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Annual Report
2013

stanmorecoal



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

Note 2 Exploration Target Note: All statements as to exploration targets of Stanmore Coal and statements as to potential quality and grade are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal Resource and identification of a Resource will be totally dependent on the outcome of further exploration. Any statement contained in this report as to exploration results or exploration targets has been made consistent with the requirements of the Australasian code for reporting of exploration results, mineral resources and ore reserves (JORC Code).

Competent Persons Statement: The information in this report relating to exploration results and coal resources is based on information compiled by Mr Troy Turner who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a full time employee Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2004 Edition of the JORC Code. Mr Turner consents to the inclusion in this document of the matters based on the information, in the form and context in which it appears. The information in this report relating to coal reserves is based on information compiled by Mr Richard Hoskings who is a member of Minserv Pty Ltd. Mr Hoskings is a mining engineer, a Fellow of the AusIMM and has the relevant experience (30+ years) in relation to the mineralisation being reported to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2004 Edition)". Mr Hoskings consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.

Corporate Information

DIRECTORS

Neville Sneddon
Nicholas Jorss
Andrew Martin
Stephen Bizzell
Viv Forbes
Chris McAuliffe

JOINT COMPANY SECRETARIES

Duncan Cornish and Doug McAlpine

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Australian Securities Exchange Ltd
ASX Code: SMR

INTERNET ADDRESS

www.stanmorecoal.com.au

AUSTRALIAN BUSINESS NUMBER

ABN 27 131 920 968

Chairman's Letter to Shareholders

Dear Shareholders

The twelve months since I last reported to you has been turbulent for commodity markets and the junior coal sector. In response to weakening commodity prices, institutional investment support for coal exploration and development companies has contracted and the general sentiment toward commodity based investments has softened dramatically. As a result, the significant progress the Company has made on its two flagship assets, Belview and The Range, has gone largely unrecognised.

Commodity markets are inherently cyclical in nature and the Board believes that the Company's diversified portfolio of projects and its large resource base puts it in a strong position as coal markets recover. Stanmore Coal is well positioned to manage short term market volatility as it has substantial cash reserves, a small but highly skilled management team and no take or pay liabilities.

Globally, high quality, low cost coal projects are becoming increasingly difficult to identify and develop. Stanmore Coal is in the fortuitous position to own two such projects.

During the year, the Company continued to improve its Belview Coking Coal Project ("Belview") by expanding the Project's JORC Resource base and completed further studies and drilling. Belview has the hallmarks of a world class coking coal Project with excellent coal quality characteristics and a competitive cost structure. Over the coming year, management will undertake further work as we progress towards production, with the aim of further reducing capital and operating costs and undertaking necessary studies to further define and de-risk the Project.

The feasibility study completed on The Range Thermal Coal Project ("The Range") during the year confirmed that the Range is an attractive 5Mtpa high quality, low cost, open cut thermal coal Project. It is geologically benign with low strip ratios suitable for open cut mining operation. No further material expenditure is required on the Project until there is certainty around the infrastructure solution for the Surat Basin.

There is currently excess port capacity in most Queensland export facilities as a consequence of recent coal project deferrals. We anticipate that in the medium term, port capacity will again become constrained and consequently will be a valuable asset. Stanmore Coal retains its capacity entitlements in Wiggins Island Coal Export Terminal Expansion 1 (WEXP1) and is evaluating opportunities to secure additional low cost port capacity whilst it is available.

Outlook

Stanmore Coal believes that the long term fundamentals of both the coking and thermal coal markets are robust, based on an expectation of improved long term demand for high quality coal in emerging economies including India, China and South East Asia. The Board's view is that the operating environment will improve as thermal coal prices stabilise in the medium term and excess capacity is eliminated through the combination of continued Asian demand growth and the rationalisation of excess supply. We have also recently observed significant improvement to the coking coal price.

Depressed short term market conditions present challenges but also opportunities as other organisations re-evaluate their portfolios and assets are rationalised. We aim to continue to strengthen the Company through any continued downturn by selectively adding to our asset base where acquisitions are logical for us and highly value accretive.

The Company is also conscious of the need to deliver its projects with competitive cost structures that will be profitable during periods of volatility in commodity prices. In light of weak market conditions Stanmore Coal has commenced a capital review exercise on both Belview and The Range with the objective of achieving more accurate capital pricing and reducing the project capital cost.

At Stanmore Coal, conducting our exploration and development activities within a safe working environment for the Company's employees and other stakeholders is of utmost importance. I'm pleased to say that the Company's lost time injury frequency rate for the year was nil.

The Company operates with a small, highly skilled group of experienced executives who are focussed on developing the Company's assets and getting to production. The Board thanks the management team and staff for their loyalty and hard work during a difficult twelve months.

We also thank the shareholders of Stanmore Coal, for their continued support and encourage them to stay with the Company as it navigates difficult market conditions in the short term with the expectation of emerging as a stronger, better business.



Neville Sneddon
Chairman

Directors' Report

Your Directors present their report for the year ended 30 June 2013.

The following persons were Directors of Stanmore Coal Limited during the financial year and up to the date of this report, unless otherwise stated:

Nicholas Jorss

BE (Hons) Civil, MBA, GDip App Fin (Sec Inst)

Managing Director

Nick Jorss is a founding Director and shareholder of Stanmore Coal and has over 20 years' experience in investment banking, civil engineering, corporate finance and project management. In his roles in investment banking he has been involved in leading advisory mandates with corporate, government and private equity clients across industry sectors ranging from resources to infrastructure. Nick was previously a Director of Pacific Road Corporate Finance and was an engineer with Baulderstone Hornibrook prior to that where he delivered infrastructure and resource projects over a period of approximately 8 years.

Nick is a founding shareholder and Director of St. Lucia Resources International, Stanmore Coal and Kurilpa Uranium and Wingate Capital. He was previously a Director of Vantage Private Equity Growth, Vantage Asset Management and WICET Holdings Pty Ltd. During the past three years Nick has not served as a Director of any other ASX listed companies.

Nick holds a Bachelor with Honours in Civil Engineering, a Masters of Business Administration and a Graduate Diploma of Applied Finance and Investment.

Neville Sneddon

B. Eng (Mining) (Hons), M. Eng, MAusIMM, Grad AICD

Non-Executive Chairman

A mining engineer with over 40 years' experience in most facets of the Queensland and NSW resource sectors, Neville Sneddon brings substantial Board and industry knowledge to Stanmore Coal. He has developed and operated both underground and open cut mines working for Coal & Allied in the Hunter Valley and from 1997 worked in a senior role in the NSW Mines Inspectorate, covering operations in all forms of mining in the state.

Moving to Queensland in 1999, Neville accepted the position of Chief Operating Officer with Shell Coal which was acquired by Anglo American's Australian coal operations the following year. Leaving as CEO in 2007, he held several Board positions with mining and infrastructure companies including Chairman of the operating company at Dalrymple Bay Coal Terminal near Mackay and Director of Port Waratah Coal Services, a major coal export facility at Newcastle.

Neville has also been a member of the Boards of the Queensland, NSW and National Mining Councils. His expertise has been sought by several government committees such as the NSW Mine Subsidence Board, the NSW Mines Rescue Board, Queensland Ministerial Coal Mine Safety Advisory Committee and the joint federal/state advisory committee which is developing nationally consistent mining safety legislation. Neville is presently on the Board of Envirogen, Solid Energy Limited in New Zealand and is the Chairman of CSM Energy.

Neville is Chairman of the Remuneration Committee.

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

- Centennial Coal Company Limited (from 19 February 2008 to 17 February 2010)

Andrew Martin

B.Ec (Hons)

Non-Executive Director

An investment banker with Deutsche Bank, Andrew Martin offers more than 15 years financial, advisory and corporate experience within the infrastructure, utilities and natural resources industries. In recent years, Andrew has advised on transactions within the power generation, utilities, gas, water, road, rail and ports sectors.

Holding a Bachelor of Economics (Honours) from the University of Sydney, Andrew is a founding Director and shareholder in St Lucia Resources International, Stanmore Coal and Kurilpa Uranium, which was acquired by Renaissance Uranium Ltd before its listing.

Andrew is a member of the Audit and Risk Management and Remuneration Committees.

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

- Renaissance Uranium Ltd *

Stephen Bizzell
BCom MAICD
Non-Executive Director

Stephen Bizzell is Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners. Stephen spent his early career in the corporate finance division of Ernst & Young and the corporate tax division of Coopers & Lybrand and qualified as a chartered accountant. He is highly experienced in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions and has 20 years corporate finance and public company management experience in the resources sector in Australia and Canada.

Stephen was previously an Executive Director of Arrow Energy Ltd from 1999 until its acquisition in 2010 by Royal Dutch Shell and PetroChina for \$3.5 billion. Stephen was instrumental in Arrow's corporate and commercial success and its growth from a junior explorer to a large integrated energy company.

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

During the year ended 30 June 2013, Stephen was appointed to the Board of Queensland Treasury Corporation. During the past three years Stephen has also served as a Director of the following ASX listed companies:

- Apollo Gas Ltd (until takeover in 2011)
- Armour Energy Limited*
- Arrow Energy Ltd (until takeover in 2010)
- Bow Energy Ltd (until takeover in 2012)
- Dart Energy Ltd*
- Diversa Ltd*
- Hot Rock Ltd*
- Renaissance Uranium Ltd *
- Laneway Resources Limited (formerly Renison Consolidated Mines NL)*
- Titan Energy Services Limited*

* denotes current ASX listed directorship.

Viv Forbes
BScApp (Geol), FAusIMM, FSIA
Non-Executive Director

Viv Forbes is a Bowen Basin pioneer with more than 40 years coal-industry experience including government service, field exploration, mine valuation and acquisition, financing, development, operations and successful asset sales. Viv has been involved in various capacities at Burton Coal, Dalrymple Bay Coal Terminal, South Blackwater Coal Mine, Tahmoor Coal Mine, Newlands/Collinsville Coal Mines, MIM, Utah Goonyella/Saraji and Gold Fields. He has a degree in Applied Science Geology and is a Fellow of the Australasian Institute of Mining and Metallurgy.

During the past 3 years Viv has not served as a Director of any other ASX listed companies.

Viv is a member of the Remuneration Committee and stood down from the Audit & Risk Committee on 6 March 2013.

Chris McAuliffe
LLB (Hons), MBA
Non-Executive Director (commenced 17 July 2012)

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

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

- Asian Bamboo AG * (Germany)
- Xplorer PLC * (London)
- Chaswood Resources Holdings Limited * (SGX)

Chris is a member of the Audit & Risk Committee (commenced 6 March 2013).

Doug McAlpine
B.Comm, CA
CFO, Joint Company Secretary

Doug McAlpine joined the Company as Chief Financial Officer on 19 September 2012. On 19 December 2012 Doug was appointed joint company secretary and holds both positions up to the date of this report.

Doug is an experienced finance executive with 15 years of accounting and finance experience, 10 of those as CFO of public companies in Australia. In his previous role as Chief Financial Officer of Watpac Limited, he played a key role in the establishment and growth of the company's contact mining services business. Prior to that, he held the roles of Chief Financial Officer and General Manager of Investments at Ariadne Limited a listed property and Investment Company. Doug has had significant exposure to the coal industry in Queensland having previously provided external audit and consulting services to BHP Billiton and Rio Tinto during his time in the professional services sector. Doug is an accountant who commenced his career providing external audit and consulting services with Arthur Andersen and Ernst & Young.

Duncan Cornish
B.Bus (Acc), CA
Joint Company Secretary

Duncan Cornish was the joint company secretary of Stanmore Coal Limited from 19 December 2011 up to the date of this report.

Duncan is an accomplished and highly regarded corporate administrator and manager. He has many years of experience in pivotal management roles in capital raisings and stock exchange listings for numerous companies on the ASX, AIM Market of the London Stock Exchange and the Toronto Stock Exchange. Highly skilled in the areas of company financial reporting, company regulatory, secretarial and governance areas, business acquisition and disposal due diligence, he has worked with Ernst & Young and PricewaterhouseCoopers both in Australia and the UK.

Duncan is currently Company Secretary and CFO of other listed companies on the ASX and TSX-V where he has assisted in their listing and capital raising. He is supported by a small experienced team of accountants and administrators.

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 & Risk Management Committee		Remuneration Committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Neville Sneddon	11	11	n/a	n/a	1	1
Nicholas Jorss	11	11	n/a	n/a	n/a	n/a
Andrew Martin	11	11	2	2	1	1
Stephen Bizzell	11	11	2	2	1	1
Viv Forbes	11	11	1	1	1	1
Chris McAuliffe*	11	10	1	1	1	1

* Chris McAuliffe was appointed to the Board on 17 July 2012

INTERESTS IN SHARES AND OPTIONS

As at the date of this report, the interests of the Directors in the shares and options of Stanmore Coal Limited are shown in the table below:

	Ordinary Shares	Unlisted Options \$0.19 @ 31/12/13	Unlisted Options \$0.15 @ 16/1/14
Neville Sneddon	300,000	-	-
Nicholas Jorss	32,163,375*	-	-
Andrew Martin	31,700,270*	-	-
Stephen Bizzell	7,372,514	2,000,000	-
Viv Forbes	2,088,270	-	525,000
Chris McAuliffe	-	-	-

* 31,700,270 shares are held by St Lucia Resources International Pty Ltd of which both Nicholas Jorss and Andrew Martin have interests in trusts which each own > 20% and are both Directors.

PRINCIPAL ACTIVITIES

The principal activities of Stanmore Coal Limited and its subsidiaries ("the Company", "the Group" or "the Consolidated Entity") during the financial year were the identification and development of export quality thermal, coking and PCI coal deposits within the prime coal bearing regions of Eastern Australia.

OPERATING AND FINANCIAL REVIEW

The Board of Directors and management of Stanmore Coal have worked persistently toward the goal of building a substantial coal company throughout the 2013 financial year. Company highlights for the year include:

- significantly increasing the Company's resource base from 498.2Mt to 913.2Mt post year end;
- enhancing the Project economics of the Belview Coking Coal Project via the addition of an adjacent tenement containing large volumes of shallower coal; and
- finalising a feasibility study for The Range Thermal Coal Project.

Whilst these are significant milestones, they have occurred in a year where downward pressure on coal prices and negative investor sentiment toward junior resources companies has meant they have failed to translate into positive movement in the Company's share price. Notwithstanding, the Board of Directors and Management are positive about the Company's prospects.

Stanmore Coal believes that the long term fundamentals of both the coking and thermal coal markets are robust, based on an expectation of improved long term demand for high quality coal in emerging economies including India, China and South East Asia. The Company's diversified portfolio of development and exploration projects put it in a strong position to benefit as coal markets recover. The current downturn in the commodity cycle presents an excellent opportunity to reduce the capital and operating costs of the Company's Projects and to prudently expand the business within an environment of realistic asset prices.

Stanmore Coal's strong future is underpinned by:

- its diversified portfolio of high quality coking and export thermal coal projects moving towards production;
- a large and valuable resource and reserve base
 - 94Mt of Marketable Reserves;
 - 913Mt of JORC Resources¹; and
 - additional 444Mt – 701Mt of currently identified Exploration Targets^{2,3};
- a strong closing cash position at 30 June 2013 of \$24 million; and
- no take or pay liabilities for rail or port access.

Safety

The Group undertook approximately thirty thousand hours of drilling and exploration activity directly and through its contractors during the twelve month period and reported no lost time injuries. Whilst an excellent safety performance, the Group continues to develop and enhance its occupational health and safety management systems to ensure it creates a culture where health and safety risks are identified and resolved in a timely manner and the potential for harm to employees and other stakeholders is minimised.

Resources, reserves and exploration targets

At the date of this report the Company has the following Reserves, Resources and Exploration Targets:

Project	Coal type	JORC Marketable Coal Reserve ^{(1) (2)}	JORC Recoverable Coal Reserve ^{(1) (2)}	JORC Measured Resource ⁽¹⁾	JORC Indicated Resource ⁽¹⁾	JORC Inferred Resource ⁽¹⁾	Total JORC Resource ⁽¹⁾	Additional Exploration Target ⁽³⁾	
								Low	High
The Range	Thermal	94.2	117.5	18.0	187.0	82.0	287.0	45	80
Mackenzie	Coking	-	-	-	25.7	117.5	143.2	-	-
Belview	Coking	-	-	-	-	322.0	322.0	204	306
Tennyson	Thermal/Coking	-	-	-	-	161.0	161.0	65	120
Clifford	Thermal	-	-	-	-	-	-	130	195
Totals		94.2	117.5	18.0	212.7	682.5	913.2	444	701

The Company's total JORC Resource position increased by 415 Mt compared with the prior year as a result of the following initiatives:

- 227Mt increase in JORC Inferred Resources for the Belview Project as a result of the 5 hole drilling program completed in June 2013;
- 161Mt initial JORC Inferred Resource established for the Tennyson Project as a result of the 18 hole drilling program completed in October 2012; and
- 27Mt increase in JORC Resources (18Mt Measured, 3Mt Indicated and 6Mt Inferred) for the Range Project as a result of further refinement to the geological model as part of completing the bankable feasibility study for the Project.

