage | - | 10,994 | (1,592) | 3,067 | 12,469 |
| Lease Liability | - | - | - | 823 | 823 |

| | Opening 2018 $ '000 | Cash Inflows | Cash Outflows | Non cash changes | Closing 2019 $ '000 |
|---|---|---|---|---|---|
| Borrowings | - | 43,263 | (43,263) | - | - |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

## NOTE 5 CASH FLOW INFORMATION

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **Reconciliation of profit/(loss) after income tax to net cash flow from operating activities** | | |
| **Profit/(Loss) for the year** | **34,893** | **91,598** |
| *Adjust for non-cash items:* | | |
| Depreciation, amortisation and disposal of fixed assets | 26,916 | 11,383 |
| Write-off non-current inventory | - | 4,364 |
| Unrealised gains/loss on foreign exchange | 1,592 | 411 |
| Non cash movement in provisions | 5,142 | 4,400 |
| Share-based payments expense | 1,662 | 551 |
| *Change in operating assets and liabilities:* | | |
| - (Increase)/Decrease in trade and other receivables | 16,117 | 2,484 |
| - (Increase)/Decrease in inventory | (49,233) | (8,664) |
| - (Increase)/Decrease in other assets | (2,656) | (2,561) |
| - Increase/(Decrease) in trade and other payables | (5,869) | 18,728 |
| - Increase/(Decrease) in current tax payable | (25,149) | 25,309 |
| - Increase/(Decrease) in deferred taxes | 17,657 | 8,263 |
| - Increase/(Decrease) in provisions | 112 | 34 |
| - Increase/(Decrease) in provisions for onerous contracts | (866) | (1,849) |
| - Increase/(Decrease) in rehabilitation provisions | (4,896) | (4,848) |
| - Increase/(Decrease) in contingent consideration | (8,980) | (9,560) |
| **Net cash flow from operating activities** | **6,442** | **140,043** |

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 $4.491m (FY19 $11.752m)
- Dividends satisfied by the issue of shares under the DRP – Note 18
- Interest bearing loans and borrowings – Note 13

## NOTE 6 TRADE AND OTHER RECEIVABLES

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **CURRENT** | | |
| GST receivable | 2,558 | 2,529 |
| Trade receivables | 1,867 | 18,076 |
| Other receivables | 290 | 197 |
| **Total current trade and other receivables** | **4,715** | **20,802** |

### 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 and Comprehensive Income.

#### Impairment

The Consolidated Entity 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

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **CURRENT** | | |
| ROM coal stocks | 3,236 | 3,703 |
| Product coal stocks | 22,438 | 9,459 |
| **Sub-total coal stock** | **25,674** | **13,162** |
| Overburden in advance | 53,190 | 16,469 |
| **Total inventories** | **78,864** | **29,631** |

### 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:

- Overburden 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.

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

Interpretation 20, effective 1 January 2013 allows overburden in advance to be capitalised separately as Inventory under AASB 102 to the extent the benefit from the stripping activity is realised in Inventory. 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

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **Plant and equipment** | | |
| At cost | 77,556 | 45,747 |
| Accumulated depreciation | (22,580) | (11,227) |
| **Sub-total plant and equipment** | **54,976** | **34,520** |
| **Buildings and improvements** | | |
| At cost | 2,077 | 1,671 |
| Accumulated depreciation | (494) | (414) |
| **Sub-total buildings and improvements** | **1,583** | **1,257** |
| **Furniture and office equipment** | | |
| At cost | 137 | 137 |
| Accumulated depreciation | (122) | (119) |
| **Sub-total furniture and office equipment** | **15** | **18** |
| **Right-of-use asset** | | |
| At cost | 812 | - |
| Accumulated depreciation | (24) | - |
| **Sub-total right-of-use asset** | **788** | **-** |
| **Capital work in progress** | | |
| At cost | 5,529 | 9,797 |
| Accumulated Depreciation | - | - |
| **Sub-total capital work in progress** | **5,529** | **9,797** |
| **Total property plant and equipment** | **62,891** | **45,592** |

### 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.

## NOTE 8 PROPERTY, PLANT AND EQUIPMENT (CONT.)

Movements in carrying amounts

| 2020 | Plant and equipment $ '000 | Buildings & improvements $ '000 | Furniture & office equip $ '000 | Right of use asset $'000 | Capital work in progress $'000 | TOTAL $ '000 |
|---|---|---|---|---|---|---|
| Balance at the beginning of the year | 34,520 | 1,257 | 18 | - | 9,797 | **45,592** |
| Additions – through ordinary course | - | - | - | 812 | 28,050 | **28,862** |
| Capital WIP transfers | 31,869 | 449 | - | - | (32,318) | **-** |
| Net disposals | - | (29) | - | - | - | **(29)** |
| Transfers – through ordinary course[1] | (665) | (13) | - | - | - | **(678)** |
| Depreciation expense | (10,748) | (81) | (3) | (24) | - | **(10,856)** |
| **Carrying amount at the end of the year** | **54,976** | **1,583** | **15** | **788** | **5,529** | **62,891** |

| 2019 | Plant and equipment $ '000 | Buildings & improvements $ '000 | Furniture & office equip $ '000 | Right of use asset $'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) | **-** |
| Net disposals | - | - | - | | - | **-** |
| 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** |

1 The transfer from plant and equipment related to a transfer of an asset to Mine Properties

## NOTE 8 PROPERTY, PLANT AND EQUIPMENT (CONT.)

### 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 recoverable 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 | 5-25% straight line/units of production |
| Furniture and office equipment | 5-25% straight line |
| Buildings and improvements | 5-10% straight line |
| Right-of-use asset | 18% straight line |

Property, 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 property, 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 property, 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.

### Right-of-use asset

At the inception of a contract, the Consolidated Entity assesses whether a contract contains a lease based on whether the contract conveys the right to use or control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date of the lease, the Consolidated Entity recognises a lease liability and a corresponding right-of-use asset. The lease liability is initially recognised at present value of the non-cancellable lease payments, which are discounted using the interest rate determined using the Consolidated Entities incremental borrowing rate. The right-of-use asset is initially measured at cost which includes any direct costs.

The right-of-use asset is depreciated to the earlier of the useful life of the asset or the lease term using the straight line method and is recognised in the Statement of Profit or Loss and Comprehensive Income in Depreciation and Amortisation.

The unwind of the financial charge on the lease liability is recognised in the Statement of Profit or Loss and Comprehensive Income in financial expenses based on the Consolidated Entity's incremental borrowing rate.

## NOTE 9 (a) CAPITALISED DEVELOPMENT COSTS

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **NON-CURRENT** | | |
| Capitalised development costs | 314 | - |
| 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 |
| Transfers to Mine Properties | - | (13,410) |
| Other additions | 314 | - |
| **Sub-total capitalised cost** | **314** | **-** |
| **Carrying amount at the end of the year** | **314** | **-** |
| **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** | **-** | **-** |

### 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.
- 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 2020, the carrying amount of capitalised developments costs was $0.314 million (2019: $0). This balance relates to the Isaac Plains East extension which a mining extension from the Isaac Plains East pit. The Isaac Plains East extension is still awaiting final approvals from the State Government and will be transferred to Mine Properties once approvals are granted and mining commences.

## NOTE 9 (b) MINE PROPERTIES

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **NON-CURRENT** | | |
| Mine Properties | 24,946 | 34,808 |
| **MOVEMENTS IN CARRYING AMOUNTS** | | |
| Balance at the beginning of the year | 42,743 | - |
| Transfers from capitalised development costs | - | 13,410 |
| Transfer from Property, Plant and Equipment | 679 | - |
| Other additions | 5,015 | 29,333 |
| **Sub-total Mine Properties** | **48,437** | **42,743** |
| **ACCUMULATED DEPRECIATION** | | |
| Balance at the beginning of the year | (7,935) | - |
| Amortisation charge for the year | (15,556) | (7,935) |
| **Sub-total accumulated amortisation** | **(23,491)** | **(7,935)** |
| **Carrying amount at the end of the year** | **24,946** | **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.

As a result of this impairment assessment, no impairment indicators were noted.