Financial Performance and Financial Position

For the year ended 30 June 2013, the accounting loss for the Company after the recognition of income tax incentives received and the provision for future income tax liabilities was \$5.0M (2012: loss of \$7.7M).

	2013 \$ mill	2012 \$ mill
Revenue and other income	1.7	0.9
Employee benefits expenses	(3.4)	(3.1)
Finance costs	(1.3)	(1.4)
Legal expenses	(0.7)	(0.6)
Administration and consulting expenses	(1.4)	(1.5)
Other expenses	(1.3)	(2.0)
Impairment adjustments	(0.8)	-
Profit/(loss) before income tax benefit/(expense)	(7.2)	(7.7)
Income tax benefit/(expense)	2.2	-
Profit/(loss) after income tax expense	(5.0)	(7.7)

The Group's profit result includes recognition of the following key items of revenue and expense:

- a \$1.0M non-recurring mark-to-market gain on financial liabilities associated with financing arrangements provided by Credit Suisse;
- \$2.2M of research and development tax incentives recognised as a credit to income tax expense;
- \$0.9M of amortisation expense associated with the Company's share based compensation arrangements; and
- an impairment adjustment of \$0.8M required under Australian Accounting Standards against the carrying value of investment loans to Wiggins Island Coal Export Terminal ("WICET") as part of the Company's commitments to finance expansion to the terminal beyond the current WEXP1 expansion project.

After adjusting for non-cash items and movements in net working capital, the Company delivered a cash operating loss of \$2.8 million, a significant improvement on the prior year.

	2013 \$ mill	2012 \$ mill
Accounting profit/(loss) after income tax expense	(5.0)	(7.7)
Mark to market gain on financial instruments	(1.0)	-
Amortisation of share based payments	0.9	1.2
Asset impairment adjustments	0.8	-
Net working capital adjustments	1.5	2.3
Operating cash-flow	(2.8)	(4.2)

During the year, the Company raised capital of \$23.3 million through the issue of ordinary shares and convertible notes to Sprint Capital Partners. These amounts relate to the aggregate \$36m deal agreed with Sprint Capital Partners in June 2012, with the second portion of funds received during FY13 pursuant to shareholder approval received in October 2012. The Company invested \$10.8 million in further exploratory drilling and Project feasibility studies, \$5.1 million to expand the tenement area of the Belview Coking Coal Project, \$3.1 million in early works and studies as part of the Company's commitments to WEXP1 and \$1.1 million in guarantees.

	2013 \$ mill	2012 \$ mill
Net cash at beginning of year	24.0	18.2
Net cash from operating activities	(2.8)	(4.2)
Net cash from investing activities	(20.1)	(28.3)
Net cash from financing activities	23.3	38.3
Net increase/(decrease) in cash held	0.4	5.8
Net cash at end of year	24.4	24.0

The Group ended the year in a strong financial position with gross assets of \$90 million including \$24.4 million of available cash. The Group has a strong current ratio and total net assets of \$75 million at 30 June 2013. Other than operating trade payables, at 30 June 2013 the Group had senior debt obligations of \$4.0 million and non-interest bearing convertible notes of \$9 million. The senior debt was repaid in full from cash reserves on 23 July 2013. Convertible notes can be repaid or converted into ordinary equity at the Company's election from 27 June 2014.

Operational Highlights

Expansion of Belview Underground Coking Coal Project

The acquisition in October 2012 of EPC 1186 for \$5.1 million plus 5.7 million shares has resulted in significant improvement to potential economics of the Belview Project. Concept mining studies completed during the year confirm that the larger, shallower resource base has reduced both operating costs and capital intensity. Relocation of the underground access point to capitalise on shallower coal in the north of the Project area also means it is now located immediately adjacent to existing rail infrastructure on the Blackwater railway line.

Post year end the Company upgraded the Project's JORC Inferred Resource to 322Mt based on drilling activities completed in June 2013 and has commenced a capital review exercise with the objective of achieving more accurate pricing and reducing Project capital intensity.

Completion of the Range Feasibility Study

A Project Feasibility Study (bankable standard excluding infrastructure) was completed in April 2013 which confirmed that the Range Project is an attractive 5Mtpa high quality, open cut thermal coal Project ready for execution upon the delivery of the Surat Basin Rail. State Government environmental approval for the Project has been obtained and we expect that the Mining Lease will be ready for grant by 2014. The Study demonstrated positive economics under both owner-operator and contractor cases. Extensive geological evaluation and testing has been completed with 330 drill holes in the deposit and both the regional and Project specific geology is well understood. The Project is a geologically benign, low strip, open cut mining operation. Similar to the Belview Project, the Company has commenced a capital review exercise with the objective of reducing Project capital intensity. No further material expenditure is required on the Project until there is certainty around the infrastructure solution for the Surat Basin.

Extension of thermal coal footprint in the Surat Basin

The Company completed the acquisition of EPC 1274 and 1276 in the Surat Basin during the year, through exchange of tenements which required no cash or equity consideration. The new tenements significantly increased the Company's potential resource base in the Surat Basin, with EPC 1274 and 1276 covering a combined area of 1,371km². The Company established an initial exploration target² of 130 – 195 Mt and commenced a drilling program during the period to test the primary targets.

Lilyvale - Establishment of early stage coking coal opportunity

Stanmore Coal completed the acquisition of EPC 2157 which doubled the Lilyvale Project area, for total consideration of A\$125,000. In conjunction with Cape Coal, the Company has now conducted a desktop review of the Lilyvale Project and identified the German Creek (or Lilyvale) seam as potentially amenable to underground extraction based on depth and estimated seam thickness. The Company is looking to expand the Project resource base and then intends to undertake further concept studies to confirm the geological and economic viability of the resource.

The geology of the Project and surrounding areas is well understood and not expected to be geologically complex. Adjacent underground mines at Kestrel (Rio Tinto) and Gregory Crinum (BHP Mitsubishi Alliance) produce a low ash, high volatile hard coking coal from the German Creek seam.

Capital management

In June 2012, the Company executed a subscription and cooperation agreement with Greatgroup Investments Limited, an investment vehicle managed by Sprint Capital, to provide \$36 million of capital to the Company. The funding package provided funds to assist the Company with satisfying its funding obligations for WEXP1 and progress its portfolio of development projects. The funding package consisted of a \$27 million placement of 40.0 million shares at \$0.675 per share and a \$9 million placement of zero-coupon notes which are convertible into 13.4 million shares at \$0.675 per share. 19.2 million shares were placed to Greatgroup Investments prior to 30 June 2012 with the remainder subject to obtaining shareholder approval.

Shareholder approval for the balance of the funding package was obtained in October 2012, resulting in the issue of a further 20.8 million shares and 13.4 million convertible notes to Sprint Capital. Cash proceeds of \$23 million were received upon allotment of these securities. At 30 June 2013 Sprint Capital now hold shares amounting to just under 20% of the Company's issued share capital, and notes which upon conversion after two years could increase Sprint Capital's shareholding in the Company by up to 5%, to an aggregate shareholding of up to 25% based on issued share capital after the current raising.

Shareholders also approved Sprint Capital receiving anti-dilution options to subscribe for new shares and notes based on a fixed number of Board and management options which were outstanding and in-the-money as of the date of capital raising transaction, and on the exercise (at any time) of the warrants granted pursuant to the \$25m executed Credit Suisse debt facility.

As a result of a revised early works expenditure profile in respect of WEXP1, the Company was required to contribute less capital to that Project than originally planned during the year ended 30 June 2013. As a consequence, Stanmore Coal was not required to draw on the senior debt facility established with Credit Suisse in the previous year. Post 30 June 2013, Stanmore Coal renegotiated its ongoing financial obligations to WEXP1 and concluded that it could satisfy its ongoing funding obligations from existing cash reserves. On this basis, the Company repaid the Credit Suisse loan facility on 23 July 2013 which had an outstanding net balance at the time of \$3.2M. Credit Suisse has removed their charges over the Company's assets, however the options (exercisable at 51.8 cents) issued to Credit Suisse as part of the facility fee structure remain in place.

Rail and port infrastructure

Prior to 30 June 2012, Stanmore Coal was one of four coal companies selected to execute a Capacity Commitment Deed (CCD) for WEXP1 which provides it with 5 million tonnes per annum (Mtpa) of port capacity for the Range Project. The signing of CCDs represented a significant commitment by the coal industry to the development of the 32.2Mtpa WEXP1 port facility. However, due to deteriorating coal market conditions experienced during the year ended 30 June 2013, the early works expenditure profile for WEXP1 was decelerated and the target date for achieving financial close for that expansion stage was deferred. Post 30 June 2013, Stanmore Coal has negotiated a one year extension to its capacity entitlements in WEXP1 and a material reduction to its financial commitments over that period. During the coming year, the Company will work with WICET management to progress WEXP1 toward financial close and also protect its rights to capacity in future expansion stages in the port based on the material financial commitment which the Company has made to date.

The Range Project is one of the most advanced projects in the northern Surat Basin and continues to satisfy the due diligence criteria which are a pre-requisite for securing capacity on the proposed Surat Basin Rail system and the existing Moura system. The Company continues to work with infrastructure providers to support the delivery of essential rail infrastructure necessary to support commercialisation of the Surat Basin, and in particular The Range Project.

Regulatory Environment

In order to deliver on key strategic objectives, resource companies require a stable regulatory environment in which to operate. This includes financial and non-financial measures such as an internationally competitive tax system and a transparent path to obtaining approvals from relevant stakeholder groups.

Pleasingly during the year, the new Queensland State Government has made progress in reducing inefficiency inherent in the project approval process and in clarifying the Government's policy on alienation of mining within nominated protection areas. Stanmore Coal believes that mining activity should be controlled within prime agricultural areas, but in general, it can coexist with other land uses.

Key Project Overview

Project	Status
Belview Underground Coking Coal	<ul style="list-style-type: none"> Adjacent EPC 1186 acquisition reduced initial entry depth and substantially increased the Project's resource base 322Mt Initial JORC Inferred Resource and a further significant exploration target on the back of 5 hole drilling program completed during FY13 Mining Lease Application (MLA80199) lodged September 2013 Concept Study indicates strong Project economics from a single longwall Further opportunity exists to reduce capital costs in light of market conditions Pre-feasibility study planned for calendar 2014
The Range Open Cut Thermal Coal	<ul style="list-style-type: none"> Attractive economics under both owner operator and contractor cases demonstrated in Feasibility Study completed in April 2013 FOB (ex-royalty, first 13yrs of production) \$76.1¹/tonne is competitive on a global scale 94 Mt JORC Marketable Reserve¹, 287 Mt Total JORC Resource (18Mt Measured, 187 Mt Indicated + 82Mt Inferred) Well defined geology supporting the development of a 5Mtpa (product coal) low strip ratio open cut mine High energy, low emission thermal coal is attractive to Asian markets EIS approved by the State and is awaiting Federal approval Mining lease grant expected in calendar 2014 Further opportunity to reduce capital costs in light of market conditions No material level of expenditure required prior to decision to proceed
Lilyvale (previously Theresa Creek) Underground Coking Coal	<ul style="list-style-type: none"> Historical geological data indicates the Project area hosts the German Creek seam from 336m in depth with typical coal thickness of 2.2-2.5m The region is not expected to be geologically complex and the German Creek seam is mined as a high quality coking coal in adjoining underground mines Initial drilling and concept study planned for calendar 2014 Close to existing infrastructure
Clifford Open Cut Thermal Coal	<ul style="list-style-type: none"> Large tenement area with the potential to host a substantial thermal coal deposit suitable for open cut mining Initial scout drilling program completed, some follow up drilling of encouraging drilling targets planned Significant infrastructure synergies with The Range
Tennyson Underground Thermal Coal	<ul style="list-style-type: none"> Maiden JORC Inferred Resource of 161Mt Additional Exploration Target² of 65 – 120Mt Acquired EPC1580 under a royalty arrangement with no upfront consideration, expanding the Project area by 60 sub-blocks
Mackenzie Open cut coking coal	<ul style="list-style-type: none"> Upgraded 143Mt JORC Indicated + Inferred Resource, of which 25.7Mt is at Indicated Resource status Concept study and yield optimisation work completed in conjunction with Joint Venture partner Cape Coal

Project Summaries

Belview Underground Coking Coal Project

EPC 1114 and 1186; MLA 80199

Stanmore Coal 100% ownership

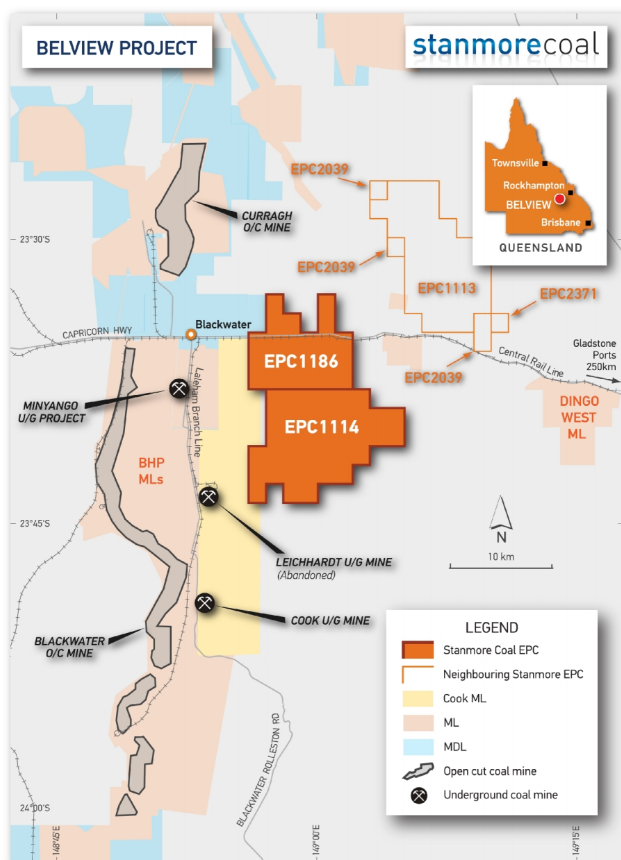
Location: 6km east of Blackwater, Bowen Basin

Area: 120km²

JORC Inferred Resource: 322Mt

Exploration Target²: 204 – 306Mt underground prime coking coal

The Company has completed a concept mining study for the Project based on a single and dual underground longwall operation. The acquisition of EPC 1186 has resulted in significant improvement to the underground mining potential of the Project by providing a larger, shallower resource base which has reduced both operating costs and capital intensity.



A five hole drilling program completed during the year ended 30 June 2013 has allowed a JORC inferred resource of 322Mt to be established with clean coal quality and washability results pending. Initial laboratory results indicate that the Project has the capacity to produce an export grade coking coal and a secondary PCI/high energy thermal coal. The Project will mine coal seams within the Rangal Coal Measures which are regionally well understood and down dip from existing and planned coking coal mines.

Start-up capital requirements for a single longwall operation were estimated in the Concept Study released in February 2013. However, the Company is currently taking further steps to reduce Project capital costs through a value engineering process. The Company is also investigating the use of supplier provided finance for key pieces of plant and equipment to reduce the capital requirements for Stanmore. The Concept Study also identified the potential for improved economics through the potential for a second longwall unit.

The Company intends to undertake further drilling and studies over the coming year in order to progress the Project to feasibility stage. Post 30 June 2013, the Company also lodged its mining lease application which establishes the framework for obtaining regulatory and environmental approvals for the Project. First coal is targeted for 2017.

The Range Open Cut Thermal Coal Project

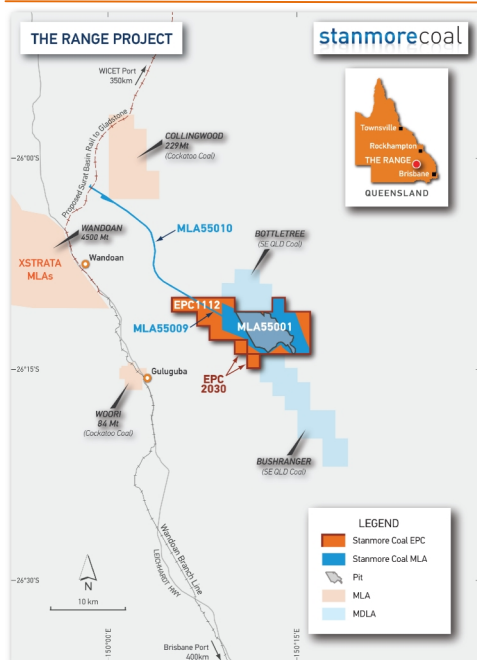
EPC 1112, 2030 / MLA 55001, 55009, 55010
Stanmore Coal 100% ownership

Location: Surat Basin – 24km south-east of Wandoan, Surat Basin

Area: 92km²

JORC Resource: Total of 287 Mt high quality open pit thermal coal (18Mt Measured + 187Mt Indicated + 82 Inferred Resource)

JORC Marketable Reserves¹: 94 Mt included within the 287M Resource noted above



A Project Feasibility Study to bankable standard excluding infrastructure was released in April 2013 and confirms that The Range Project is an attractive 5Mtpa high quality, export grade, open cut thermal coal Project ready for execution upon the delivery of the Surat Basin Rail. State environmental approval for the Project has been obtained and it is expected that the Mining Lease will be ready for grant in 2014. The Project demonstrates positive economics under both owner-operator and contractor cases. Extensive geological evaluation and testing has been completed with 330 drill holes in the deposit and both the regional and Project specific geology well understood. The Project is a geologically benign, low strip ratio, open cut mining operation.

The feasibility study benchmarked capital and operating costs against indicative pricing provided by mining contractors and other OEMs. The Company anticipates that recent Project deferrals and the moderation of activity in the mining and construction services sectors will see considerable scope to further optimise capital and operating costs when procurement contracts are ultimately awarded. The Company is currently taking further steps to reduce Project capital costs through a

combination of value engineering, re-pricing of key equipment and investigation of vendor finance for some items of plant.

Feasibility Study Outputs	Owner Mining	Contract Mining
Unit Costs (\$A / product tonne)		
Mining and processing cost	41.9	51.1
Rail, Port and Overhead Costs	34.2	33.7
Total FOB Cost (first 13 years)	76.1	84.8
Project Economics		
Capital costs	\$599m	\$455m
ROM strip ratio	6.7:1	6.7:1
Key Metrics - The Range Project (Source: Feasibility Study, ASX Announcement 29 April 2013)		

Surat Basin thermal coal mined at The Range will be high energy, high quality bituminous thermal coal, with a low emission profiles suitable for Asian markets.

The Project has already attracted the interest of Japanese off-takers, supported by the Japanese Government agency - NEDO, who under the terms of an exploration support agreement provided \$1.2 million of exploration funding. As part of this funding agreement, Taiheiyo will be able to purchase up to a total of 400,000 tonnes of coal over the first three years of production at the Range for distribution to its Japanese customers. Taiheiyo has long standing relationships with Japanese energy utilities and industrial companies and supplies a number of these entities with similar Surat Basin coals.

Lilyvale Underground Coking Coal Project

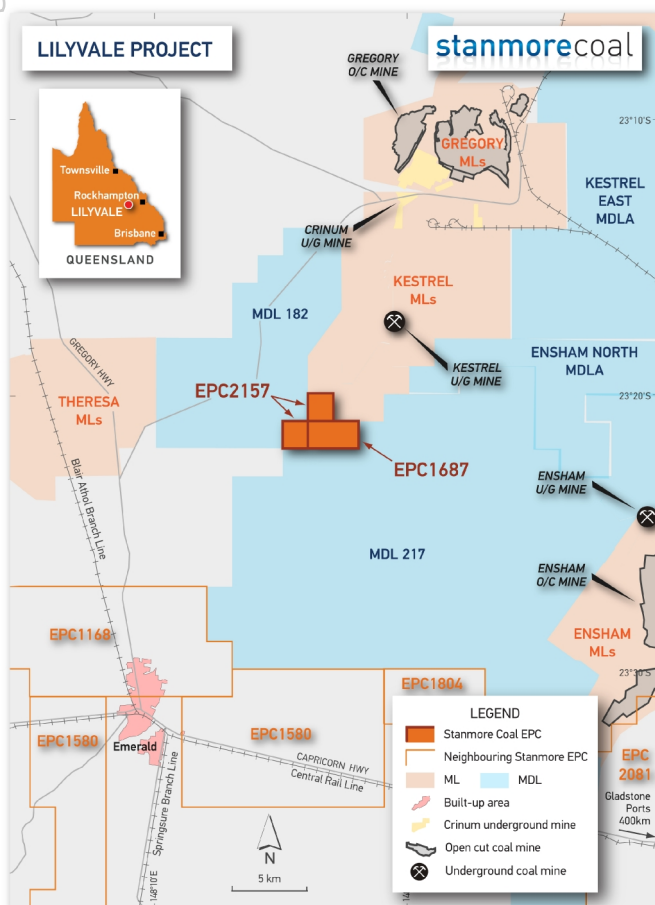
EPCs 1687 and 2157

Stanmore Coal 85% ownership/Cape Coal 15% ownership (farm-in)

Location: 25km north east of Emerald, Bowen Basin

Area: 13km²

JORC Resource: N/A



The Lilyvale Project is located 25km north east of Emerald and is in close proximity to the Kestrel and Gregory Crinum operating coking coal mines. The Project is currently owned 100% by Stanmore Coal but at the completion of certain milestones, Cape Coal Pty Ltd will earn a 15% interest.

The Company, in conjunction with Cape Coal, has conducted a desktop review of the Lilyvale Project and identified the German Creek (or Lilyvale) seam as potentially amenable to underground extraction based on depth and estimated seam thickness. This seam is presently mined as a high quality coking coal at the adjacent Kestrel and nearby Gregory Crinum operations. The Project is well located relative to existing rail infrastructure.

Based on analysis of historical geophysical logs and bore holes in the surrounding region (including 2 cored holes with quality data within the Project area) the Company estimates that the Lilyvale Project hosts the German Creek seam from 336m in depth with a typical thickness across the Project area of 2.2m - 2.5m. The north of the Project area is estimated to host the shallowest coal and is contiguous to the Kestrel mine. The geology of the Project and surrounding areas is well understood and not expected to be geologically complex.

Adjacent underground mines at Kestrel (Rio Tinto) and Gregory Crinum (BHP Mitsubishi Alliance) produce a low ash, high volatile hard coking coal from the German Creek seam.

Mackenzie Open Cut Coking Coal Project

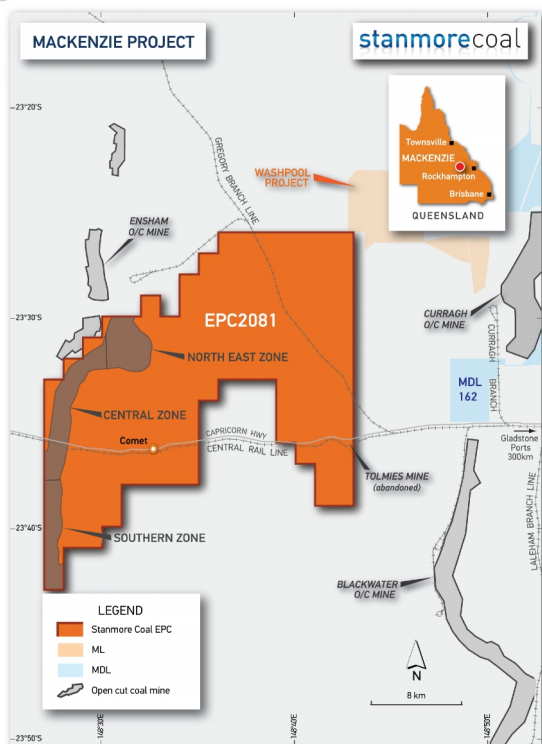
EPC 2081

Stanmore Coal 95% ownership/Cape Coal 5% ownership (farm-in)

Location: 30km west of Blackwater, Bowen Basin

Area: 469km²

JORC Resource: Total of 143Mt (25.7Mt Indicated + 117.5Mt Inferred)



The Mackenzie Coking Coal Project in the Bowen Basin is well located for export as it lies on the rail line to Gladstone. The Project is located between the existing Ensham and Curragh operating mines and is adjacent to the Washpool coking coal Project, which is also targeting the Burngrove Coal Formation.

A total of 80 holes have been drilled in the Project. The coal sequence comprises two main coal seams being the Leo and Aquarius seams within the Burngrove Formation. The seams strike in a general north south direction over an approximate 27km strike length, and dip towards the west at approximately 2 degrees. The main coal seams occur at depths of between 10 and 110 metres.

Testing and analysis of samples obtained during the 2011 drilling program indicated substantial variability in the yields achieved across the 27km strike length. Further yield analysis and study of processing options has been undertaken in conjunction with Cape Coal to improve beneficiation and address metallurgical issues associated with the deposit.

Tennyson Underground Thermal Coal Project

EPC 1168

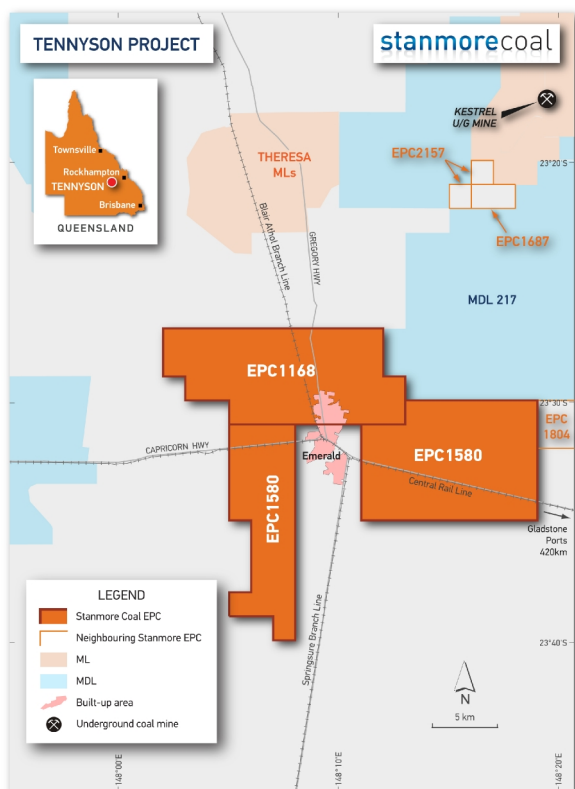
Stanmore Coal 100% ownership

Location: adjacent to Emerald, Bowen Basin

Area: 120km²

JORC Resource: Total of 161Mt Inferred

Exploration Target²: 65-120 Mt



The Company has established a JORC Inferred Resource of 161Mt for the Tennyson Project near Emerald in the Bowen Basin. The 2012 drilling program confirmed the potential to produce a low ash, high energy export quality thermal coal utilising underground mining methods from a depth of 150m.

Five partially-cored holes have been completed with each of these holes intersecting the targeted Aries seam. Clean coal quality analysis to date indicates that the Aries seam is capable of producing a high yielding, low ash export thermal product with typical specifications (air dried) being: Yield >80%, Ash <9.0%, Energy >6,200kcal/kg, Sulfur 0.2%. The drilling program has identified the Corvus seam at 2.6 metres in thickness and the Liskeard seam at 2.1 metres in thickness as additional potential mining targets.

At this point the Company is restricting further expenditure on the Project while focusing expenditure on the key coking coal projects outlined earlier. The Company has recently expanded the Project footprint through the acquisition of EPC1580 for nil cash consideration and a small future royalty.

Clifford Open Cut Thermal Coal Project

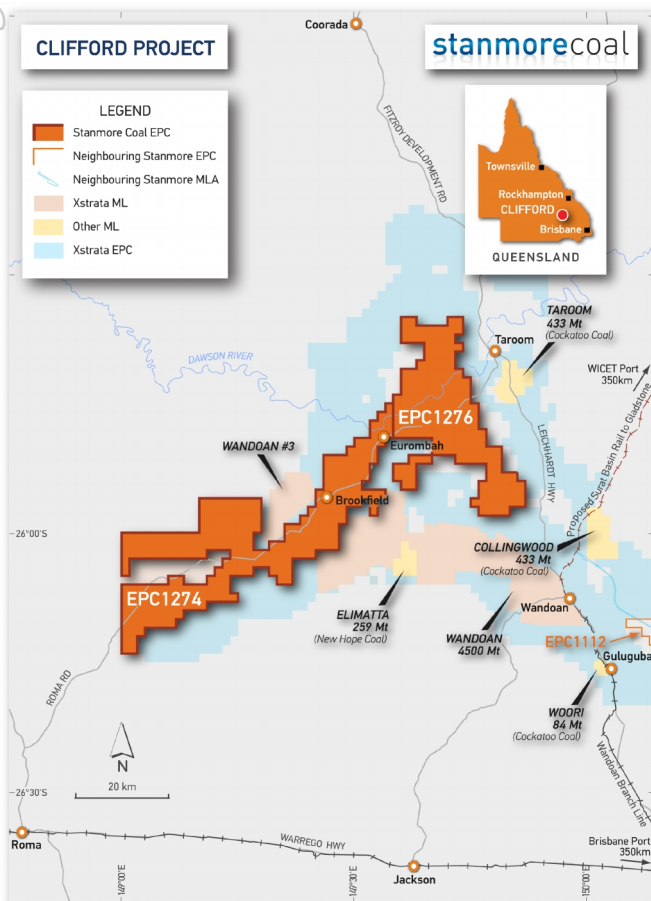
EPC's 1274, 1276

Stanmore Coal 100% ownership

Location: Surat Basin – adjacent to Wandoan, Surat Basin

Area: 1,371km²

Target: 130-195Mt



The Project is in the Surat Basin, located 15 kilometres from the proposed Surat Basin Rail line and approximately 35 kilometres from Stanmore Coal's The Range Project. Tenements are located adjacent to the 4.5 billion tonne Glencore Wandoan coal project.

Stanmore Coal believes these tenements to be prospective for potential open pit coal deposits. A total of 1,242 historical boreholes have been drilled within a 10km radius of the tenements which has allowed the identification of a number of priority target areas within the tenements.

A drilling program is currently underway with encouraging initial drilling results confirming the existence of shallow thermal coal deposits which may be suitable for open cut extraction. Further exploration activity is planned to identify and define the most prospective deposits within the very large tenement area.

Kerlong Underground Coking Coal Project

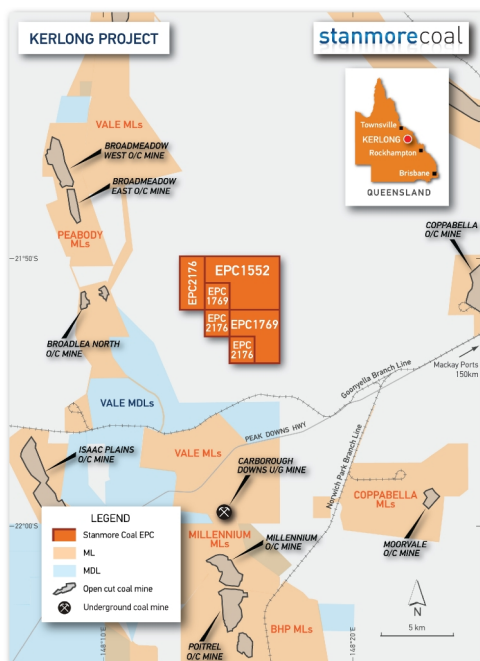
EPCs 1552, 1769 and 2176

Stanmore Coal 100% ownership

Location: 19km north-east of Moranbah, Bowen Basin

Area: 41km²

Target: Underground PCI/coking coal



Stanmore Coal is targeting high quality underground coking/PCI coal at the Kerlong Coking Coal Project which is eight kilometres north of the rail line to Dalrymple Bay Coal Terminal. Target seams are mined extensively at deposits such as Burton (Peabody), South Walker Creek (BHP Mitsubishi), Carborough Downs (Vale) and Coppabella (Macarthur Coal).

24km of 2D seismic survey lines have been completed and have enabled the development of a targeted drilling program. Drilling to date has intersected the Burton Rider (1.7m @ 836m), Leichhardt (2.6m @ 871m) and Vermont seams (3.6m @ 916m).

Based on washability analysis undertaken to date, achievable products include a primary coking and secondary export thermal coal.