## NOTE 10 EXPLORATION AND EVALUATION ASSETS

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **NON-CURRENT** | | |
| Exploration and evaluation expenditure capitalised | | |
| - exploration and evaluation phases | 80,970 | 75,496 |
| Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation of coal, or alternatively, sale of the respective areas of interest. | | |
| **MOVEMENTS IN CARRYING AMOUNTS** | | |
| Balance at the beginning of the year | 87,601 | 51,498 |
| Additions and transfers from work in progress | 5,474 | 5,042 |
| Transferred to capitalised development | - | - |
| Acquisition costs | - | 31,061 |
| Transferred from capitalised development | - | - |
| **Sub-total capitalised cost** | **93,075** | **87,601** |
| Provision for impairment | (12,105) | (12,105) |
| **Carrying amount at the end of the year** | **80,970** | **75,496** |
| **MOVEMENTS IN PROVISION FOR IMPAIRMENT AMOUNTS** | | |
| Balance at the beginning of the year | (12,105) | (12,105) |
| **Provision for impairment at the end of the year** | **(12,105)** | **(12,105)** |

### 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 FY20 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 $80.9 million (2019: $75.4 million). The main increase in this balance relates to Isaac Downs, including the acquisition cost.

## NOTE 11 INTANGIBLE ASSETS

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **INFRASTRUCTURE INTANGIBLE ASSET** | | |
| At cost | 4,800 | 4,800 |
| Accumulated amortisation | (2,029) | (1,525) |
| **Carrying amount at the end of the year** | **2,771** | **3,275** |
| **MOVEMENTS IN CARRYING AMOUNTS** | | |
| Balance at the beginning of the year | 3,275 | 3,778 |
| Amortisation expense | (504) | (503) |
| **Carrying amount at the end of the year** | **2,771** | **3,275** |

### 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

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **Current** | | |
| Trade and Other payables | 32,524 | 49,903 |
| Accrued expenses | - | 24 |
| Employee benefits | 622 | 829 |
| **Total Current Trade and other payables** | **33,146** | **50,756** |

### 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

| | 2020 $ '000 | 2019 $ '000 | 2020 US$ '000 | 2019 US$ '000 |
|---|---|---|---|---|
| **TOTAL FACILITIES** | | | | |
| **Facility A - bank guarantee facility** | | | | |
| Total available facility | 15,568 | 41,352 | 10,685 | 29,000 |
| Facility utilised | (15,568) | (15,310) | (10,685) | (10,737) |
| **Available facility** | **-** | **26,042** | **-** | **18,263** |
| **Facility B - working capital facility** | | | | |
| Total available facility | - | 31,370 | - | 22,000 |
| Facility utilised | - | - | - | - |
| **Available facility** | **-** | **31,370** | **-** | **22,000** |
| **Facility C – Chattel Mortgage** | | | | |
| Total loan amount | | 13,684 | | |
| Loan balance outstanding | | 12,469 | | |
| *Comprised of:* | | | | |
| Current liability | | 2,218 | | |
| Non-current liability | | 10,251 | | |
| **Total facility** | | **12,469** | | |
| **Facility D – Short-term facility** | | | | |
| Total available facility | | 10,000 | | |
| Facility utilised | | - | | |
| **Available facility** | | **10,000** | | |

### RECOGNITION AND MEASUREMENT

Interest bearing liabilities are initially recognised at fair value, net of any transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method.

The Consolidated Entity pays a 2% pa facility fee for all undrawn funds in both the working capital and bank guarantee facilities, once utilised the funds attract an 8% fixed interest rate. The current 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 21.

On 2 July 2019, the Consolidated Entity entered into a binding agreement with Hasting Deering (Australia) Limited to acquire a 600-tonne excavator (CAT 6060) 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 the existing contractor, Golding (ASX: NWH). The purchase of the CAT 6060 was financed through an equipment loan facility with Caterpillar Financial Australia Limited, who are a lender associated with Hasting Deering. The term of the loan facility is 5 years.

## NOTE 13 INTEREST BEARING LOANS AND BORROWINGS (CONT.)

The Consolidated Entity pays 4.46% pa fixed interest rate on the Chattel Mortgage facility to Caterpillar Financial Australia Limited. The Chattel Mortgage facility is denominated in A$.

On 18 June 2020, the Consolidated Entity was given formal notice by its current financier that the working capital and bank guarantee facility would be cancelled from 16 September 2020. This was following the change of control of the Consolidated Entity, after completion of the on-market takeover by Golden Investments. Effective from 18 June 2020, no further drawdowns were available, and the balance drawn under the bank guarantee facility was to be repaid by the cancellation date. As at 30 June 2020, there were no drawdowns under the working capital facility and the bank guarantees provided by the Consolidated Entity's financier were in the process of being replaced.

On 26 June 2020, the Consolidated Entity entered into a short-term Financing Agreement with its parent entity, GEAR. The key terms of this short-term facility are:

- Facility is an A$10m facility which expires on the earlier of 31 October 2020, or when the US$40m facility is finalised
- Interest rate is 8.0% per annum on drawn funds

As at 30 June 2020, there were no draw downs under this facility.

## NOTE 14 LEASE LIABILITY

| | 2020<br>$ '000 | 2019<br>$ '000 |
|---|---|---|
| **CURRENT** | | |
| Current lease liability | 57 | - |
| **NON-CURRENT** | | |
| Non-current lease liability | 766 | - |
| **Total Lease liability** | **823** | **-** |
| **RECONCILIATION OF MOVEMENTS** | | |
| Opening balance | 812 | - |
| Depletions through settlement | - | - |
| Unwinding of discount | 11 | - |
| **Closing balance** | **823** | **-** |

### RECOGNITION AND MEASUREMENT

The lease liability recognised is the result of adopting AASB 16 Leases. Refer to Note 8 for the recognition and measurement policy for lease liabilities.

## NOTE 15 ONEROUS CONTRACTS PROVISION

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **CURRENT** | | |
| Current onerous contract provision | 842 | 867 |
| **NON-CURRENT** | | |
| Non-current onerous contract provision | 4,520 | 5,198 |
| **Total onerous contracts provision** | **5,362** | **6,065** |
| **RECONCILIATION OF MOVEMENTS** | | |
| Opening balance | 6,065 | 16,402 |
| Depletions through settlement | (866) | (1,849) |
| Adjustment - through re-measurement | (150) | (9,428) |
| Unwinding of discount – via profit and loss | 313 | 940 |
| **Closing balance** | **5,362** | **6,065** |

### 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 $9.2 million (undiscounted) (2019: $27.7 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 2020, a number of onerous contracts have been settled through the ordinary course of business. The onerous provision at 30 June 2020 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 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 FY20 year a total of $0.866 million of onerous contracts were settled through payment, with the unwinding of the discount being $0.313 million and $0.150 million taken through consolidated Statement of Profit or Loss and Other Comprehensive Income for re-measurement.

## NOTE 16 REHABILITIATION PROVISION

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **CURRENT** | | |
| Current rehabilitation provision | 3,072 | 4,700 |
| **NON-CURRENT** | | |
| Non-current rehabilitation provision | 26,890 | 24,256 |
| **Total rehabilitation liability** | **29,962** | **28,956** |
| **RECONCILIATION OF MOVEMENTS** | | |
| Opening balance | 28,956 | 18,583 |
| Additions – current year disturbance | 4,491 | 11,752 |
| Depletion - rehabilitation works completed | (4,896) | (4,848) |
| Depletion - re-measurement | 1,076 | 3,134 |
| Unwinding of discount – via profit and loss | 335 | 335 |
| **Closing balance** | **29,962** | **28,956** |

### 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 FY20 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. Clearing has continued in line with mining operations of $4.4 million. A corresponding asset is recognised 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 17 VENDOR ROYALTIES – CONTINGENT CONSIDERATION

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **CURRENT** | | |
| Current vendor royalties - contingent consideration | 7,617 | 7,955 |
| **NON-CURRENT** | | |
| Non-current vendor royalties - contingent consideration | 15,033 | 24,598 |
| **Total vendor private royalty** | **22,650** | **32,553** |
| **RECONCILIATION OF MOVEMENTS** | | |
| Opening balance - vendor royalties - contingent consideration at fair value | 32,553 | 32,694 |
| Fair value adjustments taken to profit and loss in other expenses | (4,387) | 6,145 |
| Depletions through settlement | (8,980) | (9,560) |
| Unwinding of discount – via profit and loss | 3,464 | 3,274 |
| **Total vendor royalties - contingent consideration at fair value** | **22,650** | **32,553** |

*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 FY20 to the vendors and as a result the remaining cap is $21.2 million (2020 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 and carried forward into FY20 and recognised as a non-current liability.

This valuation has been performed using a discounted cash flow methodology which was consistent with that used in FY19. 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
- 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).

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

## NOTE 17 VENDOR ROYALTIES – CONTINGENT CONSIDERATION (CONT.)

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.

| FX Index curve | Hard Coking Coal Index curve: +10% | +5% | Current | (5%) | (10%) |
|---|---|---|---|---|---|
| +10% | 22.650 | 21.506 | 19.893 | 12.089 | 11.441 |
| +5% | 24.057 | 22.650 | 21.506 | 19.893 | 12.089 |
| Current | 24.057 | 24.057 | 22.650 | 21.506 | 19.893 |
| (5%) | 24.057 | 24.057 | 24.057 | 22.650 | 21.506 |
| (10%) | 24.057 | 24.057 | 24.057 | 24.057 | 22.650 |

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

| FX Index curve | Hard Coking Coal Index curve: +10% | +5% | Current | (5%) | (10%) |
|---|---|---|---|---|---|
| +10% | - | (5.1%) | (12.2%) | (46.6%) | (49.5%) |
| +5% | - | - | (5.1%) | (12.2%) | (46.6%) |
| Current | - | - | - | (5.1%) | (12.2%) |
| -5% | - | - | - | - | (5.1%) |
| -10% | - | - | - | - | - |

The below shows changes in Valuation due to changes to Isaac Plains 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) | 22.379 | (0.271) | (1.2%) |
| Isaac Downs (not approved) | 15.828 | (6.822) | (30.1%) |
| Remaining Isaac Plains complex reduced by 20% product | 21.044 | (1.606) | (7.1%) |
| Remaining Isaac Plains complex increased by 20% product | 24.136 | 1.486 | 6.6% |

As at 30 June 2020 the fair value was assessed at $22.650 million; this calculation reaches the cap of the agreements relating to Isaac Plains East and Isaac Downs.

## NOTE 18 DIVIDENDS AND FRANKING CREDITS

| ORDINARY SHARES | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| Final franked dividend for the year ended 30 June 2019 of 8 cps (30 June 2018 of 2 cps unfranked) | 20,488 | 5,037 |
| Interim fully franked dividend for the half year ended 31 December 2019 of 3 cps (31 December 2018 3 cps fully franked) | 7,683 | 7,583 |
| **Total dividends provided for or paid** | **28,171** | **12,620** |
| Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows: | | |
| Paid in cash | 24,073 | 8,162 |
| Satisfied by issue of shares | 4,098 | 4,458 |
| **Total dividends provided for or paid** | **28,171** | **12,620** |

| DIVIDENDS NOT RECOGNISED AT THE END OF THE REPORTING PERIOD | | |
|---|---|---|
| No dividend proposed for 30 June 2020 (30 June 2019 8 cps fully franked) | - | 20,488 |
| **Proposed dividends on ordinary shares** | **-** | **20,488** |

| | | |
|---|---|---|
| Franking credits available for subsequent reporting periods based on a tax rate of 30% (2019 - 30%) | 7,539 | 25,419 |
| | **7,539** | **25,419** |

## NOTE 19 EARNINGS PER SHARE

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| Profit/(Loss) attributable to owners of Stanmore Coal Limited used to calculate basic and diluted earnings per share | **34,893** | **91,598** |

| | 2020 Number '000 | 2019 Number '000 |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 265,053 | 260,748 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | **265,322** | **265,337** |

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **RECONCILIATION OF MOVEMENTS** | | |
| Opening balance | 256,094 | 251,801 |
| Bonus share issue | 7,789 | 7,789 |
| Weighted average of issued shares (DRP) | 720 | 1,168 |
| Weighted average of issued shares (LTIP) | 444 | - |
| Weighted average of employee shares issued | 6 | - |
| Weighted average shares purchased on-market | - | (10) |
| **Weighted average number of ordinary shares used in calculating basic earnings per share** | **265,053** | **260,748** |
| Weighted average number of Long-term Incentive Rights issued | 269 | 4,589 |
| **Weighted average number of ordinary shares and potential ordinary shares issued used to calculate diluted earnings per share** | **265,322** | **265,337** |
| Basic earnings per share (cents per share) | 13.2 | 35.1 |
| Diluted earnings per share (cents per share) | 13.2 | 35.6 |

### BASIC EARNINGS PER SHARE

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

### DILUTED EARNINGS PER SHARE

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

## NOTE 20 ISSUED CAPITAL

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| 270,417,381 fully paid ordinary shares (2019: 256,094,238) | 125,072 | 120,960 |
| Share issue costs | (4,476) | (4,476) |
| Deferred tax recognised through equity | 1,129 | 1,129 |
| **Total issued capital** | **121,725** | **117,613** |

### A. ORDINARY SHARES

| | 2020 Number | 2019 Number | 2020 $ '000 | 2019 $ '000 |
|---|---|---|---|---|
| **ORDINARY SHARES** | | | | |
| At the beginning of the year | 256,094,238 | 251,800,978 | 117,613 | 113,200 |
| Issue of Shares under DRP | 4,325,518 | 4,332,625 | 4,098 | 4,458 |
| LTIP Rights vested | 2,193,969 | - | - | - |
| Bonus share issue | 7,788,662 | - | - | - |
| Employee shares issued | 14,994 | - | 14 | - |
| On market share buy-back | - | (39,365) | - | (45) |
| **At reporting date** | **270,417,381** | **256,094,238** | **121,725** | **117,613** |

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

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

The shares issued as part of the Employee shares issued are subject to a trading lock of 3 years, or until such time as the employee resigns from the Consolidated Entity, these are referred to as deferred shares. As at 30 June 2020, 13,248 deferred shares were still subject to trading lock. Excluding the 13,248 deferred shares, there are 270,404,133 tradable shares. The difference between the original issued shares under the Employee shares relates to employees that have left the Consolidated Entity and had the holding lock removed from their shares.

## NOTE 20 ISSUED CAPITAL (CONT.)

### B. OPTIONS AND RIGHTS

As at 30 June 2020 no options were held by or issued to employees of the Consolidated Entity (FY19 nil).

All Rights on issue at 30 June 2020 were as follows:

| Number of Rights | Exercise Price | End of measurement period | Conditions |
|---|---|---|---|
| 219,066 | 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 Note 30 for further details |
| 89,905 | Nil | 30 June 2022 | Share price targets based on Absolute Shareholder Total Return Compound Annual Growth Rates in FY21, if no vesting occurs at FY 22 then retested in FY23 see Note 30 for further details |

### 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 21 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.

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 | 2020<br>$ '000 | 2019<br>$ '000 |
|---|---|---|---|
| Cash and cash equivalents | 4a | 32,244 | 90,465 |
| Restricted cash | | 407 | 245 |
| Receivables | 6 | 4,715 | 20,803 |
| Security deposits and debt service reserve | | 3,833 | 113 |
| **Credit risk exposure** | | **41,199** | **111,626** |

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. There is no expected credit loss on outstanding receivables. Bank deposits are held with National Australia Bank Limited. National Australia Bank have a long-term credit rating with rating agency S&P of AA-.

## NOTE 21 FINANCIAL RISK MANAGEMENT (CONT.)

### 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 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 $55.517 million in 2019 to $71.578 million in 2020.

MATURITY ANALYSIS – CONSOLIDATED – FINANCIAL LIABILITIES

| 2020 | 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 | 32,524 | 32,524 | 32,524 | - | - | - |
| - Equipment finance loan | 12,469 | 13,934 | 1,365 | 1,365 | 8,419 | 2,785 |
| - Vendor Royalties Payable | 22,650 | 24,593 | 2,750 | 5,366 | 4,852 | 11,625 |
| - Lease Liability | 823 | 937 | 28 | 85 | 554 | 270 |
| - Other payables | 622 | 622 | 622 | - | - | - |
| | **69,088** | **72,610** | **37,289** | **6,816** | **13,825** | **14,680** |

| 2019 | | | | | | |
|---|---|---|---|---|---|---|
| **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** | **92,436** | **56,813** | **4,434** | **19,628** | **11,561** |

Further information regarding commitments is included in Note 23.

## NOTE 21 FINANCIAL RISK MANAGEMENT (CONT.)

### C. CURRENCY RISK

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

The Consolidated Entity's potential currency exposures comprise:

#### COAL SALES DENOMINATED IN US$

Coal sales for export coal are denominated in US$. The Consolidated Entity is therefore exposed to volatility in the US$: A$ exchange rates. Historically, due to the stability in the exchange rate it remains the Consolidated Entity's policy not to hedge Foreign exchange risk relating to coal sales. This may change in the future if the Consolidated Entity believe there may be a benefit to hedge foreign currency risk in relation to its coal sales.

The Consolidated Entity 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 Consolidated Entity does not use any derivative products to mitigate fluctuations in the relevant coal price indexes.

#### 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.

As this facility is provided by the Consolidated Entity's existing financier, once this facility has been cancelled and the bank guarantees replaced by the Consolidated Entity with cash deposits, this risk will no longer be present.

#### WORKING CAPITAL FACILITY

The current working capital facility which will be cancelled on 16 September 2020 can no longer be utilised by the Consolidated Entity therefore there is no longer an exposure to foreign currency fluctuations.