New Cambria Open Cut PCI Coal Project

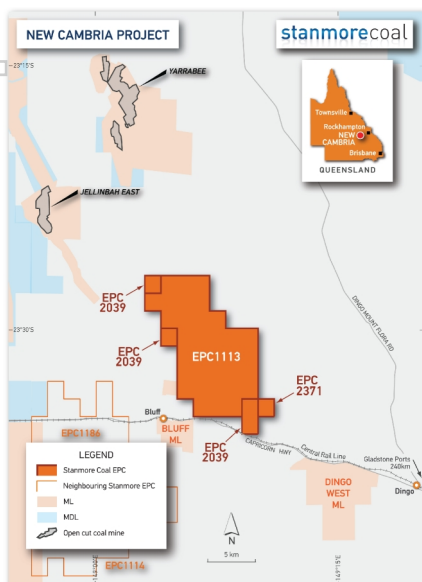
EPCs 1113, 2039, 2371

Stanmore Coal 100% ownership

Location: 20km east of Blackwater, Bowen Basin

Area: 123km²

Target: Open cut low volatile PCI coal



The New Cambria Project is targeting the up-thrust Rangal Coal Measures which contain low-volatile, low to medium ash PCI coal with open cut mining potential. High energy coal has been mined historically at the adjoining Excel Colliery and the Project is located adjacent to the rail line to Gladstone.

The Company is in receipt of seismic data from the holder of the overlapping coal seam gas tenure. To date the data reviewed has not identified any up thrust blocks of coal sufficiently shallow to be amenable to open cut mining.

Outlook

Despite the recent coal market weakness, Stanmore Coal believes that the long term fundamentals of both the coking and thermal coal markets are strong. Whilst thermal coal prices remain weak at the time of writing, coking coal prices have started to rebound from their recent lows. Australian coal will continue to play a key role in providing a cost effective raw material for energy and steel production in the Asian market. Supplying clean, low emission Australian coal into Asia helps lift the living standards and public health outcomes for millions of people in neighbouring countries.

The Company's diversified portfolio of development and exploration projects put it in a strong position as coal markets inevitably recover from the current down cycle. The downturn in the commodity cycle also presents an excellent opportunity to reduce the capital and operating costs of the Company's projects and to prudently expand the business within an environment of realistic asset prices.

To this end, the Company is in the process of undertaking a comprehensive review of the capital cost estimates for both Belview and The Range and believes that material capital savings can be achieved through value engineering, improved contractor pricing and the selective application of off-balance sheet finance. Reducing project capital costs to the lowest possible level will improve the value of the Company's projects when attracting strategic partners to assist with procuring construction funding.

In light of current market conditions, the Company will restrict its expenditure to exploration and development activities to projects which demonstrate strong economics. The Company is also in the process of further rationalising its already low overhead cost base to ensure it preserves its cash reserves whilst remaining sufficiently resourced to respond to opportunities and react as market conditions improve.

We believe that as other organisations seek to dispose of non-core assets in the near future, opportunities will arise to enhance the Company's existing Projects and accelerate the Company's timetable to production. The Company aims to capitalise on these opportunities through transaction structures which limit the need for upfront capital or will identify new sources of capital to finance these transactions. Stanmore Coal and its team have a strong history of identifying and capitalising on opportunities with a limited capital base.

History reflects that many successful new coal projects and companies are built in difficult market conditions when large resource company strategies are driven by short term shareholder expectations. Stanmore Coal remains committed to delivering its Projects at a low capital cost and implementing a low cost, highly efficient operating model.

The Company remains well funded relative to its peers and has no material financial commitments or take or pay obligations with respect to rail or port access. Stanmore Coal has significant flexibility in respect of the timing of delivering its Projects and introducing strategic project partners. As market conditions continue to remain volatile, the Company will maintain a disciplined approach in order to protect shareholder value and best position Stanmore Coal to emerge strongly from the current downturn.

Managing Risk

Exploration and evaluation for coal generally involves a degree of risk as it is inherently uncertain as to whether capital invested will generate an acceptable return within a predefined investment horizon. However the value created for investors through the successful advancement of the Company's exploration assets along the value curve can be substantial. Certain risks can be mitigated by the Company using safeguards, appropriate systems, and implementing specific management actions. However, some risks may be outside the control of Stanmore Coal and not capable of mitigation. Recognising the nature of the Company's activities, the Board of Directors apply appropriate governance practices to identify and address key risks to the business, whilst at the same time encouraging management to exercise its entrepreneurial capabilities in delivering the businesses objectives.

Safety

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

Stanmore Coal recognise that safety is both an individual and shared responsibility of all employees, contractors and other persons involved with the operation of the organisation. The Company has a comprehensive Safety and Health Management system which is designed to minimise the risk of an uncontrolled safety and health event and to continuously improving safety culture within the organisation.

Regulatory risk

The introduction of the MRRT, Carbon Tax and increased State Government royalties have adversely impacted Australia's global competitiveness and reduced the attractiveness of Australian coal projects to foreign investors. The Company has little influence over the direction and development of government policy. However, Stanmore Coal's view is that coal will continue to play an important role in the global energy mix as part of sustaining global growth through efficient electricity generation and steel production. Superior coal quality and proximity to Asian export markets will continue to make Queensland coal projects globally competitive.

Forecasting coal prices and foreign exchange rates

Stanmore Coal's possible future revenues streams are likely to be linked to export coal prices which are typically denominated in US\$. As the Company is in the development phase, assumptions regarding future commodity prices and foreign exchange rates have a significant influence on the economic viability of proposed mining operations. During the year ended 30 June 2013, spot prices of thermal and metallurgical coal materially declined as a result of increased global supply and lower growth in demand as a consequence of a contraction in industrial activity, particularly in China. Whilst inherently difficult to reliably predict future coal prices, Stanmore Coal believes that the long term supply and demand outlook for high quality thermal and metallurgical coal is strong and consequently commodity prices will recover over time. The Company is also of the view that the recent strong trading of the Australian dollar at or above parity with the US dollar will not persist over the long term and Australian dollar revenues will be positively impacted as the currency reverts to levels close to the long term historical trend.

In conducting feasibility analysis, the Company applies a conservative approach in respect of forecasting long term coal prices and foreign exchange rates, in most cases adopting broker consensus forecasts.

Identifying and estimating Resources and Reserves

The future success of the Company will depend on its ability to develop coal reserves that are economically recoverable. Market price fluctuations in the price of coal, as well as increased production costs or reduced recovery rates may impact original assessments of coal reserves and resources. The mining of coal involves a degree of risk, including that the coal mined may be of a different quality, tonnage or strip ratio from that originally estimated. Stanmore Coal undertakes extensive exploration and coal quality testing prior to establishing JORC compliant resource and reserve estimates and to support mining feasibility studies. The Company engages external experts to assist with the evaluation of exploration results and relies on third party competent persons to prepare JORC resource statements. Economic feasibility modelling of coal deposits is conducted in conjunction with third party experts, the results of which are usually subject to independent third party peer review.

Access to capital

Stanmore Coal's ability to effectively implement its business strategy is dependent on the ability to raise additional capital to finance exploration and development activities. There can be no assurance that any such equity or debt funding will be available to the Company on favourable terms. If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities or progress the development of its existing assets. At 30 June 2013, the Company remains well funded with cash reserves expected to be sufficient to meet the businesses operating costs for at least the next two years. The Company has no material financial commitments or take or pay obligations with respect to rail or port access.

Minimising Regulatory and Land Access Risk

The Company's operations and Projects are subject to State and Federal laws and regulation regarding environmental hazards. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. Stanmore Coal minimises these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage. The Company engages experienced consultants and other technical advisors to provide expert advice where necessary.

The ability to secure and undertake exploration and development activities within prospective areas is also reliant upon satisfactory resolution of native title and management of overlapping tenure. To address this risk, the Company develops strong, long term effective relationships with landholders, with a focus on developing mutually acceptable access arrangements. The Company takes appropriate legal and technical advice to ensure it manages its compliance obligations appropriately.

REMUNERATION REPORT (AUDITED)

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

Details of Key Management Personnel

(i) <i>Directors</i>		
Neville Sneddon		Non-Executive Chairman
Nicholas Jorss		Managing Director
Andrew Martin		Non-Executive Director
Stephen Bizzell		Non-Executive Director
Viv Forbes		Non-Executive Director
Chris McAuliffe		Non-Executive Director (appointed 17 July 2012)
(ii) <i>Senior Management</i>		
Doug McAlpine		Chief Financial Officer and Joint Company Secretary
Vaughan Wishart		General Manager - Project Development
Michael McKee		General Manager - Operations
Wesley Nichols		General Manager - Exploration (ceased employment 24 May 2013)

Remuneration policy overview

Stanmore Coal's business strategy of becoming a coal producer can only be achieved by identifying and retaining high calibre employees with appropriate experience and capability. Developing an appropriate compensation strategy for the Company's employees is a key factor in ensuring employees are engaged and motivated to improve the Company's performance over the long term. The Board's intention is to maximise stakeholder benefit from the retention of a high quality Board and Executive Team without creating an undue cost burden for the Company.

The Board regularly reviews the appropriateness of employees' fixed compensation in light of the Company's cost structure and the practices of its peers. On a comparative basis to the previous financial year, base remuneration for FY13 increased as a result of certain employees working for a full year and changes to base remuneration arrangements which were agreed at the time employees were engaged. The Board recognises that in light of current market conditions the Company's overhead costs (including remuneration) must be controlled and consequently has recently implemented the following measures:

- reduced headcount across the business, including within the executive team;
- no further increase to employee base remuneration arrangements until market conditions substantially improve; and
- a greater focus on the structure of at-risk compensation to ensure employee behaviour is appropriately aligned with enhancing shareholder value.

In the prior year, the Board acknowledged that as the Company developed and moved into the development and operating phases for its key assets, a more comprehensive, structured and transparent approach to remunerating its employees was required. As a result, the non-executive Directors took advice from an independent remuneration consultant regarding the structure of remuneration plans and the terms on which incentives are offered to improve the alignment between company performance and executive remuneration outcomes. This advice assisted the Board in developing a remuneration framework which satisfies market practice around remuneration governance for public companies and strikes an appropriate balance between fixed and at-risk compensation for its employees. Shareholders approved the new scheme at the EGM held on 10 October 2012, which provided that the maximum entitlement an employee can earn is determined by reference to their seniority and strategic contribution to the business.

REMUNERATION REPORT (AUDITED)

The shareholder approved remuneration arrangements includes tiered participation in a Short Term Incentive ("STI") scheme, the Stanmore Coal Director and Employee Share Plan (Share Plan), a Long Term Incentive ("LTI") scheme and the Stanmore Coal Director and Employee Incentive Plan (Incentive Plan).

Fixed Remuneration

Managing Director and senior management remuneration

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

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

Non-executive Director fixed remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company 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 Consolidated Entity 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 is \$350,000 per annum. Additionally, non-executive Directors are also entitled to be reimbursed for indirect expenses associated with execution of their responsibilities (for example travel costs). Total non-executive Director remuneration for FY13 was \$218,886.

If a non-executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Consolidated Entity may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to non-executive Directors. 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 in connection with the business of the Consolidated Entity.

The fixed remuneration of non-executive Directors for the year ending 30 June 2013 is detailed in this Remuneration Report.

REMUNERATION REPORT (AUDITED)

Short term and long term incentive plan structures

The Board considers that the use of STI and LTI are a reasonable means of remunerating employees, on the basis that they:

- encourage share ownership and aligns, in part, remuneration with the future growth and prospects of the Company;
- encourage employees to drive toward the realisation of shareholder value;
- provide flexibility to the Company to actively manage the way in which it remunerates and incentivises employees;
- preserve the Company's cash resources; and
- contribute toward the attraction and retention of skilled talent in a competitive employment market.

The tiered structure for remunerating employees through the shareholder approved STI and LTI and the relevant remuneration outcomes for the year ended 30 June 2013 are illustrated in the following tables:

Summary of the key terms of the Short Term Incentive Plan	
Plan overview	The Board may, from time to time offer to issue Shares as part of its short term incentive strategy to an eligible employee under the Share Plan. The STI amount for each respective employee will be assessed and provided on a calendar-year basis with respect to a performance evaluation and other corporate KPIs. Payment of the assessed STI amount may be made as a combination of shares and cash.
Tiered structure	<p>The maximum STI entitlement is calculated by reference to the employee's seniority in the business as set out below. To limit the short term financial impact of scheme implementation, the Board has halved employees' maximum incentive entitlements in the first year.</p> <p>Senior Management – up to 30% of base remuneration (first year 15%)</p> <p>Managers – up to 20% of base remuneration (first year 10%)</p> <p>Staff – up to 15% of base remuneration (first year 7.5%)</p>

REMUNERATION REPORT (AUDITED)

Weighting of Criteria	Each employee is assessed against personal performance and corporate KPIs in accordance with the following framework:										
	Component	Weighting	Discussion								
	Safety	10-25% Higher for senior management	Payable in the event there are no fatalities and the Company’s total reportable injury frequency rate (TRIFR) is maintained in the STI Performance Period at or below coal industry standards as reported by the Department of Mines and Energy.								
	Total Shareholder Return	10-25% Higher for senior management	The total shareholder return component is payable on a sliding scale by reference to the Company’s TSR performance in the STI Performance Period compared with the Company’s Competitor Group (a group of 8-10 peers in the resources sector) as follows:								
			<table><tr><td>Company TSR position relative to Competitor Group</td><td>Percentage of TSR component earned</td></tr><tr><td>Equal to or greater than 80th percentile</td><td>100%</td></tr><tr><td>From the 67th up to the 80th percentile</td><td>50%</td></tr><tr><td>From the 50th up to the 67th percentile</td><td>20%</td></tr></table>	Company TSR position relative to Competitor Group	Percentage of TSR component earned	Equal to or greater than 80th percentile	100%	From the 67th up to the 80th percentile	50%	From the 50th up to the 67th percentile	20%
			Company TSR position relative to Competitor Group	Percentage of TSR component earned							
			Equal to or greater than 80th percentile	100%							
			From the 67th up to the 80th percentile	50%							
From the 50th up to the 67th percentile	20%										
Individual	20-50% Lower for senior management	Satisfaction of individual key performance indicators agreed with the Managing Director or in the case of the Managing Director, agreed with the Chairman on an annual basis.									
Discretionary	30%	Satisfaction to be determined by the discretion of the Chairman and Managing Director, by reference to both individual and the Company’s general performance for the STI Performance Period.									

REMUNERATION REPORT (AUDITED)

Summary of the key terms of the Long Term Incentive Plan	
Plan overview	The Board may, from time to time, offer to issue Incentives as part of its long term incentive strategy to an eligible employee under the Incentive Plan. Each year, the Board can elect whether incentives will be issued in the form of options or performance rights. The Board's long term intention under the plan is to annually issue premium priced options to employees for nil consideration, exercisable at a certain future date.
Tiered structure	<p>The maximum LTI entitlement is calculated by reference to the employee's seniority in the business as set out below. To limit the short term financial impact of scheme implementation, the Board has halved employees' maximum incentive entitlements in the first year.</p> <p>Senior Management up to 20% of base remuneration (first year 10%)</p> <p>Managers up to 15% of base remuneration (first year 7.5%)</p> <p>Staff up to 10% of base remuneration (first year 5%)</p>
Other Information	The Board's intention is to issue Options that are exercisable at a 34% premium to the prevailing Stanmore share price prior to the issue that can be exercised within a reasonable time period from the issue date.

Incentive Outcomes for FY13 and FY14

The below table illustrates the remuneration outcomes for both the STI and LTI schemes in the first year of operation (the year ended 30 June 2013).

Incentive	Award Outcome	Discussion	
Calendar 2012 – STI	592,162 shares issued to 10 employees for nil consideration (\$121,393 accounting value on date of issue)	<ul style="list-style-type: none">• The Board reduced the maximum entitlement to STI by 50% in the first year of the scheme• No STIs were issued to Directors other than the Managing Director (in accordance with shareholder approval)• No amount was paid in respect of the total shareholder return metric given the poor share price performance over the 12 months ending December 2012• The full amount was awarded in respect of the safety component	

REMUNERATION REPORT (AUDITED)

Incentive	Award Outcome	Discussion								
FY 2013 – LTI	1,356,000 options were issued to 10 employees with an exercise price of \$0.48, vesting 30 June 2013 and expiring 30 June 2014.	<ul style="list-style-type: none">• The Board reduced the maximum entitlement to STI by 50% in the first year of the scheme for those employees who had been awarded options as part of their employment contracts• No LTIs were issued to Directors other than the Managing Director (in accordance with shareholder approval) <p>The Board awarded performance rights to key members of the management team who were instrumental in progressing the Range Project to production. 50% of the rights vest on successful ML grant, with the balance vesting upon achieving an annualised production rate of 5Mtpa. Neither of these criteria had been met at the date of this report.</p> <p>At the time of this award, The Range Project was the Company’s most advanced Project and primary focus.</p>								
	<table><tr><th>Tier</th><th>Average % award of maximum</th></tr><tr><td>Senior management</td><td>50%</td></tr><tr><td>Managers</td><td>50%</td></tr><tr><td>Staff</td><td>50%</td></tr></table>		Tier	Average % award of maximum	Senior management	50%	Managers	50%	Staff	50%
	Tier		Average % award of maximum							
	Senior management		50%							
	Managers		50%							
Staff	50%									
2,350,000 performance rights were issued for nil consideration to 6 employees. These rights vest in two 50% tranches contingent on milestones relating to The Range Project.										

The Company does not intend to issue more than an aggregate of 5% of its share capital, from time to time, under the plans. The Share Plan and Incentive Plan each aim to more closely align rewards for performance with the achievement of the Company's growth and strategic objectives for financial year 2013 and beyond.

Fees were paid to an independent remuneration consultant in the prior year in respect of scheme design and implementation. No amounts were paid to remuneration consultants in the year ended 30 June 2013.

Relationship between remuneration and Consolidated Entity performance

During the financial year, the Consolidated Entity has generated accounting losses as its principal activity was the exploration and development of prospective coal assets within Queensland's Bowen and Surat Basins.

On 9 December 2009, official quotation of the Stanmore Coal Limited's shares on the ASX commenced at a price of \$0.20. The share price at the end of the financial year ended 30 June 2013 was \$0.115 (2012: \$0.36). Given the poor performance of the share price there was no award made under the STI scheme with respect to total shareholder returns for the year ended 30 June 2013.

There were no dividends paid during the year ended 30 June 2013.

As the Consolidated Entity is still in the exploration and early development stage, there is not necessarily a direct relationship between the Consolidated Entity's financial performance, improvement to shareholder wealth and changes to the Company's remuneration arrangement. Share prices are subject to the influence of coal prices and market sentiment toward the sector, and as such increases or decreases may occur quite independent of executive performance or remuneration. For the current year, the quantum of employee remuneration has been determined with reference to market practice and the achievement of individual performance criteria established between the Board, the Managing Director and the individual employee.

REMUNERATION REPORT (AUDITED)

Employment contracts and consultancy agreements

It is the Board's policy that employment contracts or consultancy agreements are entered into with all Executive Directors, executives and employees.

Contracts do not provide for pre-determining compensation values or method of payment. Rather the amount of compensation is determined by the Remuneration Committee and the Board in accordance with the Company's remuneration policies.

The current consultancy agreement with the Joint Company Secretary has a three month notice period. All other employment contracts or consultancy agreements have three months (or less) 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.

Key management personnel are entitled to their statutory entitlements of accrued annual leave and long service leave together with any superannuation on termination. Other termination payments may be negotiated on a case by case basis.

Managing Director

Stanmore Coal Limited has an Employment Contract with Mr Nick Jorss for the position of Managing Director which commenced on 1 January 2012. Mr Jorss' base remuneration is \$380,000 per annum. Mr Jorss is eligible to participate in the new STI/LTI scheme which commenced during the year pursuant to shareholder approval. Detail of instruments issued under the new schemes is provided on page 33 of this report. These include the following unlisted securities which were held at the date of this report:

- 200,000 unlisted options exercisable at 48 cents, vesting 30 June 2013 and expiring on 30 June 2014. These securities were granted as an LTI to Mr Jorss on 12 October 2012 following shareholder approval at the EGM 10 October 2012.
- On 26 October 2012 500,000 performance rights were granted following shareholder approval at the EGM 10 October 2012. 50% of these rights vest upon the grant of the Mining Lease for The Range Project and the balance of 50% vest upon achieving an annualised production rate of 5Mtpa of product coal at The Range Project. At the date of this report none of these rights have vested.

Senior Management

Chief Financial Officer

Stanmore Coal Limited has an Employment Contract with Mr Douglas McAlpine for the position of Chief Financial Officer which commenced on 19 September 2011. Mr McAlpine receives a salary of \$336,000 per annum. The employment contract may be terminated by either party by providing 3 month's written notice, or immediately in the case of gross negligence or serious misconduct.

Under the terms of the contract, on 19 December 2011, Mr McAlpine was issued 30,000 ordinary shares as a sign-on bonus and on 30 September 2011 was granted 1,800,000 unlisted options, expiring 31 March 2016, exercisable as follows:

- 450,000 at \$1.75 (vesting 30 September 2012)
- 450,000 at \$2.00 (vesting 30 September 2013)
- 450,000 at \$2.25 (vesting 30 September 2014)
- 450,000 at \$2.50 (vesting 30 September 2015)

Mr McAlpine is eligible to participate in the new STI/LTI scheme which commenced during the year pursuant to shareholder approval. Detail of instruments issued under the new schemes is provided on page 33 of this report. These include the following unlisted securities which were held at the date of this report:

REMUNERATION REPORT (AUDITED)

- On 26 October, 2012 450,000 performance rights were granted. 50% of these rights vest upon the grant of the Mining Lease for The Range Project and the balance of 50% vest upon achieving an annualised production rate of 5Mtpa of product coal at The Range Project. At the date of this report none of these rights have vested.
- Mr McAlpine also holds 163,000 unlisted options exercisable at 48 cents, vesting 30 June 2013 and expiring on 30 June 2014. These securities were granted to Mr McAlpine following shareholder approval at the EGM 10 October 2012.

General Manager – Operations

Stanmore Coal Limited has an Employment Contract with Mr Michael McKee for the position of General Manager – Operations (formerly the Operations Manager) which commenced on 1 February 2011. Mr McKee receives a salary of \$353,200 per annum. The employment contract may be terminated by either party by providing 2 month's written notice, or immediately in the case of gross negligence or serious misconduct.

Under the terms of the contract, on 16 March 2011, Mr McKee was issued 20,000 ordinary shares and on 27 April 2011 granted 2,000,000 unlisted options, expiring 31 December 2015, exercisable as follows:

- 500,000 at \$1.75 (vesting 27 April 2012)
- 500,000 at \$2.00 (vesting 27 April 2013)
- 500,000 at \$2.25 (vesting 27 April 2014)
- 500,000 at \$2.50 (vesting 27 April 2015)

On 12 October 2012 Mr McKee was issued 250,000 ordinary shares upon being promoted to the role of General Manager – Operations.

Mr McKee is eligible to participate in the new STI/LTI scheme which commenced during the year pursuant to shareholder approval. Detail of instruments issued under the new schemes is provided on page 33 of this report. These include the following unlisted securities which were held at the date of this report:

- On 26 October 2012, 500,000 performance rights were granted to Mr McKee. 50% of these rights vest upon the grant of the Mining Lease for The Range Project and the balance of 50% vest upon achieving an annualised production rate of 5Mtpa of product coal at The Range Project. At the date of this report none of these rights have vested.
- Mr McKee also holds 175,000 unlisted options exercisable at 48 cents, vesting 30 June 2013 and expiring on 30 June 2014. These securities were granted to Mr McKee following shareholder approval at the EGM 10 October 2012.

General Manager – Project Development

Stanmore Coal Limited has a consulting agreement with West End Consulting Pty Ltd (West End) and Vaughan Wishart, the General Manager – Project Development (previously Project Development Manager). The Agreement commenced on 15 October 2009 and was extended during calendar 2011 for an additional two years, unless terminated earlier in accordance with the provisions of the agreement. Under the terms and conditions of the agreement, West End has agreed to provide certain general management services to Stanmore Coal Limited.

West End receives a base fee for provision of the services of \$6,500 per week (exclusive of GST) on the basis of performance of full five days per week. The Consolidated Entity is also obliged to reimburse West End for all reasonable and necessary expenses incurred by West End in providing services pursuant to the West End Agreement.

Both Stanmore Coal Limited and West End are entitled to terminate the agreement upon giving not less than two month's written notice. In the event that West End is in breach of the agreement, Stanmore Coal Limited may terminate the agreement immediately on written notice. In addition, Stanmore Coal Limited is entitled to terminate the agreement upon the happening of various events in respect of West End's solvency or other conduct of West End or Vaughan Wishart.

REMUNERATION REPORT (AUDITED)

Mr Wishart is eligible to participate in the new STI/LTI scheme which commenced during the year pursuant to shareholder approval. Detail of instruments issued under the new schemes, is provided on page 33 of this report. These include the following unlisted securities which were held at the date of this report:

- On 26 October 2012, 400,000 performance rights were granted to Mr Wishart. 50% of these rights vest upon the grant of the Mining Lease for The Range Project and the balance of 50% vest upon achieving an annualised production rate of 5Mtpa of product coal at The Range Project. At the date of this report none of these rights have vested.
- Mr Wishart also holds 150,000 unlisted options exercisable at 48 cents, vesting 30 June 2013 and expiring on 30 June 2014. These securities were granted to Mr Wishart following shareholder approval at the EGM 10 October 2012.

General Manager Exploration

Stanmore Coal Limited had an Employment Contract with Mr Wesley Nichols for the position of General Manager Exploration which commenced on 23 June 2011. Mr Nichols received a salary of \$250,000 per annum. Following a review by the Board on the exploration plans for the Company it was determined that the role of General Manager – Exploration was no longer required. On 24 May 2013 Mr Nichols was made redundant and received a negotiated payout post year end.

As a consequence of his termination and in accordance with the Company policy, all unexercised option entitlements are cancelled three months after departing the Company. No options were exercised by Mr Nichols and as a result the following options were cancelled:

- 400,000 at \$1.75 (vesting 4 July 2012)
- 400,000 at \$2.00 (vesting 4 July 2013)
- 400,000 at \$2.25 (vesting 4 July 2014)
- 150,000 @ \$0.48 (vesting 30 June 2013)

REMUNERATION REPORT (AUDITED)

Remuneration details

The following table details the components of remuneration for each key management person of the Company, in respect of the financial years ending 30 June 2012 and 30 June 2013.

2013	Short-term benefits			Post-Employment	Termination Benefits	Share-based payments		Total	% Remuneration as share-based payments	% Performance-related remuneration
	Salary & Fees	Cash Bonus	Other short-term benefits			Equity-settled (options)	Equity-settled (shares)			
	\$	\$	\$	\$	\$	\$	\$	\$		
Directors										
Neville Sneddon	60,000	-	-	-	-	-	-	60,000	0%	0%
Nicholas Jorss	380,000	13,781	-	16,470	-	55,140	20,671	486,062	16%	18%
Andrew Martin	40,000	-	-	-	-	-	-	40,000	0%	0%
Stephen Bizzell	40,000	-	-	-	-	-	-	40,000	0%	0%
Viv Forbes	40,000	-	-	-	-	-	-	40,000	0%	0%
Chris McAuliffe [#]	37,886	-	-	-	-	-	-	37,886	0%	0%
Total	597,886	13,781	-	16,470	-	55,140	20,671	703,948		
Senior Management										
Doug McAlpine	327,758	13,272	-	16,470	-	156,545	19,958	534,003	33%	36%
Vaughan Wishart	310,050	11,382	-	-	-	43,432	17,129	381,993	16%	19%
Michael McKee	353,200	14,474	-	16,470	-	275,045	96,645	755,834	49%	51%
Wesley Nichols*	221,153	9,630	-	16,470	27,114	188,851	12,928	476,146	42%	44%
Total	1,212,161	48,758	-	49,410	27,114	663,873	146,660	2,147,976		

* Wes Nichols ceased employment with the Company on 24 May 2013 and is not considered to be key management personnel following that date

[#] Chris McAuliffe was appointed to the Board on 17 July 2012

2012	Short-term benefits			Post-Employment	Termination Benefits	Share-based payments		Total	% Remuneration as share-based payments	% Performance-related remuneration
	Salary & Fees	Cash Bonus	Other short-term benefits			Equity-settled (options)	Equity-settled (shares)			
	\$	\$	\$	\$	\$	\$	\$	\$		
Directors										
Neville Sneddon	60,000	-	-	-	-	-	-	60,000	0%	0%
Nicholas Jorss	390,447	-	-	7,888	-	-	-	398,335	0%	0%
Andrew Martin	35,046	-	-	4,954	-	-	-	40,000	0%	0%
Stephen Bizzell	40,000	-	-	-	-	-	-	40,000	0%	0%
Viv Forbes	40,000	-	-	-	-	-	-	40,000	0%	0%
Total	565,493	-	-	12,842	-	-	-	578,335		
Senior Management										
Doug McAlpine [^]	251,077	-	-	12,467	-	136,629	35,277	435,450	39.5%	3.1%
Vaughan Wishart	292,369	-	-	-	-	-	45,000	337,369	13.3%	13.3%
Michael McKee	271,600	-	-	15,531	-	529,996	129,916	947,043	69.7%	5.1%
Wesley Nichols	250,000	-	-	15,531	-	324,402	48,315	638,248	58.2%	3.0%
Duncan Cornish*	73,333	-	-	-	-	-	-	73,333	0%	0%
Total	1,138,379	-	-	43,529	-	991,027	258,508	2,431,443		

[^] Doug McAlpine commenced employment on 19 September 2011

* Duncan Cornish stepped down as Chief Financial Officer on 19 September 2011 and is not considered to be key management personnel following that date

REMUNERATION REPORT (AUDITED)

Remuneration details

Cash bonuses, performance-related bonuses and share-based payments

Under the Director and Employee Share Plan and Director and Employee Incentive Plan approved by shareholders at the 12 October 2012 Extraordinary General Meeting, employees and Executive Directors of the Company may be eligible to receive a combination of cash, shares and long term options or performance rights to more closely align rewards for performance with the achievement of Company objectives. Pursuant to shareholder approval, the Share Plan and Incentive plan were first applied in the financial year ending 30 June 2013. Key management personnel and other executives were not paid performance-related bonuses in cash during the year ended 30 June 2012.

Details of cash and share-based payments to key management personnel and other executives during the year ended 30 June 2013 are detailed in the table below. Premium-priced options were issued in October 2012 in respect of long term incentives for employees based on their level of seniority and strategic contribution. An issue of shares and payment of cash was made on 11 March 2013 in relation to the short term incentives for each employee applicable to the calendar year ended 31 December 2012. An issue of performance rights was made on 25 October 2012 for each applicable employee in relation to development and production milestones for The Range Project.

	Remuneration type	Number	Grant date	Vesting date	Exercise Price	Grant value (per instrument) \$ #	% vested / paid during year	% Expired during year	% Forfeited during year	% remaining as unvested	Expiry date
Consolidated Entity key management personnel											
W Nichols	Options	150,000	12/10/2012	30/6/2013	0.48	0.068	0%	0%	0%	100%	30/6/2014
W Nichols	Shares	63,061	11/3/2013	11/3/2013	n/a	0.205	27%	0%	73%	0%	n/a
W Nichols	Cash	9,630	11/3/2013	n/a	n/a	n/a	27%	0%	73%	0%	n/a
W Nichols	Performance Rights	400,000	12/10/2012	*	0	0.30	0%	0%	0%	100%	30/6/2020
D McAlpine	Options	163,000	12/10/2012	30/6/2013	0.48	0.068	0%	0%	0%	100%	30/6/2014
D McAlpine	Shares	97,358	11/3/2013	11/3/2013	n/a	0.205	33%	0%	67%	0%	n/a
D McAlpine	Cash	13,272	11/3/2013	n/a	n/a	n/a	33%	0%	67%	0%	n/a
D McAlpine	Performance Rights	450,000	12/10/2012	*	0	0.30	0%	0%	0%	100%	30/6/2020
M McKee	Options	175,000	12/10/2012	30/6/2013	0.48	0.068	0%	0%	0%	100%	30/6/2014
M McKee	Shares	105,585	11/3/2013	11/3/2013	n/a	0.205	32%	0%	68%	0%	n/a
M McKee	Shares	250,000	12/10/2012	12/10/2012	n/a	0.30	100%	0%	0%	0%	n/a
M McKee	Cash	14,474	11/3/2013	n/a	n/a	n/a	32%	0%	68%	0%	n/a
M McKee	Performance Rights	500,000	12/10/2012	*	0	0.30	0%	0%	0%	100%	30/6/2020
N Jorss	Options	200,000	12/10/2012	30/6/2013	0.48	0.068	0%	0%	0%	100%	30/6/2014
N Jorss	Shares	100,835	11/3/2013	11/3/2013	n/a	0.205	29%	0%	71%	0%	n/a
N Jorss	Cash	13,781	11/3/2013	n/a	n/a	n/a	29%	0%	71%	0%	n/a
N Jorss	Performance Rights	500,000	12/10/2012	*	0	0.30	0%	0%	0%	100%	30/6/2020
V Wishart	Options	150,000	12/10/2012	30/6/2013	0.48	0.068	0%	0%	0%	100%	30/6/2014
V Wishart	Shares	83,555	11/3/2013	11/3/2013	n/a	0.205	30%	0%	70%	0%	n/a
V Wishart	Cash	11,382	11/3/2013	n/a	n/a	n/a	30%	0%	70%	0%	n/a
V Wishart	Performance Rights	400,000	12/10/2012	*	0	0.30	0%	0%	0%	100%	30/6/2020

Calculation of value of options granted using the Black-Scholes option pricing model, which takes into account factors such as the option exercise price, the market price at the date of issue and volatility of the underlying share price and the time to maturity of the option.