The short term finance facility currently in place is denominated in A$ and available to the Consolidated Entity with 5 days-notice required for draw downs. See Note 13 for details of the short term facility.

Derivative products are therefore currently not deemed necessary to reduce foreign exchange risk in relation to the working capital facilities.

#### 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 Consolidated Entity 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 2020 or 30 June 2019 financial years.

## NOTE 21 FINANCIAL RISK MANAGEMENT (CONT.)

### D. MARKET RISK

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is a 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.

At 30 June 2020, 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% |
|---|---|---|---|
| **2020** | **Carrying amount $ '000** | **Profit or loss $ '000** | **Profit or loss $ '000** |
| Cash and cash equivalents - US$ | 7,915 | 396 | (396) |
| Trade receivables - US$ | 2,403 | 120 | (120) |
| Tax charge of 30% | - | (155) | 155 |
| **After tax increase/ (decrease)** | **-** | **361** | **(361)** |

| 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)** |

## NOTE 21 FINANCIAL RISK MANAGEMENT (CONT.)

### 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:

| 2020 | 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 | 32,244 | - | - | 32,244 | 0.25% |
| Restricted cash | - | 407 | - | 407 | 0.82% |
| Receivables | - | - | 4,714 | 4,714 | |
| Security deposits | - | - | 115 | 115 | |
| **Total financial assets** | **32,244** | **407** | **4,829** | **37,480** | |
| **FINANCIAL LIABILITIES** | | | | | |
| Trade payables | - | - | 32,524 | 32,524 | |
| Equipment finance lease | - | 12,469 | - | 12,469 | 4.47% |
| Vendor Royalties Payable | - | - | 22,650 | 22,650 | |
| Lease Liability | - | 823 | - | 823 | 8.0% |
| Other payables | - | - | 622 | 622 | |
| **Total financial liabilities** | **-** | **13,292** | **55,796** | **69,088** | |

| 2019 | | | | | |
|---|---|---|---|---|---|
| **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 | - | - | - | - | 10.00% |
| Vendor Royalties Payable | - | - | 32,553 | 32,553 | |
| Other payables | - | - | 853 | 853 | |
| **Total financial liabilities** | **-** | **-** | **83,713** | **83,713** | |

## NOTE 21 FINANCIAL RISK MANAGEMENT (CONT.)

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 2020, 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% | |
|---|---|---|---|---|---|
| **2020** | **Carrying Amount** | **Profit or loss** | **Equity** | **Profit or loss** | **Equity** |
| | **$ '000** | **$ '000** | **$ '000** | **$ '000** | **$** |
| Cash and cash equivalents | 32,244 | 322 | 322 | (322) | (322) |
| Tax charge of 30% | - | (97) | (97) | 97 | 97 |
| **After tax increase/ (decrease)** | **-** | **225** | **225** | **(225)** | **(225)** |
| **2019** | | | | | |
| 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)** |

### FAIR VALUES

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Consolidated Entity 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 Consolidated Entity completed a level 3 valuation on contingent consideration (Note 17). 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.

## NOTE 21 FINANCIAL RISK MANAGEMENT (CONT.)

**Financial Liabilities**

| 2020 | Level 1 $ '000 | Level 2 $ '000 | Level 3 $ '000 |
|---|---|---|---|
| Vendor royalties contingent consideration held at fair value through profit or loss | - | - | 22,650 |
| **Total Financial Liabilities** | **-** | **-** | **22,650** |
| **2019** | | | |
| Vendor royalties contingent consideration held at fair value through profit or loss | - | - | 32,553 |
| **Total Financial Liabilities** | **-** | **-** | **32,553** |

There were no other financial assets or liabilities carried at fair value in FY20.

## NOTE 22 INTERESTS IN OTHER ENTITIES

### Subsidiaries

The Consolidated Entity's principal subsidiaries at 30 June 2020 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 2020 | Percentage owned 2019 |
|---|---|---|---|---|---|
| Mackenzie Coal Pty Limited | Coal exploration | Australia | Ordinary | 100% | 100% |
| Comet Coal & Coke Pty Limited | 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 and 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 and mining | Australia | Ordinary | 100% | 100% |
| Isaac Plains Coal Management Pty Ltd | Coal exploration and mining | Australia | Ordinary | 100% | 100% |
| Isaac Plains Sales & Marketing Pty Ltd | Coal exploration and 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 2020. The proportion of ownership interest is the same as the proportion of voting rights held.

| Name of entity | Principle activities | Place of business/Country of incorporation | Nature of relationship | Percentage interest 2020 | Percentage interest 2019 |
|---|---|---|---|---|---|
| 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 23 COMMITMENTS

### EXPLORATION AND MINING

The commitments to be undertaken are as follows:

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **Payable** | | |
| - not later than 12 months | 652 | 1,191 |
| - between 12 months and 5 years | 1,675 | 2,066 |
| - greater than 5 years | 474 | 474 |
| | **2,801** | **3,731** |

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.

### SHORT TERM LEASES

The commitments to be undertaken are as follows:

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **Payable** | | |
| - not later than 12 months | 3 | 130 |
| - between 12 months and 5 years | 17 | 52 |
| | **20** | **182** |

The Consolidated Entity has a short term lease commitment in relation to the leased office equipment. The commercial office lease commitment is recognised in Note 14 following the adoption of AASB 16 Leases.

### CAPITAL COMMITMENTS

The commitments to be undertaken are as follows:

| | 2020 $ '000 | 2019 $ '000 |
|---|---|---|
| **Payable** | | |
| - not later than 12 months | 780 | 7,675 |
| - between 12 months and 5 years | 3,700 | 3,700 |
| | **4,480** | **11,375** |

## NOTE 23 COMMITMENTS (CONT.)

### Land acquisitions

On 7 April 2011, the Consolidated Entity announced that it had completed an agreement for the right to purchase 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 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.
- 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.

This Royalty stream will stay on foot following cancellation of the finance facility.

### 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 2017.

## NOTE 24 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:

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Rail capacity providers | 6,222 | 6,222 |
| Port capacity providers | 4,335 | 4,335 |
| Electricity network access supplier | - | 1,247 |
| Other | 3,661 | 3,506 |
| | **14,218** | **15,310** |

During FY20, this Finance Facility provided to the Consolidated Entity was cancelled as a result of the change of control of the Consolidated Entity. The Consolidated Entity is in the process of replacing the bank guarantees provided under the current Finance Facility and will have all the bank guarantees replaced by the cancellation date of the facility. See Note 13 for more details about the current and proposed finance facilities.

## NOTE 24 CONTINGENT ASSETS AND LIABILITIES (CONT.)

### Surety Bond facility

On 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:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Government departments as a condition of mining licences | 17,480 | 17,480 |
| | **17,480** | **17,480** |

Given the Queensland Government changes to the provision of financial security for mining rehabilitation obligations, the Consolidated Entity is reviewing its options in relation to this Surety Bond Facility. If there is opportunity for the Consolidated Entity to join the Queensland Government State pool in relation to its current rehabilitation obligations this may be considered.

As at 30 June 2020 this Surety Bond Facility is still required, and the Consolidated Entity had not yet been approved to be part of the State pool.

## NOTE 25 EVENTS AFTER REPORTING DATE

On 27 July 2020 the Consolidated Entity announced that it has entered into a marketing services agreement with M Resources Trading Pty Ltd (M Resources).

M Resources will exclusively manage the Consolidated Entity's global sales contracts and customer relationships, as well securing additional sales to customers. M Resources will be managing sales for all of the Consolidated Entity's coal output, including for the Isaac Downs project.

The key terms of the agreement are;

- initial contract term is for 3 years with an option to extend for an additional 12 months if agreed by both parties
- the contract is a fixed base fee contract with an additional performance based variable fee linked to agreed performance-based targets

M Resources is an independent Brisbane based marketing services and trading company supported by an experienced team with a long track record in market development, technical marketing, sales, processing and logistics management. M Resources and its owner, Matt Latimore are substantial shareholders of the Consolidated Entity, creating a strategic alignment towards shareholder goals.

On 27 July 2020, the Consolidated Entity announced a change to its accounting period to align accounting periods with its parent entity, GEAR. The Consolidated Entity will have a 6-month transitional financial period beginning 1 July 2020 and ending 31 December 2020. The Consolidated Entity will then revert to a financial year period 1 January to 31 December.

On 31 August 2020, Queensland Treasury, as part of the Financial Provisioning scheme assessed the Initial Risk Category of the Consolidated Entity's ability to rehabilitate Isaac Plains and Isaac Plains East as Moderate. This risk classification allows the Consolidated Entity to form part of the Queensland Treasury State Pool in relation to providing financial security over its future rehabilitation obligations for Isaac Plains and Isaac Plains East. The Consolidated Entity is required to contribute 2.75% of its estimated rehabilitation costs to the State Pool for this security.

No other events or circumstances have arisen since the end of the financial year.

## NOTE 26 KEY MANAGEMENT PERSONNEL

Total key management personnel compensation

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Short-term employee benefits | 2,700,511 | 2,601,810 |
| Post-employment benefits | 130,803 | 105,264 |
| Termination benefits | 15,957 | - |
| Share-based payments | 1,661,954 | 549,700 |
| | **4,509,225** | **3,256,774** |

## NOTE 27 AUDITOR'S REMUNERATION

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **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 | 181,863 | 149,800 |
| **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 | 60,225 | 106,449 |
| **CORPORATE FINANCE SERVICES** | | |
| Amounts paid/payable to related entities of BDO Audit Pty Ltd for the non-audit takeover defence services performed for the entity or any entity in the Consolidated Entity | 101,989 | 135,202 |
| | **344,077** | **391,451** |

## NOTE 28 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 Consolidated Entity's 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 | 2020<br>$ '000 | 2019<br>$ '000 |
|---|---|---|
| Current assets | 15,290 | 4,705 |
| Non-current assets | 73,931 | 92,916 |
| **Total assets** | **89,221** | **97,621** |
| Current liabilities | 2,185 | 27,124 |
| Non-current liabilities | 23,815 | 5,845 |
| **Total liabilities** | **26,000** | **32,969** |
| **Net assets** | **63,221** | **64,652** |
| Issued capital | 121,725 | 117,613 |
| Share Based Payment Reserve | 2,348 | 1,703 |
| Accumulated losses | (60,852) | (54,664) |
| **Total shareholder's equity** | **63,221** | **64,652** |
| **Profit / (loss) for the year** | **21,983** | **16,185** |
| **Total comprehensive income for the year** | **21,983** | **16,185** |

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

## NOTE 29 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 Consolidated Entity'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

The Consolidated Entity has several customers to whom it sells export grade coal. The Consolidated Entity supplies one such external customer who accounts for 29% of revenue. The next most significant customer accounts for 15% 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.

## NOTE 29 OPERATING SEGMENTS (CONT.)

### Segment performance

| 2020 | Isaac Plains Complex $ '000s | Exploration & Development $ '000s | Unallocated Operations $ '000s | Adjustments & Eliminations $ '000s | TOTAL $ '000s |
|---|---|---|---|---|---|
| **SEGMENT REVENUE** | | | | | |
| External sales | 364,485 | - | - | - | 364,485 |
| Total segment revenue | 364,485 | - | - | - | 364,485 |
| **Total revenue per consolidated Statement of Profit or Loss and other Comprehensive Income** | | | | | **364,485** |
| **RESULT** | | | | | |
| Segment result | 95,291 | - | (8,779) | - | 86,512 |
| Depreciation and amortisation | - | - | - | - | (26,916) |
| Income tax expense | - | - | - | - | (16,685) |
| Net finance expense | - | - | - | - | (8,018) |
| **Net profit after tax per consolidation Statement of Profit or Loss and other Comprehensive Income** | | | | **-** | **34,893** |
| **Total Assets** | **137,408** | **80,970** | **66,521** | **11,870** | **296,769** |
| **Total Liabilities** | **18,971** | **23,058** | **63,775** | **22,382** | **128,186** |
| 2019 | | | | | |
| **SEGMENT REVENUE** | | | | | |
| External sales | 403,059 | - | - | - | 403,059 |
| Total segment revenue | 403,059 | - | - | - | 403,059 |
| **Total revenue per consolidated Statement of Profit or Loss and 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 Profit or Loss and other 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** |

## NOTE 30 SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2020.

Share-based payments to Directors, executives and employees.

### SHARES

During the year ended 30 June 2020, shares were granted to eligible employees up to the value of $1,000 per employee. At a total cost to the Consolidated Entity of $14,000.

### OPTIONS

During the year ended 30 June 2020, 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 or Loss and other Comprehensive Income is as follows:

| | 2020<br>$ '000 | 2019<br>$ '000 |
|---|---|---|
| Employee benefits expense | 1,662 | 551 |
| | **1,662** | **551** |

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

| | 2020<br>$ '000 | 2019<br>$ '000 |
|---|---|---|
| Share Based Payment Reserve | (645) | (551) |
| | **(645)** | **(551)** |

### 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 2020, Rights were granted to employees as long-term incentive as outlined in the Remuneration report, 509,192 Rights were granted. The terms and conditions of the grant are as follows:

## NOTE 30 SHARE-BASED PAYMENTS (CONT.)

| 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 |
|---|---|---|---|---|---|---|---|---|
| | 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[(b)] | $0.00 | 2,611,508 | - | 1,506,488 | 1,105,020 | - |
| 3 | 5 Nov 2018 | 30 Jun 2021[(c)] | $0.00 | 1,251,497 | - | 332,884 | 699,547 | 219,066 |
| 4 | 24 Oct 2019 | 30 Jun 2022[(d)] | $0.00 | - | 509,192 | 254,596 | 164,691 | 89,905 |
| **TOTAL** | | | | 4,589,487 | 509,192 | 2,820,450 | 1,969,258 | 308,971 |

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

(b) These Rights were modified and vested on 2 April 2020, refer to 'Modification of performance rights' on page 91

(c) These Rights were modified and vested on 2 April 2020, refer to 'Modification of performance rights' on page 91

(d) These Rights were modified and vested on 2 April 2020, refer to 'Modification of performance rights' on page 91

### 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 following table lists the inputs to the models used for the years ended 30 June 2020, 30 June 2019 and 30 June 2018, prior to the modification following the change of control:

| | Tranche 2 (issued in FY2018) | Tranche 3 (issued in FY2019) | Tranche 4 (issued in FY2020) |
|---|---|---|---|
| Performance hurdle | ASTR | ASTR | ASTR |
| Grant date | 29 Nov 2017 | 5 Nov 2018 | 24 Oct 2019 |
| Vesting date | 31 Jul 2020 | 31 Jul 2021 | 31 Jul 2022 |
| Fair value at grant date | $0.32- $0.38 (SDR[1]) | $0.45 | $0.37 |
| Share price | $0.60 | $0.94 | $1.13 |
| Exercise price | $0.00 | $0.00 | $0.00 |
| Dividend yield | 0% | 0% | 4.47% |
| Expected measurement period | 30 Jun 2020<br>30 Jun 2021 | 30 Jun 2021<br>30 Jun 2022 | 30 Jun 2022<br>30 Jun 2023 |
| Risk free interest rate | 2.40% | 2.09% | 0.73% |
| Expected volatility | 75% | 60% | 50% |

1 *Specified Disposal Restriction*

### Modification of Rights

As a result of the Board exercising its discretion in relation to the Rights outstanding on 1 April 2020, the day immediately before the change of control, a modification under AASB 2 *Share Based Payments* was triggered. This modification required the Rights that vested as a result of the change in control to be revalued immediately before the change of control and any value increase between the revalued amount and the share price on the day of modification be recognised in the Statement of Profit or Loss and other Comprehensive Income. The below is the impact on the Statement of Profit or Loss and other Comprehensive Income:

## NOTE 30 SHARE-BASED PAYMENTS (CONT.)

| Tranche | Exercise Price | Vesting | No. of rights | Modification | Fair Value[1] | Share price[2] | Impact on profit and loss |
|---|---|---|---|---|---|---|---|
| FY18 | $0.00 | 2-Apr-20 | 1,506,488[3] | 100% of the rights vested | 0.28 | 0.96 | 1,024,412 |
| FY19 | $0.00 | 2-Apr-20 | 332,884[3] | 50% of the rights vested | 0.15 | 0.96 | 269,636 |
| FY19 | $0.00 | 31-Jul-21 | 332,883 | 50% of the Rights did not vest and continue on original terms | N/A | N/A | - |
| FY20 | $0.00 | 2-Apr-20 | 254,596[3] | 50% of the rights vested | 0.13 | 0.96 | 211,315 |
| FY20 | $0.00 | - | 127,298 | 25% of the rights lapsed | N/A | N/A | - |
| FY20 | $0.00 | 31-Jul-22 | 127,298 | 25% of the Rights that did not vest and continue on original terms | N/A | N/A | - |
| | | | **2,681,447** | | | | **1,505,363** |

1 The fair value is the accounting valuation of the Rights on the day immediately before change of control occurred
2 The closing share price following change of control
3 The additional expense recognised as a result of vesting earlier than original conditions in line with the modification was $0.262m.