* Performance rights vest 50% upon being awarded the Mining Lease at The Range and 50% based on attaining an annualised production rate of 5Mtpa at The Range

REMUNERATION REPORT (AUDITED)

Remuneration details

Details of share-based payments to key management personnel and other executives during the year ended 30 June 2012 are detailed in the table below. A modest amount of shares were awarded to key employees on 23 March 2012 as a discretionary bonus in recognition for superior performance during the calendar year ended 31 December 2011.

	Remuneration type	Number	Grant date	Vesting date	Exercise Price	Grant value (per instrument) \$ #	% vested / paid during year	% Expired during year	% Forfeited during year	% remaining as unvested	Expiry date
Consolidated Entity key management personnel											
W Nichols	Options	400,000	20/07/2011	04/07/2012	\$1.75	\$0.477	0%	0%	0%	100%	31/12/2015
W Nichols	Options	400,000	20/07/2011	04/07/2013	\$2.00	\$0.436	0%	0%	0%	100%	31/12/2015
W Nichols	Options	400,000	20/07/2011	04/07/2014	\$2.25	\$0.401	0%	0%	0%	100%	31/12/2015
W Nichols	Shares	25,000	20/07/2011	n/a	n/a	\$1.160	100%	0%	0%	0%	n/a
D McAlpine	Options	450,000	30/09/2011	30/09/2012	\$1.75	\$0.214	0%	0%	0%	100%	31/03/2016
D McAlpine	Options	450,000	30/09/2011	30/09/2013	\$2.00	\$0.191	0%	0%	0%	100%	31/03/2016
D McAlpine	Options	450,000	30/09/2011	30/09/2014	\$2.25	\$0.171	0%	0%	0%	100%	31/03/2016
D McAlpine	Options	450,000	30/09/2011	30/09/2015	\$2.50	\$0.155	0%	0%	0%	100%	31/03/2016
D McAlpine	Shares	30,000	19/12/2011	n/a	n/a	\$0.720	100%	0%	0%	0%	n/a
M McKee	Shares	67,606	19/12/2011	n/a	n/a	\$0.720	100%	0%	0%	0%	n/a
M McKee	Shares	106,406	07/02/2012	n/a	n/a	\$0.930	100%	0%	0%	0%	n/a
D McAlpine	Shares	17,534	23/03/2012	n/a	n/a	\$0.800	100%	0%	0%	0%	n/a
W Nichols	Shares	24,763	23/03/2012	n/a	n/a	\$0.800	100%	0%	0%	0%	n/a
M McKee	Shares	61,943	23/03/2012	n/a	n/a	\$0.800	100%	0%	0%	0%	n/a
V Wishart	Shares	57,692	23/03/2012	n/a	n/a	\$0.800	100%	0%	0%	0%	n/a

Calculation of value of options granted using the Black-Scholes option pricing model, which takes into account factors such as the option exercise price, the market price at the date of issue and volatility of the underlying share price and the time to maturity of the option.

During the year ending 30 June 2013 Mike McKee was provided with 250,000 ordinary shares for nil consideration in relation to his promotion to the role of General Manager Operations.

All options were issued by Stanmore Coal Limited and entitle the holder to one ordinary share in Stanmore Coal Limited for each option exercised.

All options granted as part of remuneration for the years ended 30 June 2013 and 2012 were granted for nil consideration. Once vested, options can be exercised at any time up to the expiry date. There is no market or performance based vesting criteria in respect of these options.

End of Remuneration Report

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each of the Directors and the Secretaries of Stanmore Coal Limited have entered into a Deed with Stanmore Coal Limited whereby Stanmore Coal Limited has provided certain contractual rights of access to books and records of Stanmore Coal Limited to those Directors and Secretary.

Stanmore Coal Limited has insured all of the Directors of the Consolidated Entity. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

Stanmore Coal Limited has not indemnified or insured its auditor.

OPTIONS & PERFORMANCE RIGHTS

At the date of this report there were 25,052,000 unissued ordinary shares under options, 2,350,000 unissued ordinary shares under performance rights and 13,373,377 unissued ordinary shares under convertibles notes as follows:

- 3,500,000 unlisted options exercisable at \$0.19, on or before 31 December 2013
- 525,000 unlisted options exercisable at \$0.15, on or before 16 January 2014
- 100,000 unlisted options exercisable at \$0.73, on or before 31 December 2013
- 100,000 unlisted options exercisable at \$0.87, on or before 31 December 2013
- 100,000 unlisted options exercisable at \$1.09, on or before 31 December 2013
- 900,000 unlisted options exercisable at \$1.75, on or before 31 December 2015
- 900,000 unlisted options exercisable at \$2.00, on or before 31 December 2015
- 900,000 unlisted options exercisable at \$2.25, on or before 31 December 2015
- 500,000 unlisted options exercisable at \$2.50, on or before 31 December 2015
- 450,000 unlisted options exercisable at \$1.75, on or before 31 March 2016
- 450,000 unlisted options exercisable at \$2.00, on or before 31 March 2016
- 450,000 unlisted options exercisable at \$2.25, on or before 31 March 2016
- 450,000 unlisted options exercisable at \$2.50, on or before 31 March 2016
- 1,216,000 unlisted options exercisable at \$0.48 on or before 30 June 2014
- 75,000 unlisted options exercisable at \$0.25 on or before 2 April 2015
- 2,766,000 unlisted options exercisable at \$0.22 on or before 4 September 2015
- 11,670,000 unlisted options exercisable at \$0.518 on or before 27 June 2015
- 13,373,377 unlisted convertible notes which can be converted to ordinary shares not before 27 June 2014
- 2,350,000 unlisted performance rights which vest upon achieving development and production milestones at The Range Project. There is no consideration payable upon vesting.

No option holder, performance right holder or convertible note holder has any right under the options to participate in any other share issue of Stanmore Coal Limited or any other entity.

During the year ended 30 June 2013 there were 1,600,000 fully paid ordinary shares in Stanmore Coal Limited issued as a result of the exercise of options and nil fully paid ordinary shares issued as a result of vesting performance rights.

CHANGES TO CAPITAL STRUCTURE

On 12 October 2012, 292,553 ordinary shares (value \$87,766) were issued to employees of the Company as part of terms of employment contracts.

On 12 October 2012, 1,216,000 unlisted options were issued to employees of the Company as part of the LTI scheme approved by Shareholders at the EGM 10 October 2012. These options have a vesting date of 30 June 2013 and an expiry of 30 June 2014. Employees may convert their options in a 1 to 1 ratio for ordinary shares of the Company at a price of \$0.48 per option.

On 12 October 2012, 2,350,000 unlisted performance rights were issued to senior employees of the Company pursuant to Shareholder approval obtained at the EGM 10 October 2012. The performance rights vest upon the triggering of certain milestones related to The Range Project:

- 50% conversion upon grant of Mining Lease
- 50% conversion upon achieving an annualised production rate of 5Mtpa for 1 month

On 26 October 2012, 20,791,143 ordinary shares were issued to Greatgroup Investments Limited pursuant to Shareholder approval obtained at the EGM October 2012. The shares were priced at \$0.675 per security (value \$14,034,021).

On 26 October 2012, 11,670,000 unlisted options were issued to Credit Suisse, AG pursuant to Shareholder approval obtained at the EGM 10 October 2012. The options are convertible to ordinary shares of the Company at a ratio of 1 to 1 at an exercise price of \$0.518 per option. The options have vested and expire on 27 June 2015.

On 26 October 2012, 13,373,377 unlisted convertible notes were issued to Greatgroup Investments Limited pursuant to Shareholder approval obtained at the EGM 10 October 2012. The notes are convertible to ordinary shares of the Company at a ratio of 1 to 1 at an exercise price of \$0.675 per note. The notes cannot be converted prior to 27 June 2014 and have an expiry of 27 June 2015. In addition the notes can be converted at the election of either the Company or Greatgroup.

On 26 October 2012, 140,000 unlisted options were issued to an employee of the Company as part of the LTI payment for the year commencing 1 July 2012 and pursuant to Shareholder approval obtained at the EGM 10 October 2012. Prior to 30 June 2013 the employee left the Company and in accordance with the Incentive Plan the options have been cancelled.

On 12 November 2012, 5,714,286 ordinary shares (value \$1,314,286) were issued to the vendor as consideration for the acquisition of EPC 1186.

On 12 November 2012, 20,000 ordinary shares (value \$4,600) were issued pursuant to terms of employment contracts.

On 26 November, 29 November and 7 December 2012, a total of 1,600,000 employee options were exercised (value \$308,800 with a strike price of 19.3 cents, resulting in 1,600,000 ordinary shares being issued. 4,750,000 options (with strike price of 19.3 cents) were not exercised and expired on 9 December 2012.

On 11 March 2013, 592,162 ordinary shares (value \$121,393) were issued to employees of the Company as part of the STI payment for the year ending 31 December 2012 and pursuant to Shareholder approval obtained at the EGM 10 October 2012.

On 3 April 2013, 75,000 unlisted options were issued to a consultant to the Company as part of the LTI scheme approved by Shareholders at the EGM 10 October 2012. These options have a vesting date of 2 April 2014 and an expiry of 2 April 2015. Employees may convert their options in a 1 to 1 ratio for ordinary shares of the Company at a price of \$0.25 per option.

At the date of this report, the Consolidated Entity had 208,469,252 ordinary shares, 25,052,000 unlisted options, 13,373,377 convertible notes and 2,350,000 performance rights on issue.

AFTER BALANCE DATE EVENTS

Extension to WICET Capacity Entitlements

The Capacity Commitment Deed executed on 27 June 2012 had an original expiry date of 27 June 2013. Subsequent to year end, the WEXP1 producers, including Stanmore Coal, negotiated a 1 year extension to the CCD which gives the producers the option to accelerate the Project or finalise a longer term framework for protecting their priority rights to future expansions of the terminal. Stanmore's contractual rights under the CCD remain unchanged. As part of the extension Stanmore Coal also negotiated a reduction to its bonding and expenditure commitments associated with WEXP1.

Voluntary prepayment and voluntary cancellation of Credit Suisse Facility

Post 30 June 2013, the Company and CS agreed to a voluntary prepayment of the facility. The net outstanding amount of \$3.2 million was repaid to CS in July 2013 and CS has released security its position over the assets and undertakings of the Company.

There have been no other events since 30 June 2013 that impact upon the financial report as at 30 June 2013.

DIVIDENDS PAID OR RECOMMENDED

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

ENVIRONMENTAL ISSUES

The Consolidated Entity is subject to environmental regulation in relation to its 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.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Other than the matters discussed in the Operating and Financial Review there are no other developments of which the Directors are aware which could be expected to affect the results of the Consolidated Entity's operations in subsequent financial years, other than information which the Directors believe comment on, or disclosure of, would prejudice the interests of the Consolidated Entity.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor BDO Audit Pty Ltd. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO Audit Pty Ltd received the following amounts for the provision of non-audit services:

Tax services	\$18,625
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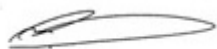
AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 38.

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 page 43.

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



Nicholas Jorss
Managing Director

Brisbane
Date: 24 September 2013



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DECLARATION OF INDEPENDENCE BY DAMIAN WRIGHT TO THE DIRECTORS OF STANMORE COAL LIMITED

As lead auditor of Stanmore Coal Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'Damian Wright', is written over a light grey rectangular background.

D P WRIGHT
Director

BDO Audit Pty Ltd

Brisbane, 24 September 2013

Shareholder Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 August 2013.

(a) Distribution of equity securities

The number of holders, by size of holding, in each class of security is:

	Ordinary shares		Unlisted options (\$0.19 @ 31/12/13)		Unlisted options (\$0.15 @ 16/1/14)		Unlisted options (\$0.73 @ 31/12/13)	
	Number of holders	Number of shares	Number of holders	Number of holders	Number of holders	Number of options	Number of holders	Number of options
1 – 1,000	159	57,220	-	-	-	-	-	-
1,001 – 5,000	361	1,093,971	-	-	-	-	-	-
5,001 – 10,000	254	1,997,738	-	-	-	-	-	-
10,001 – 100,000	859	29,470,645	-	-	1	-	1	100,000
100,001 and over	162	175,849,678	3	3,500,000	1	525,000	-	-
Total	1,795	208,469,252	3	3,500,000	1	525,000	1	100,000

	Unlisted options (\$0.87 @ 31/12/13)		Unlisted options (\$1.09 @ 31/12/13)		Unlisted options (\$1.75 @ 31/12/15)		Unlisted options (\$2.00 @ 31/12/15)	
	Number of holders	Number of options	Number of holders	Number of options	Number of holders	Number of options	Number of holders	Number of options
1 – 1,000	-	-	-	-	-	-	-	-
1,001 – 5,000	-	-	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-	-	-
10,001 – 100,000	1	100,000	1	100,000	-	-	-	-
100,001 and over	-	-	-	-	2	900,000-	2	900,000
Total	1	100,000	1	100,000	2	900,000	2	900,000

	Unlisted options (\$2.25 @ 31/12/15)		Unlisted options (\$2.50 @ 31/12/15)		Unlisted options (\$1.75 @ 31/03/16)		Unlisted options (\$2.00 @ 31/03/16)	
	Number of holders	Number of options	Number of holders	Number of holders	Number of holders	Number of holders	Number of holders	Number of options
1 – 1,000	-	-	-	-	-	-	-	-
1,001 – 5,000	-	-	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-	-	-
10,001 – 100,000	-	-	-	-	-	-	-	-
100,001 and over	2	900,000-	1	500,000	1	450,000	1	450,000
Total	2	900,000	1	500,000	1	450,000	1	450,000

	Unlisted options (\$2.25 @ 31/03/16)		Unlisted options (\$2.50 @ 31/03/16)		Unlisted options (\$0.48 @ 30/06/14)		Unlisted options (\$0.25 @ 02/04/15)	
	Number of holders	Number of options	Number of holders	Number of holders	Number of holders	Number of holders	Number of holders	Number of options
1 – 1,000	-	-	-	-	-	-	-	-
1,001 – 5,000	-	-	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-	-	-
10,001 – 100,000	-	-	-	-	-	-	1	75,000
100,001 and over	1	450,000	1	450,000	10	1,216,000	-	-
Total	1	450,000	1	450,000	10	1,216,000	1	75,000

	Unlisted options (\$0.518 @ 30/06/15)		Convertible Note (\$0.675 @ 27/06/15)	
	Number of holders	Number of holders	Number of holders	Number of options
1 – 1,000	-	-	-	-
1,001 – 5,000	-	-	-	-
5,001 – 10,000	-	-	-	-
10,001 – 100,000	-	-	-	-
100,001 and over	1	11,670,000	1	13,373,377
Total	1	11,670,000	1	13,373,377

The number of shareholders holding less than a marketable parcel (2,778 ordinary shares) is 320 (358,805 ordinary shares).