The Fair Value of the performance Rights granted under the LTI program which vested on 2 April 2020 was based on the existing performance conditions, see page 93 for details. These conditions are measured using a Monte Carlo Simulation model incorporating the probability of the performance hurdles being met. The following table lists the inputs to the models used for the years ended 30 June 2020, 30 June 2019 and 30 June 2018 following the modification:

| | Tranche 2 (issued in FY2018) | Tranche 3 (issued in FY2019) | Tranche 4 (issued in FY2020) |
|---|---|---|---|
| Performance hurdle | ASTR | ASTR | ASTR |
| Grant date | 1 April 2020 | 1 April 2020 | 1 April 2020 |
| Vesting date | 31 Jul 2020 | 31 Jul 2021 | 31 Jul 2022 |
| Fair value at grant date | $0.23- $0.28 (SDR[1]) | $0.15 | $0.13 |
| Share price | $0.80 | $0.80 | $0.80 |
| Exercise price | $0.00 | $0.00 | $0.00 |
| Dividend yield | 5.0% | 7.5% | 10.7% |
| Expected measurement period | 30 Jun 2020<br>30 Jun 2021 | 30 Jun 2021<br>30 Jun 2022 | 30 Jun 2022<br>30 Jun 2023 |
| Risk free interest rate | 0.21% | 0.21% | 0.29% |
| Expected volatility | 50% | 50% | 50% |

1 *Specified Disposal Restriction*

## NOTE 30 SHARE-BASED PAYMENTS (CONT.)

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 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 |

[(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 4 (FY20) Rights granted:

| Performance Level | ATSR [(a)] of SMR [(b)] CAGR [(c)] | % of Stretch/Maximum Vesting | Jun 22 Share Price for vesting |
|---|---|---|---|
| Stretch | 20.00% | 100.00% | $2.46 |
| Between Target and stretch | >15.00%<20.00% | Pro-rata | Pro-Rata |
| Target | 15.00% | 50.00% | $2.17 |
| Between Threshold and Target | >10.00%<15.00% | Pro-Rata | Pro-Rata |
| Threshold | 10.00% | 0% | $1.90 |
| Below Threshold[(d)] | <10.00% | 0% | $0.00 |

[(a)] Absolute Shareholder Return
[(b)] Stanmore Coal Limited
[(c)] Compound Annual Growth Rate (CAGR)
[(d)] Subject to Retest in FY23 at CAGR

## NOTE 30 SHARE-BASED PAYMENTS (CONT.)

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. As a result of the change of control that occurred on 2 April 2020, there was a modification to the valuation immediately prior to the change of control. See details on page 91 for information on the modification and the impact to the Profit and Loss.

## NOTE 31 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 is Stanmore Coal Limited, a company incorporated in Australia. The ultimate parent company of the Consolidated Entity is PT Sinarindo Gerbangmas.

### SUBSIDIARIES

Interests in subsidiaries are disclosed in Note 22.

### KEY MANAGEMENT PERSONNEL

Disclosures relating to KMP are set out in Note 26.

### OTHER RELATED PARTY TRANSACTIONS

On 18 June, the Consolidated Entity has also signed a non-binding term sheet with its parent entity, Golden Energy and Resources Limited (GEAR) in respect to a new financing facility. The terms of this facility are similar to the terms provided by the previous financier. The Consolidated Entity is progressing this facility.

The key terms of the proposed facility are:

- Facility will be a US$40m facility until 30 June 2022
- Upfront commitment fee of 2.0%
- Interest rate on drawn funds of 8.0% per annum
- Interest rate on undrawn funds 2.0% per annum

On 26 June, the Consolidated Entity entered into a Short-term Financing Agreement with its parent entity, GEAR to cover the period up until the US$40 million finance facility is finalised and in place. The key terms of this short-term facility are:

- Facility is an A$10m facility which expires on the earlier of 31 October 2020, or when the US$40m facility is finalised
- Interest rate is 8.0% per annum on draw funds

## NOTE 32 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 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 2020.

There are no such statements or interpretations that are expected to have a material impact on the Consolidated Entity.

# **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 2020 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 30 to 51 of the Directors' report (as part of audited Remuneration Report) for the year ended 30 June 2020, 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.

Marcelo Matos
Chief Executive Officer
Executive Director

Brisbane

Date: 30 September 2020

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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 2020, 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 2020 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 (including Independence Standards)* (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.

BDO

*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.<br><br>The Group carries exploration and evaluation assets as at 30 June 2020 in relation to the application of the Group's accounting policy for exploration and evaluation assets.<br><br>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:<br><br>• 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<br>• Making enquires of management with respect to the status of ongoing exploration programs in the respective areas of interest<br>• 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 17 in the financial report.<br><br>The company has recognised a liability for contingent consideration as at 30 June 2020.<br><br>The contingent consideration relates to:<br>• 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<br>• The acquisition of Isaac Downs in the prior year contained a royalty agreement benchmarked against the Hard Coking Coal prices exceeding certain levels. The amount payable is capped at a fixed amount over the life of the mine.<br><br>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 with the uncertainty of impact of COVID-19. | The valuation of the contingent consideration is based on forecasts and assumptions within a model developed by management.<br><br>We evaluated and tested key assumptions in this model by performing, amongst others, the following procedures:<br>• 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<br>• Checking the mathematical accuracy of the model and agreeing the underlying inputs used within the model to external market data were available<br>• Examining the cash flow and coal production forecasts provided by management and challenging the assumptions therein by ensuring consistency with the stated business and operational objectives |

*Completeness and measurement of provision for rehabilitation*

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| Refer to Note 16 in the financial report.<br>The company has recognised a provision for rehabilitation as at 30 June 2020.<br>The provision for rehabilitation relates to:<br>• Rehabilitation and rectification of remaining historical disturbance at Isaac Plains<br>• Rehabilitation and rectification of disturbance occurring during this financial year at Isaac Plains East<br>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.<br>We evaluated and tested key assumptions in this model by performing, amongst others, the following procedures:<br>• Assessing the reasonableness of the methodology and assumptions applied in the model in particular the extent of disturbed areas as at 30 June 2020, and the expected timing of rehabilitation works<br>• Checking the mathematical accuracy of the model and agreeing the underlying inputs used within the model to external market data were available<br>• 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 in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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 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, 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.

**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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 22 to 36 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Stanmore Coal Limited, for the year ended 30 June 2020, 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, 30 September 2020

# SHAREHOLDER INFORMATION

## SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not shown elsewhere in this report is as follows. The information is current as at 10 September 2020.

## DISTRIBUTION OF EQUITY SECURITIES

The number of Ordinary Shares by size of holding is:

| Range | Securities | % | No. of holders | % |
|---|---|---|---|---|
| 100,001 and Over | 264,517,968 | 97.82 | 23 | 2.73 |
| 10,001 to 100,000 | 4,273,217 | 1.58 | 177 | 21.02 |
| 5,001 to 10,000 | 929,403 | 0.34 | 129 | 15.32 |
| 1,001 to 5,000 | 616,349 | 0.23 | 249 | 29.57 |
| 1 to 1,000 | 68,300 | 0.02 | 264 | 31.36 |
| **Total** | **270,405,237** | **100.00** | **842** | **100.00** |

The number of shareholders holding less than a marketable parcel is 224 (35,226 ordinary shares).

The number of Unlisted rights by size of holding is:

| Range | Securities | % | No. of holders | % |
|---|---|---|---|---|
| 100,001 and Over | 308,971 | 100.00 | 3 | 100.00 |
| 50,001 to 100,000 | – | – | – | – |
| 10,001 to 50,000 | – | – | – | – |
| 5,001 to 10,000 | – | – | – | – |
| 1,001 to 5,000 | – | – | – | – |
| 1 to 1,000 | – | – | – | – |
| **Total** | **308,971** | **100.00** | **3** | **100.00** |

## SUBSTANTIAL SHAREHOLDERS

Substantial shareholders are shown in shareholder notices received by Stanmore Coal Limited as at 10 September 2020 are:

| Name of shareholder | Number of shares |
|---|---|
| Golden Investments (Australia) Pte Ltd | 203,695,433 |
| M Resources Pty Ltd and Matt Latimore | 38,866,531 |
| Old Forrester Pty Ltd | 12,714,779 |