(b) Twenty largest holders

The names of the twenty largest holders as at 31 August 2013, in each class of quoted security are:

Ordinary shares:

		Number of shares	% of total shares
1	GREATGROUP INVESTMENTS LTD*	41,565,418	19.94%
2	ST LUCIA RESOURCES	31,700,270	15.21%
3	3RD WAVE INVESTORS LTD*	18,960,000	9.09%
4	NATIONAL NOMINEES LIMITED	8,729,221	4.19%
5	BT PORTFOLIO SERVICES LTD <WARRELL HOLDINGS S/F A/C>	3,500,000	1.68%
6	NORFOLK ENCHANTS PTY LTD <TROJAN RETIREMENT FUND A/C>	3,000,000	1.44%
7	JH NOMINEES AUSTRALIA PTY LTD <HARRY FAMILY SUPER FUND A/C>	2,768,124	1.33%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,732,271	1.31%
9	MR VIVIAN FORBES	2,088,270	1.00%
10	BIZZELL NOMINEES PTY LTD <BIZZELL FAMILY A/C>	2,003,950	0.96%
11	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,960,228	0.94%
12	ROOKHARP PTY LTD	1,879,588	0.90%
13	KABILA INVESTMENTS PTY LTD	1,768,502	0.85%
14	CPS INTERNATIONAL HOLDINGS PTY LTD	1,571,207	0.75%
15	CITICORP NOMINEES PTY LIMITED	1,541,974	0.74%
16	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,455,420	0.70%
17	MRS ELIZABETH ANNE FOGARTY + MISS CAITLYN ELIZABETH FOGARTY	1,450,000	0.70%
18	CAYTHORPE PTY LTD <STRAUSS FAMILY A/C>	1,300,000	0.62%
19	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,265,507	0.61%
20	CPS INTERNATIONAL HOLDINGS PTY	1,262,020	0.61%
Total of twenty largest holders		132,501,970	63.56%
Total ordinary shares		208,469,252	100.00

*merged

Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by Stanmore Coal Limited at 31 August 2013 are:

Name of Shareholder:	Ordinary Shares:
Greatgroup Investments Limited	41,565,418
St Lucia Resources International Pty Ltd	31,700,270
VW & AC Pty Ltd*	31,700,270
Olross Investments Pty Ltd*	31,700,270
Raplon Pty Ltd*	31,700,270
3 rd Wave Investors Limited	16,786,020
Kinetic Investment Partners Pty Ltd	12,887,368

* Relevant interest under s.608(3)(a) Corporations Act 2001 (Cth) by having voting power of above 20% in St Lucia Resources International Pty Ltd, which holds 31,700,270 shares in Stanmore Coal Limited.

(c) Voting rights

All ordinary shares carry one vote per share without restriction.

Options do not carry voting rights.

(d) Restricted securities

There are no restricted securities on issue at 31 August 2013.

Interests in Tenements

Stanmore Coal Limited held the following interests in tenements as at 31 August 2013:

Tenement	% Interest	Grant Date	Expiry Date
EPC 1112	100	23/03/2007	22/03/2017
EPC 1113	100	23/03/2007	22/03/2017
EPC 1114	100	28/02/2008	27/02/2013
EPC 1168	100	24/10/2007	23/10/2015
EPC 1186	100	12/03/2013	11/03/2018
EPC 1274	100	10/09/2008	09/09/2013
EPC 1276	100	10/09/2008	09/09/2013
EPC 1545	100	20/05/2009	19/05/2014
EPC 1552	100	20/05/2009	19/05/2017
EPC 1567	100	27/06/2011	26/06/2016
EPC 1627	100	12/08/2011	11/08/2016
EPC 1687	85	28/07/2011	27/07/2016
EPC 1769	100	31/05/2011	30/05/2016
EPC 1804	100	27/06/2011	26/06/2016
EPC 2030	100	12/10/2010	11/10/2015
EPC 2039	100	12/10/2010	11/10/2015
EPC 2062	100	09/02/2012	08/02/2017
EPC 2081	95	15/10/2010	14/10/2015
EPC 2176	100	22/11/2011	21/11/2016
EPC 2371	100	28/07/2011	27/07/2016
MLA 55001	Application	-	-
MLA 80199	Application		

Corporate Governance Statement

The Board of Directors of Stanmore Coal Limited is responsible for the corporate governance of the Consolidated Entity. The Board guides and monitors the business and affairs of Stanmore Coal Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Stanmore Coal Limited's Corporate Governance Statement is structured with reference to the Australian Securities Exchange (ASX) Corporate Governance Council's (the Council) "Corporate Governance Principles and Recommendations, 2nd Edition", which are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the Board to add value
Principle 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website. A copy of the Company's Corporate Governance Charter can be downloaded from the Company's website www.stanmorecoal.com.au.

Structure of the Board and Director Independence

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report is included in the Director's Report. The Corporate Governance Council defines an independent Director as a non-executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

In the context of Director independence, "materiality" is considered from both the Company and the individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 5% of the appropriate base amount. Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty. Factors that may impact on a Director's independence are considered each time the Board meets.

Stanmore Coal Limited considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board members. The Directors noted above have been appointed to the Board of Stanmore Coal Limited due to their considerable industry and corporate experience.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Consolidated Entity's expense.

Mr Nicholas Jorss is the Managing Director. The Consolidated Entity does not consider Mr Jorss to be an independent Director as defined in the ASX Guidelines on the basis that he is a Director of St Lucia Resources International Pty Ltd, a substantial shareholder (greater than 5%) in the Consolidated Entity.

Mr Stephen Bizzell is a non-executive Director and the current Chairman of the Audit and Risk Management Committee. The Consolidated Entity does not consider Mr Bizzell to be an independent Director as defined in the ASX Guidelines on the basis that he is a Director of Bizzell Capital Partners Pty Ltd, an entity that partially underwrote a Share Purchase Plan announced in December 2011 and provides investor relations to the Company.

Mr Andrew Martin is a non-executive Director. The Consolidated Entity does not consider Mr Martin to be an independent Director as defined in the ASX Guidelines on the basis that he is a Director of St Lucia Resources International Pty Ltd, a substantial shareholder (greater than 5%) in the Consolidated Entity.

Mr Chris McAuliffe is a non-executive Director. The Consolidated Entity does not consider Mr McAuliffe to be an independent Director as defined in the ASX Guidelines on the basis that he is the Managing Director of Sprint Capital, the investment management group responsible for Greatgroup Investments Limited, who is a substantial shareholder (greater than 5%) in the Consolidated Entity.

Based on the above, for the purposes of the ASX Corporate Governance Principles and Recommendations, Messrs Jorss, Bizzell, Martin and McAuliffe are not considered independent Directors.

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
Neville Sneddon	3 year 11 months
Nicholas Jorss	5 years 3 months
Andrew Martin	5 years 3 months
Stephen Bizzell	3 year 11 months
Viv Forbes	3 year 11 months
Chris McAuliffe	1 year 2 months

ASX Principles and Recommendations

The Board is of the view that with the exception of the departures from the ASX Guidelines as set out in the table below, it otherwise complies with all of the ASX Guidelines.

ASX Principles and recommendations	Summary of the Consolidated Entity's position
Principle 2 – Structure the Board to add value	
Recommendation 2.1 – A majority of the Board should be independent Directors	Messrs Jorss, Bizzell, Martin and McAuliffe are not considered independent Directors. While the Consolidated Entity does not presently comply with this recommendation, the Consolidated Entity may consider appointing further independent Directors in the future. The Consolidated Entity believes that given the size and scale of its operations, non-compliance by the Consolidated Entity with this recommendation will not be detrimental to the Consolidated Entity.
Recommendation 2.4 – The Board should establish a nomination committee	The Board's view is that the Consolidated Entity is not currently of the size to justify the formation of a separate nomination committee. The Board currently performs the functions of a nomination committee and where necessary will seek advice of external advisors in relation to this role. The Board shall, upon the Consolidated Entity reaching the requisite corporate and commercial maturity, approve the constitution of a nomination committee to assist the Board in relation to the appointment of Directors and senior management.
Principle 3 – Promote ethical and responsible decision making	
Recommendation 3.2 – Companies should establish a policy concerning diversity	The Company does not have a formal Diversity Policy, however its approach to recruitment is driven by identifying the best candidate for all positions regardless of gender, age, ethnicity and cultural background. Based on the current scale and complexity of the Company's operations there is no set objective to achieve a certain percentage of female employees in the workforce.

**ASX Principles
and recommendations**
**Summary of the Consolidated Entity's
position**
Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.2 – The audit committee should be structured so that it:

- Consists only of non-executive Directors
- Consists of a majority of independent Directors
- Is chaired by an independent chair, who is not chair of the Board
- Has at least 3 members

Messrs Jorss, Bizzell, Martin and McAuliffe are not considered independent Directors and consequently the Committee does not consist of a majority of independent Directors. Whilst the Consolidated Entity does not presently comply with this Recommendation 4.2, it may consider appointing further independent Directors in the future. The Consolidated Entity believes that given the size and scale of its operations, non-compliance by the Consolidated Entity with this Recommendation 4.2 will not be detrimental to the Consolidated Entity.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the Audit and Risk Management Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Risk Management Committee are Non-Executive Directors.

The members of the Audit and Risk Management Committee at the date of this report are:

- Stephen Bizzell (Chairman)
- Andrew Martin
- Chris McAuliffe

For additional details of Directors' attendance at Audit and Risk Management Committee meetings and to review the qualifications of the members of the Audit and Risk Management Committee, please refer to the Directors' Report.

The Audit and Risk Management Charter has been made publicly available on the Company's website.

Remuneration Committee

The Remuneration Committee, which operates under a charter approved by the Board, is responsible for reviewing the remuneration policies and practices of the Consolidated Entity and making recommendations to the Board in relation to:

- executive remuneration and incentive plans;
- the remuneration packages for Management, Directors and the Managing Director;
- non-executive Director remuneration;
- the Consolidated Entity's recruitment, retention and termination policies and procedures for senior management;
- incentive plans and share allocation schemes;
- superannuation arrangements; and
- remuneration of members of other committees of the Board.

In performing its role, the committee is required to ensure that the remuneration offered is in accordance with prevailing market conditions, contract provisions reflect market practice and targets and incentives are based on realistic performance criteria. The committee will also overview the application of sound remuneration and employment practices across the Consolidated Entity and ensure the Consolidated Entity complies with legislative requirements related to employment practices. All members of the Remuneration Committee are Non-Executive Directors.

The members of the Remuneration Committee at the date of this report are:

- Viv Forbes
- Neville Sneddon (Chairman)
- Andrew Martin
- Stephen Bizzell
- Chris McAuliffe

For additional details of Directors' attendance at Remuneration Committee meetings and to review the qualifications of the members of the Remuneration Committee, please refer to the Directors' Report.

Nomination Committee

Due to the size and scale of operations, Stanmore Coal Limited does not have a separately established Nomination Committee. The full Board carries out the functions of the Nomination Committee, operating under a charter approved by the Board.

Risk Management

The Company has developed an appropriate framework for risk management and internal compliance and control systems which cover organisational, financial and operational aspects of the Company's affairs. Further detail of the Company's Risk Management Policies can be found within the Corporate Governance Charter on the Company's website

Recommendation 7.2 requires that the Board disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. Business risks are considered regularly by the Board and management.

As required by Recommendation 7.3, the Board has received written assurances from the Managing Director and Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Performance Evaluation

The Remuneration Committee and the Board (in carrying out the functions of the Nomination Committee) considers remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board.

No formal performance evaluation of the Directors was undertaken during the year ended 30 June 2013.

Remuneration

The Company's remuneration strategy and the details of compensation paid to Directors and Key Management Personnel of the Company for the year ended 30 June 2013 are set out in the Company's Remuneration Report on Page 23 to 34.

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors themselves, subject to Stanmore Coal Limited's constitution and prior shareholder approvals, and the Executive team.

There is no scheme to provide retirement benefits to Non-Executive Directors.

Continuous Disclosure

Detailed compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Consolidated Entity. Stanmore Coal Limited's Obligation of Disclosure Policy can be found within Stanmore Coal Limited's Corporate Governance Charter on the Stanmore Coal Limited website (www.stanmorecoal.com.au) in the Corporate Governance section.

Trading Policy

The Board has adopted a policy and procedure on dealing in the Company's securities by Directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information until it has been released to the market and adequate time has passed for this to be reflected in the security's prices, and during certain pre-determined windows.

The Company's policy regarding dealings by Directors in the Company's shares is that Directors should never engage in short term trading and should not enter into transactions when they are in possession of price sensitive information not yet released by the Company to the market; or for a period of fourteen (14) days prior to the scheduled (per ASX Listing Rules) release by the Company of (ASX) Quarterly Operations and Cash Flow Reports or such shorter period as may be approved of by the Board of Directors after receipt of notice of intention to buy or sell by a Director to other members of the Board.

Directors will generally be permitted to engage in trading (subject to due notification being given to the Chairperson and Secretary) for a period commencing one (1) business day after the release of (ASX) Quarterly Operations and Cash Flow Reports to the market and for a period commencing one (1) business day following the release of price sensitive information to the market which allows a reasonable period of time for the information to be disseminated among members of the public.

Gender Diversity

At 30 June 2013 the Company has 30% female employees. There are currently no females in the Executive Management Team. No member of the six person Board of Directors is female. Based on the current scale and complexity of the Company's operations there is no set objective to achieve a certain percentage of female employees in the workforce, as the Board does not currently believe that such an initiative would significantly improve the functions currently performed by the Board and Executive Management Team, nor enhance the ability of the Company to deliver on its stated objectives.

Stakeholder Communications

The Consolidated Entity has designed a disclosure system to ensure it complies with the ASX's continuous disclosure rules and that information is made available to all investors equally, promoting effective communications with shareholders and encouraging shareholder participation at general shareholder meetings. A copy of the Information Disclosure Program Procedures can be found within Stanmore Coal Limited's Corporate Governance Charter on Stanmore Coal Limited's website (www.stanmorecoal.com.au) in the Corporate Governance section. In addition to corporate and Project information generally available on the Company's website, in the Investors section of the Company's website the following information is made available:

- ASX Releases
- Annual Reports
- Quarterly Reports
- Presentations
- Media Coverage
- Flyers

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2013

	Note	2013 \$'000	2012 \$ '000
Revenue and other income	2	1,732	899
Employee benefits expenses		(3,441)	(3,072)
Depreciation and amortisation expenses		(46)	(36)
Finance costs		(1,284)	(1,432)
Legal expenses		(701)	(607)
Impairment expense	3,15	(787)	-
Administration and consulting expenses		(1,359)	(1,462)
Other expenses		(1,317)	(1,972)
Profit/(loss) before income tax expense	3	(7,203)	(7,682)
Income tax expense	4	2,192	-
Net profit/(loss) for the year		(5,011)	(7,682)
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss</i>		-	-
<i>Items that will be reclassified to profit or loss</i>		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(5,011)	(7,682)
Profit/(Loss) for the year is attributable to:			
Owners of Stanmore Coal Ltd		(5,011)	(7,682)
Total comprehensive income for the year is attributable to:			
Owners of Stanmore Coal Ltd		(5,011)	(7,682)
Earnings/(loss) per share attributable to the owners of Stanmore Coal Ltd:			Cents
Basic earnings/(loss) per share (cents per share)	8	(2.5)	(5.3)
Diluted earnings/(loss) per share (cents per share)	8	(2.5)	(5.3)

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

Consolidated Statement of Financial Position

As at 30 June 2013

	Note	2013 \$ '000	2012 \$ '000
Current Assets			
Cash and cash equivalents	9	24,360	23,957
Restricted Cash	10	1,500	-
Trade and other receivables	11	500	1,700
Other current assets	15	1,356	750
Total Current Assets		27,716	26,407
Non-Current Assets			
Property, plant and equipment	13	2,073	2,116
Exploration and evaluation assets	14a	30,517	19,286
Capitalised development costs	14b	20,831	15,200
Other non-current assets	15	8,921	8,785
Total Non-Current Assets		62,342	45,387
TOTAL ASSETS		90,058	71,794
Current Liabilities			
Trade and other payables	16	1,905	3,324
Other current financial liabilities	16	-	1,400
Interest bearing loans and borrowings	17	4,040	-
Total Current Liabilities		5,945	4,724
Non-Current Liabilities			
Interest bearing loans and borrowings	17	-	4,040
Non-interest bearing convertible notes	18	9,027	-
Total Non-Current Liabilities		9,027	4,040
TOTAL LIABILITIES		14,972	8,764
NET ASSETS		75,086	63,030
Equity			
Issued capital	19	88,253	72,398
Reserves	20	3,543	2,331
Accumulated Losses	21	(16,710)	(11,699)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF STANMORE COAL LIMITED		75,086	63,030

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 2013

	Issued Capital	Accumulated Losses	Option Reserve	Total
	\$ '000	\$ '000	\$ '000	\$ '000
Balance at 1 July 2011	34,770	(4,017)	1,248	32,001
Total comprehensive income for the financial year				
Profit/(loss) for the year	-	-	-	-
Other comprehensive income	-	(7,682)	-	(7,682)
	-	-	-	-
	-	(7,682)	-	(7,682)
Transactions with owners in their capacity as owners				
Issue of share capital	38,964	-	-	38,964
Costs associated with issue of share capital	(1,336)	-	-	(1,336)
Share based payments	-	-	1,083	1,083
	37,628	-	1,083	38,711
At 30 June 2012	72,398	(11,699)	2,331	63,030
Total comprehensive income for the financial year				
Profit/(loss) for the year	-	(5,011)	-	(5,011)
Other comprehensive income	-	-	-	-
	-	(5,011)	-	(5,011)
Transactions with owners in their capacity as owners				
Issue of share capital	15,870	-	-	15,870
Costs associated with issue of share capital	(15)	-	-	(15)
Share based payments	-	-	1,212	1,212
	15,855	-	1,212	17,067
At 30 June 2013	88,253	(16,710)	3,543	75,086

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 2013

	Note	2013 \$ '000	2012 \$ '000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of GST)		1,468	317
Payments to suppliers and employees (inclusive of GST)		(6,983)	(5,385)
Interest received		578	886
Interest and other finance costs paid		(99)	-
Income taxes (paid) / refunded		2,192	
Net cash (outflow)/inflow from operating activities	26	(2,844)	(4,182)
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(3)	(113)
Payments for exploration, evaluation and development assets		(15,901)	(20,295)
Loans for finance port infrastructure		(3,146)	(6,213)
Security deposit (payments) / refunds		(1,057)	(1,743)
Net cash (outflow)/inflow from investing activities		(20,107)	(28,364)
Cash Flows from Financing Activities			
Proceeds from issue of shares		14,342	37,084
Proceeds from issue of convertible notes		9,027	
Capital raising & IPO expenses		(15)	(1,336)
Net proceeds from borrowings		-	2,573
Net cash (outflow)/inflow from financing activities		23,354	38,321
Net increase/(decrease) in cash held		403	5,775
Net cash at beginning of year		23,957	18,182
Net cash at end of year	9	24,360	23,957

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

Notes to the Financial Statements for the year ended 30 June 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Stanmore Coal Limited for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the Directors on 24 September 2013 and covers the Consolidated Entity consisting of Stanmore Coal Limited and its subsidiaries ("the Group") 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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

These financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

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

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

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. The ability of the Consolidated Entity to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding through debt, equity or farm-out, or the successful exploration and subsequent exploitation of the Consolidated Entity's tenements. Should these avenues be delayed or fail to materialise, the Group expects to have the ability to scale back its activities to allow the Group to continue as a going concern and meet its debts as and when they fall due.