## RESTRICTED SECURITIES

There are 12,144 restricted shares 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 | 203,696,265 | 75.33 |
| M RESOURCES PTY LTD AND LATIMORE FAMILY PTY LTD | 38,866,531 | 14.37 |
| OLD FORRESTER PTY LTD | 12,714,779 | 4.70 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 981,791 | 0.36 |
| BNP PARIBAS NOMS PTY LTD | 819,593 | 0.30 |
| JP MORGAN NOMINEES AUSTRALIA PTY LIMITED | 719,342 | 0.27 |
| CHENGDU DI'AO INTERNATIONAL INVESTMENT PTY LTD | 672,788 | 0.25 |
| CITICORP NOMINEES PTY LIMITED | 551,007 | 0.20 |
| MRS APIANG WOONG | 515,152 | 0.19 |
| ZERO NOMINEES PTY LTD | 500,000 | 0.18 |
| MR C.I. WALLIN & MS F.K. MCLOUGHLIN & MRS S.F. BHATIA | 500,000 | 0.18 |
| MORRIS EQUITY INVESTMENTS PTY LTD | 400,000 | 0.15 |
| PRINEAS SUPER PTY LTD | 400,000 | 0.15 |
| SIR RONALD ALFRED BRIERLEY | 338,779 | 0.13 |
| MR ROBERT HAMILTON FRITH | 258,000 | 0.10 |
| MR PHILIP LANGDON SPRING | 231,727 | 0.09 |
| MR ANDREW PAULINSKI | 210,607 | 0.08 |
| MRS CHRISTINE JOY TANKEY & MR JAMES ADRIAN TANKEY | 206,061 | 0.08 |
| WONFAIR INVESTMENTS PTY LTD | 171,876 | 0.06 |
| CS THIRD NOMINEES PTY LIMITED | 124,138 | 0.05 |
| **TOTAL OF 20 LARGEST HOLDERS** | **262,878,436** | **97.22** |
| **TOTAL ORDINARY SHARES** | **270,405,237** | **100.00** |

## VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

Options and performance rights do not carry voting rights.

# **RESERVES** AND RESOURCES

## Stanmore Coal Reserves as at end June 2020

| | | Coal Reserves | | | Marketable Coal Reserve | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Project Name** | **Tenement** | **Proved** | **Probable** | **Total** | **Proved** | **Probable** | **Total** | **Competent Person** | **Report Date** |
| Isaac Plains Opencut | ML 70342, | 1.0 | 0.1 | 1.1 | 0.7 | 0.0 | 0.7 | H | Aug-20 |
| Isaac Plains East Opencut | ML 700016, ML700017, ML700018, ML700019 | 8.3 | 1.9 | 10.2 | 6.4 | 1.4 | 7.8 | H | Aug-20 |
| Isaac Plains Underground | ML 70342, ML 700018, ML 700019 | | 12.9 | 12.9 | | 9.4 | 9.4 | F | Apr-18 |
| Isaac Downs | MDL 137, EPC 755, EPC728 | 22.3 | 3.6 | 25.9 | 15.8 | 2.1 | 17.9 | I | Jul-20 |
| **Isaac Plains Complex** | | **31.6** | **18.5** | **50.1** | **22.8** | **13.0** | **35.8** | | |
| The Range | EPC 1112, EPC 2030 | | 116.6 | 116.6 | | 94.2 | 94.2 | G | Jul-11 |
| **Total Coal Reserves** | | **31.6** | **135.1** | **166.7** | **22.8** | **107.2** | **130.0** | | |

### Coal Type Ratio - Coking:Thermal (% of Marketable Coal Reserve)

| | |
|---|---|
| Isaac Plains OC | 69%:31% |
| Isaac Plains East OC | 99%:1% |
| Isaac Plains Underground | 88%:12% |
| Isaac Downs | 97%:3% |
| The Range | 100% Thermal |

### Competnent Person

F - Mr Mark McKew - Geostudy

H - Mr Tony O'Connel - Optimal/Measured

G - Mr Richard Hoskings - Minserve

I - Mr Michael Barker - Palaris Australia

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.

Note 2: Totals may not be exact due to significant figure rounding.

Note 3: The Reserves quoted for The Range project were established in 2011 under the relevant JORC Code at the time and used a coal price forecast 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 4: All Coal Reserves are reported on a 100% basis, and Stanmore Coal's economic interest in the tenure above is 100%.

# **RESERVES** AND RESOURCES

(CONTINUED)

## Stanmore Coal Resources as at end June 2020

| 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 | 25.2 | 16.0 | 5 | 46 | A | Jun-20 |
| Isaac Plains East | ML 700016, ML700017, ML700018, ML700019 | C | 9.8 | 8.0 | 4 | 22 | E | Jun-20 |
| Isaac Downs | MDL 137, EPC 728 | C, PCI | 24.7 | 11.5 | 0 | 36.2 | B | Jun-20 |
| Isaac South | EPC 755 | C, T | 11.9 | 14.5 | 25 | 52 | C | Jun-18 |
| **Isaac Plains Complex** | **Sub Total** | | **71.6** | **50.0** | **34** | **156** | | |
| Clifford | EPC 1274, EPC 1276 | T | 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** | **511** | **916** | | |
| Mackenzie | EPC 2081 | C, T | 0 | 25.7 | 117 | 143 | A | Nov-11 |
| Belview | EPC 1114, EPC 1186, EPC 1798 | C, PCI | 0 | 50.0 | 280 | 330 | A | Mar-15 |
| Tennyson | EPC 1168, EPC 1580 | T | 0 | 0.0 | 139 | 139 | A | Dec-12 |
| Lilyvale | EPC 1687, EPC 2157 | C | 0 | 0 | 33 | 33 | A | Feb-14 |
| **Total Coal Resources** | | | **89.7** | **512.7** | **1114** | **1717** | | |

### *Coal Types Potential Legend

C - Coking Coal, semi-soft or greater potential

PCI - Pulverised Coal Injection

TH - Export Thermal grade

### Competent Person

A - Mr Troy Turner - Xenith Consulting

B - Mr James Knowles - Measured Group

C - Mr Mal Blaik - JB Mining

D - Mr Oystein Naess - Xenith Consulting

E - Dr Bronwyn Leonard - Stanmore Coal

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 are reported against the requirements of the 2012 JORC Code.

Note 2: 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 3: 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.

# **OTHER** INFORMATION

## Resources and reserves note

The company has chosen to report Measured and Indicated Resources inclusive of Mineral Resources modified to produce Coal Reserves. The summary tables have been provided in this report.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcements made on 21 August 2020 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 21 August 2020 continue to apply and have not materially changed.

## Competent persons statement

The information in this report relating to coal reserves for the Isaac Plains and Isaac Plains East was announced on 21 August 2020, titled *"Mineral Resources and Coal Reserve update for Isaac Plains mine and Isaac Plains East mine"*, and is based on information compiled by Mr Tony O'Connell, an employee of Optimal Mining Solutions and Principle Mining Consultant with Measured Group. Mr O'Connell is a qualified Mining Engineer (Bachelor Degree in Engineering (Mining), University of Queensland), and a member of Australian Institute of Mining and Metallurgy and has the relevant experience (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

21 August 2020 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 21 August 2020 continue to apply and have not materially changed.

The information in this report relating to coal reserves for the Isaac Downs Project was announced on 21 August 2020, titled *"Mineral Resources and Coal Reserve update for Isaac Downs"* and is based on information compiled by Mr Michael Barker, an employee of Palaris Australia as General Manager Feasibility Studies. Mr Barker is a Member of Australian Institute of Mining and Metallurgy and has the relevant experience (23+ years) in relation to the relevant style of 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 21 August 2020 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 21 August 2020 continue to apply and have not materially changed.

The information in this report relating to coal reserves for the Isaac Plains Underground was announced on 21 August 2020, titled *"Mineral Resources and Coal Reserve update for Isaac Plains mine and Isaac Plains East mine"* 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 mineralization and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2012 Edition)"*.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 21 August 2020 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 21 August 2020 continue to apply and have not materially changed.

The information in this report relating to coal reserves for the Range was announced on 21 August 2020, titled *"2020 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 mineralization and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2012 Edition)"*.

The 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 information in this report relating to coal resources for Isaac Plains, including Isaac Plains Underground was announced on 21 August 2020, titled *"Mineral Resources and Coal Reserve update for Isaac Plains mine and Isaac Plains East mine"*, and is based on information prepared by consultants under the guidance of Mr Troy Turner who is a member of the Australasian Institute of Mining and Metallurgy and is a full-time employee and Managing Director of Xenith Consulting Pty Ltd.

# **OTHER** INFORMATION
(CONTINUED)

Mr Turner is a qualified Geologist (BAppSc(Geology), University of Queensland) and has sufficient experience (25+ years) 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 (The JORC Code 2012 Edition)"*.

The information in this report relating to coal resources for Isaac Plains East was announced on 21 August 2020, titled *"Mineral Resources and Coal Reserve update for Isaac Plains mine and Isaac Plains East mine"*, and is based on information prepared by Dr Bronwyn Leonard who is a full time employee of Stanmore Coal and holds the position of Superintendent Mine Geology. Dr Leonard is qualified Geologist with a degree from University of Canterbury, a PhD from James Cook University majoring in Geology/ Earth Sciences, and is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Dr Leonard has over 15 years of experience in the style of mineralization and type of deposit under consideration and to the activity which is undertaken, 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 (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 21 August 2020 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 21 August 2020 continue to apply and have not materially changed.

The information in this report relating to coal resources for the Isaac Downs was announced on 21 August 2020, titled *"Mineral Resources and Coal Reserve update for Isaac Downs"* and is based on information prepared by a team of consultants under the guidance of Mr Toby Prior who is a Principle Geologist with Measured Group Pty Ltd. Mr Prior is a qualified Geologist (BAppSc(Geology) University of Southern Queensland) and has sufficient experience (20+ years) 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 (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 21 August 2020 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 21 August 2020 continue to apply and have not materially changed.

The information in this report relating to coal resources for the Isaac South was announced on 21 August 2020, titled *"2020 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 over 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 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 21 August 2020 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 21 August 2020 continue to apply and have not materially changed.

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 a member of the Australian Institute of Mining and Metallurgy and was a full-time employee of Xenith Consulting Pty Ltd. Mr Naess 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 (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.

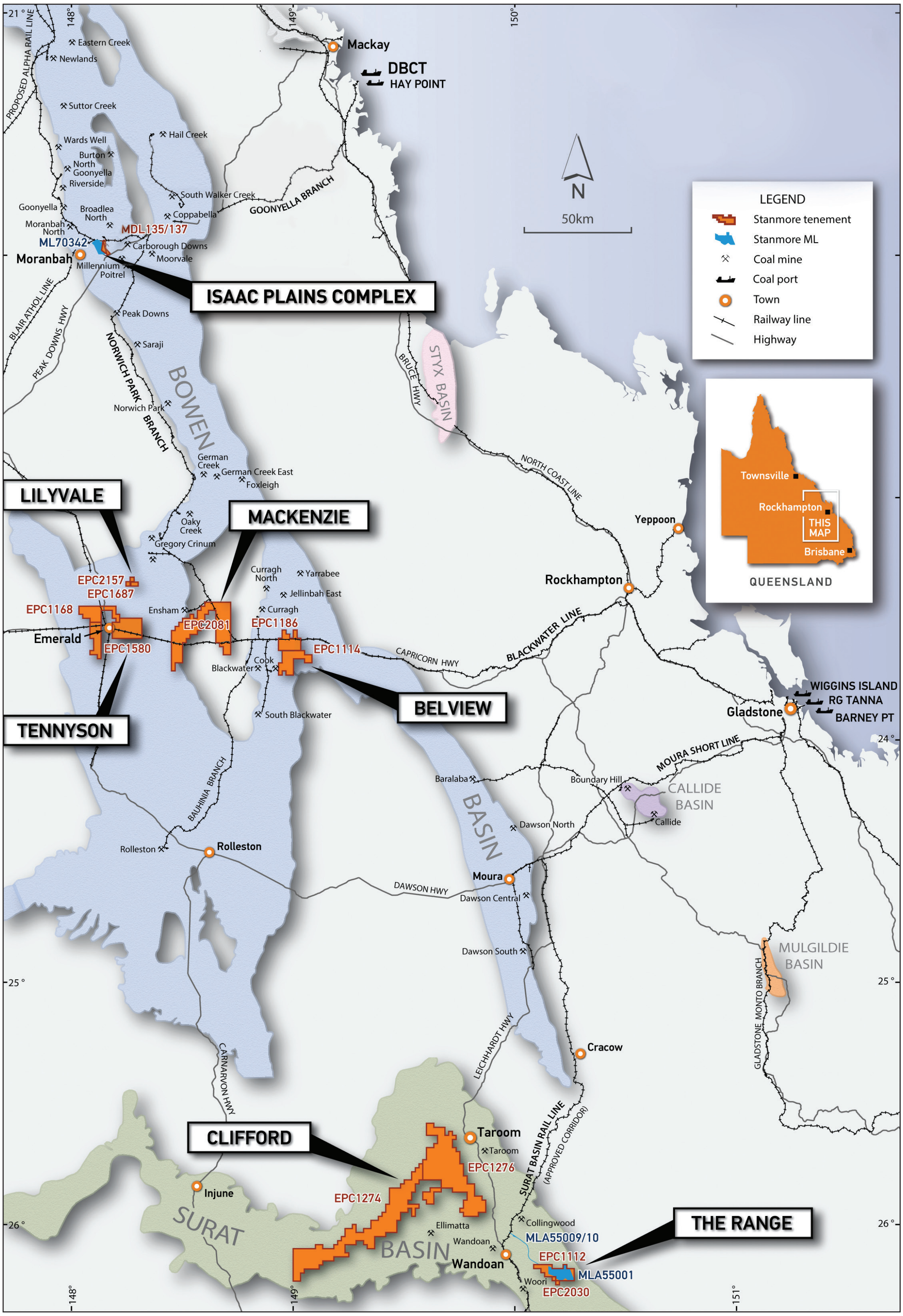
The information in this report relating to coal resources for all other projects was announced on the dates noted in the table within the Directors' Report, and is based on information compiled by Mr Troy Turner who is a full-time employee and Managing Director of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and a member of the Australian Institute of Mining and Metallurgy (AusIMM) 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 $M unless shown otherwise | FY20 | FY19 | FY18 | FY17 | FY16 |
|---|---|---|---|---|---|
| **Summarised financial statements** | | | | | |
| Sales revenue | 364,485 | 403,059 | 208,081 | 137,846 | 12,700 |
| Operating profit before depreciation and amortisation, finance costs and income tax | 89,512 | 149,537 | 24,033 | 19,075 | (15,658) |
| Underlying EBITDA (non-IFRS measure) | 0 | 154,895 | 45,548 | 26,756 | (22,219) |
| Depreciation and amortisation | (29,916) | (11,383) | (5,207) | (3,332) | (1,306) |
| EBIT | 59,596 | 138,154 | 18,826 | 15,743 | (16,964) |
| Net Finance costs | (8,018) | (9,624) | (8,786) | (9,325) | (2,782) |
| Income tax (expense)/benefit | (16,685) | (36,932) | (4,074) | 5,617 | 0 |
| Operating profit after income tax attributable to members of Stanmore Coal Limited | 34,893 | 91,598 | 5,966 | 12,035 | (19,746) |
| **Capital and dividends** | | | | | |
| Ordinary shares on issue (number) 000's as at 30 June | 270,417 | 256,094 | 251,801 | 251,801 | 222,497 |
| Paid up ordinary capital as at 30 June | 121,725 | 117,613 | 113,200 | 113,200 | 97,368 |
| Dividend per ordinary share declared (cents) | – | 11 | 2 | – | – |
| **Financial performance** | | | | | |
| Share price at year end ($/sh) | 0.78 | 1.425 | 0.87 | 0.34 | 0.28 |
| Earnings per share (weighted average) (cents) | 13.2 | 35.1 | 2.4 | 5.1 | (8.9) |
| Return on average ordinary shareholders' equity | 21% | 80% | 9% | 23% | (40%) |
| **Financial position as at 30 June** | | | | | |
| Total assets | 296,769 | 306,992 | 168,089 | 163,103 | 112,274 |
| Total liabilities | 128,186 | 149,888 | 94,927 | 96,285 | 73,189 |
| Net assets | 168,583 | 157,104 | 73,162 | 66,818 | 39,085 |
| Net tangible asset backing per ordinary share | $0.31 | $0.31 | $0.12 | $0.14 | $0.05 |
| Net debt/(cash) to equity | (12%) | (58%) | (27%) | (18%) | (31%) |
| Total liabilities/total assets | 43% | 49% | 56% | 59% | 65% |
| **Stock market capitalisation as at 30 June** | **210,925** | **364,934** | **219,067** | **85,612** | **62,299** |

# STANMORE COAL ASSETS



# **CORPORATE** INFORMATION

## DIRECTORS

Dwi Suseno
Jimmy Lim
Marcelo Matos
Mark Trevan
Mary Carroll
Richard Majlinder

## COMPANY SECRETARY

Tristan Garthe

## REGISTERED OFFICE AND PRINCIPAL BUSINESS OFFICE

Level 15, 133 Mary Street
Brisbane Qld 4000
Phone: + 61 7 3238 1000

## COUNTRY OF INCORPORATION

Australia

## SHARE REGISTRY

Link Market Services
Level 21, 10 Eagle St
Brisbane Qld 4000
Phone: 1300 554 474

## AUDITOR

BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane Qld 4000
Phone: 1 300 928 603
www.bdo.com.au

## STOCK EXCHANGE LISTING

Australian Securities Exchange
ASX Code: SMR

## INTERNET ADDRESS

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