Comparatives

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

(a) Principles of Consolidation

The consolidated financial statements comprise the financial statements of Stanmore Coal Limited and its subsidiaries at 30 June each year (the Company or the Group). Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) Business Combinations**

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the Group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the Group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the Group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where the Group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the Group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the Group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

Contingent consideration is classified as equity or financial liabilities. Amounts classified as financial liabilities are subsequently remeasured to fair value at the end of each reporting period, with changes in fair value recognised in profit or loss.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the Group's controlling shareholder's consolidated financial statements.

(c) Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as interest accrues using the effective interest method.

(d) Grants Received

Government grant monies received directly or indirectly are brought to account when there is reasonable assurance that the grant monies will be received and that any attached conditions will be complied with. Grants received that relate to the creation of assets are recognised as a reduction to the carrying amount of the relevant asset. Such grants will be recognised as income through reduced depreciation or amortisation charges in respect of the relevant assets.

(e) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(e) Income Tax (continued)**

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

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

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

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

Amounts received under the Research & Development Tax Incentive Scheme are treated as an income tax benefit as it is effectively the monetisation of future tax benefits. These amounts are recognised in the period in which they are received as there is no reliable method to measure or quantify the potential incentive at the end of the financial period to which the claim relates.

Stanmore Coal Limited and its wholly-owned subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. Stanmore Coal Limited is the head entity in the tax consolidated group. These entities are taxed as a single entity and deferred tax assets and liabilities have been offset in these consolidated financial statements.

Tax consolidation

Stanmore Coal Limited and its wholly-owned subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. Stanmore Coal Limited is the head entity in the tax consolidated group. These entities are taxed as a single entity. 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 because a tax funding arrangement has been in place for the whole financial year. The amounts receivable/payable under tax funding arrangements are due upon notification by the head entity, which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly-owned subsidiaries in order for the head entity to be able to pay tax instalments. These amounts are recognised as current intercompany receivables or payables.

(f) Impairment of Assets

At the end of each reporting period 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.

(g) Cash and Cash Equivalents

For the purposes of the 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 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.

(h) Restricted Cash

Restricted cash includes term deposits which securitise a bank guarantee or other facility provided by an external third party lender. These amounts are not able to be converted to readily accessible cash without the consent of an external third party.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(i) Trade Receivables**

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment includes financial difficulties of the debtor, default payments or debts more than 180 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and are not, in the view of the Directors, sufficient to require the derecognition of the original instrument.

(j) Non-Current Assets Classified as Held For Sale

Non-current assets classified as held for sale are those assets whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These assets are stated at the lower of their carrying amount and fair value less costs to sell and are not depreciated or amortised. Interest expenses continues to be recognised on liabilities of a disposal group classified as held for sale.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for subsequent increases in fair value less costs to sell of an asset but not exceeding any cumulative impairment losses previously recognised.

(k) Investments and Other Financial Assets

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

Held for Trading

Investments held for trading are measured at fair value with gains or losses recognised in profit or loss. A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the short term or if it is a derivative that is not designated as a hedge. Assets in this category are classified as current assets in the statement of financial position if they are expected to be settled within 12 months, otherwise they are classified as non-current assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold-to-maturity and are measured at amortised cost subsequent to initial recognition using the effective interest method. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category is then reclassified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category of financial assets, and are classified as non-current assets (unless management intends to dispose of the investment within 12 months of the end of the reporting period). After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income (available-for-sale investments revaluation reserve). Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment) the full amount including any amount previously charged to other comprehensive income is recognised in profit or loss. On sale, the amount held in available-for-sale reserves associated with an available-for-sale financial asset is recognised in profit or loss as a reclassification adjustment. Interest on corporate bonds classified as available-for-sale is calculated using the effective interest rate method and is recognised in finance income in profit or loss.

Reversals of impairment losses on equity instruments classified as available-for-sale cannot be reversed through profit or loss. Reversals of impairment losses on debt instruments classified as available-for-sale can be reversed through profit or loss where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in profit or loss.

The fair value of quoted investments are determined by reference to Securities Exchange quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(k) Investments and Other Financial Assets (continued)***Loans Receivable*

Loans receivable are non-derivative financial assets with fixed or determinable repayment dates that are not traded in an active market. After initial recognition, such assets are subsequently recognised at amortised cost less impairment.

Loans & Borrowings

After initial recognition, loans and borrowings are subsequently recognised at amortised cost.

Fair Values

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The quoted market price for financial assets is the current bid price.

The carrying value less impairment provision of current receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of other financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(l) Plant and Equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

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, as appropriate, 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. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated over their useful life to the Consolidated Entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10 – 25% Straight Line
Computer Equipment	33.3% Straight Line
Furniture and Office Equipment	5 - 10% Straight Line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. The gains and losses are included in profit or loss.

(m) Derivative Financial Liabilities

Obligations to settle fees payable to financiers as either cash or shares are reflected as derivative financial liabilities with changes in fair value recognised directly through profit and loss.

(n) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only 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 reserves and active or significant operations in relation to the area are continuing.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(n) Exploration and Evaluation Expenditure (continued)**

A regular review has been 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 in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that restoration will be completed within one year of abandoning the site.

(o) Intangible Assets / Development Costs

Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

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

Following initial recognition of the development expenditures an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. During the period of development, the asset is tested for impairment annually.

(p) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 7 - 60 day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Employee Benefits*Wages and Salaries, Annual Leave and Sick Leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be 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 and 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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

(r) 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.

(s) Issued Capital

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 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(t) Share-Based Payments**

The Consolidated Entity provides benefits to employees and consultants in the form of share-based payment transactions, whereby they render services in exchange for shares or options over shares (equity-settled transactions).

The fair value of share or options 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. For options, fair value is determined by an independent valuer using a Black-Scholes option pricing model. 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. No expense is recognised for instruments that do not ultimately vest because internal conditions were not met. An expense is still recognised for instruments that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

(u) Earnings per Share*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of Stanmore Coal Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

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

(v) GST

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(w) Operating Segments

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 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(x) New and amended standards and interpretations not yet adopted**

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these financial statements. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below:

(i) *AASB 9 Financial Instruments (effective from 1 January 2015)*

This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Consolidated Entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

(ii) *AASB 11 Joint Arrangements (effective 1 January 2013)*

This standard is application to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint venture using proportionate consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately. The adoption of this standard from 1 July 2013 will not have a material impact on the Consolidated Entity.

In addition to the above, new and amended standards dealing with Consolidated Financial Statements, Separate Financial Statements and Fair Value Measurement have recently been released. These standards are effective from 1 January 2013. The Consolidated Entity does not plan to adopt these standards early nor has the extent of their impact been determined.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(y) Accounting Estimates and Judgments***Critical accounting estimates and judgements*

Details of critical accounting estimates and judgements made by management at the end of the reporting period are set out below:

(i) Key estimates – share-based payments

The Consolidated Entity uses estimates to determine the fair value of equity instruments issued to Directors, executives and employees. Further detail of estimates used in determining the value of share-based payments is included in Note 27.

(ii) Key estimates – impairment

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. At the end of the reporting period the Consolidated Entity held several loan receivable amounts with the port developer Wiggins Island Coal Export Terminal. The loan relating to the second expansion phase for \$787 was assessed as impaired due to uncertainty around timing and delivery of the expansion. All other loans to the port developer and all other assets of the Consolidated Entity are considered to be not impaired at year end.

(iii) Key judgements – exploration & evaluation assets

The Consolidated Entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$30,517 (2012: \$19,286).

(iv) Key judgements – fair value of development costs

Development costs are capitalised in accordance with the accounting policy in note 1(n). Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a PFS has been completed. 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 cashflows are expected to be received. As at 30 June 2013, the carrying amount of capitalised developments costs was \$20,831 (2012: \$15,200). This amount relates wholly to The Range Project located in the Surat Basin.

(v) Key judgements – financial instruments

When the fair value of financial assets and financial liabilities cannot be derived from active markets, the fair value is determined valuation techniques including the discounted cashflow model. The judgements applied in development these models relate to inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(z) Parent entity financial information

The financial information for the parent entity, Stanmore Coal Limited, included in note 22, has been prepared on the same basis as the consolidated financial statements, except as follows:

Investments in subsidiaries

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

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	Note	2013 \$ '000	2012 \$ '000
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NOTE 2 REVENUE AND OTHER INCOME

Revenue from continuing operations

Interest received

- other persons		764	886
Other income		968	13
Total revenue and other income		1,732	899

NOTE 3 PROFIT/(LOSS)

Profit(loss) before income tax includes the following specific expenses:

Depreciation

Plant & equipment		46	36
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Finance costs

Interest paid

- external parties		305	18
Borrowing costs		979	14

Write-off of capitalised exploration expenditure and infrastructure funding	15	787	-
Costs of securing infrastructure capacity rights		-	902

Share-based payments (shares)	27	214	380
Share-based payments (options)	27	776	1,082

Superannuation expense		125	98
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Minimum lease payments made under operating leases		79	76
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	2013 \$ '000	2012 \$ '000
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NOTE 4 INCOME TAX EXPENSE**Reconciliation**

Current income tax expense	(6,090)	(5,462)
Deferred income tax expense	5,971	5,491
Deferred income tax through equity	119	(29)
R&D refund	(2,192)	-
Income tax expense/(benefit)	(2,192)	-

The prima facie income tax on the loss is reconciled to the income tax expense as follows:

Prima facie tax benefit (30%) on loss before income tax	(2,160)	(2,304)
Add tax effect of:		
- Permanent differences	14	392
- Deferred tax asset not recognised	2,146	1,912
- R&D refund	(2,192)	-
Income tax expense/(benefit)	(2,192)	-

Recognised deferred tax assets and liabilities**Deferred tax assets**

Unused tax losses	14,826	9,458
Deductible temporary differences *	578	728
	15,404	10,186

Deferred tax liabilities

Assessable temporary differences	(15,404)	(10,186)
Deferred tax	-	-

Unrecognised deferred tax assets

Unused tax losses	11,817	11,220
Deferred tax assets not taken up at 30% (2012: 30%)	3,545	3,366

* At 30 June 2013 there are \$283 (2012: \$396) of deferred tax assets relating to share issue costs which were recognised in equity.

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test (SBT) must be passed. There is approximately \$61,235 in losses carried forward at 30 June 2013.

Deferred tax assets which have not been recognised as an asset, will only be obtained if:

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

NOTE 5 KEY MANAGEMENT PERSONNEL**(a) Total key management personnel compensation**

	2013 \$'000	2012 \$'000
Short-term employee benefits	1,873	1,704
Post-employment benefits	66	56
Termination benefits	27	-
Share-based payments	886	1,250
	2,852	3,010

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report contained in the Directors' report on pages 23 to 34 of this annual report.

(b) Equity instruments*Shareholdings*

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

	Balance 1 July 2012	Granted as Remuneration	On Exercise of Options or Rights	Net Change Other	Balance 30 June 2013
Directors					
Neville Sneddon	-	-	300,000	-	300,000
Nicholas Jorss *	31,762,540	100,835	300,000	-	32,163,375
Andrew Martin *	31,700,270	-	-	-	31,700,270
Stephen Bizzell	7,372,514	-	-	-	7,372,514
Viv Forbes	2,088,270	-	-	-	2,088,270
Chris McAuliffe	-	-	-	-	-
Senior Management					
Doug McAlpine	47,534	97,358	-	-	144,892
Vaughan Wishart *	31,769,962	83,555	1,000,000	-	32,853,517
Michael McKee	280,098	355,585	-	58,783	694,466
Wesley Nichols^	49,763	63,061	-	(112,824)	-

* Shares are held by St Lucia Resources International Pty Ltd of which Nicholas Jorss, Andrew Martin and Vaughan Wishart are Directors, and each have interest in trusts which own >20%.

^ Wesley Nichols ceased employment with the Company on 24 May 2013, resulting in a nil KMP shareholding at 30 June 2013. The net reduction is not a result of Mr Nichols selling his shares in the Company.

There were no shares held nominally at 30 June 2013.

NOTE 5 KEY MANAGEMENT PERSONNEL (continued)**(b) Equity instruments (continued)**

	Balance 1 July 2011	Granted as Remuneration	On Exercise of Options or Rights	Net Change Other	Balance 30 June 2012
Directors					
Neville Sneddon	-	-	-	-	-
Nicholas Jorss *	31,710,000	-	-	52,540	31,762,540
Andrew Martin *	31,680,000	-	-	20,270	31,700,270
Stephen Bizzell	7,138,347	-	-	234,167	7,372,514
Viv Forbes	2,068,000	-	-	20,270	2,088,270
Chris McAuliffe [#]	-	-	-	-	-
Senior Management					
Doug McAlpine [^]	-	47,534	-	-	47,534
Vaughan Wishart *	31,680,000	57,692	-	32,270	31,769,962
Michael McKee	44,143	235,955	-	-	280,098
Wesley Nichols	-	49,763	-	-	49,763
Duncan Cornish**	1,115,771	-	-	(1,115,771)**	-

* Shares are held by St Lucia Resources International Pty Ltd of which Nicholas Jorss, Andrew Martin and Vaughan Wishart are Directors, and each have interest in trusts which own >20%.

** Duncan Cornish stepped down as Chief Financial Officer on 19 September 2011 and is not considered to be key management personnel following that date, resulting in a nil balance key management personnel shareholding at 30 June 2012. The net reduction of 1,105,771 shares during the year is not a result of Mr Cornish selling his shares in the Company.

[^] opening balance on commencement of employment.

[#] Chris McAuliffe commenced as a Director on 17 July 2012

There were no shares held nominally at 30 June 2012.

Options holdings

	Balance 1 July 2012	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2013	Total vested at 30 June 2013	Total vested and exercisable at 30 June 2013	Total vested and not exercisable at 30 June 2013
Directors								
Neville Sneddon	1,350,000	-	(300,000)	(1,050,000)	-	-	-	-
Nicholas Jorss	2,000,000	-	(300,000)	(1,700,000)	-	-	-	-
Andrew Martin	1,000,000	-	-	(1,000,000)	-	-	-	-
Stephen Bizzell	3,000,000	-	-	(1,000,000)	2,000,000	2,000,000	2,000,000	-
Viv Forbes	525,000	-	-	-	525,000	525,000	525,000	-
Chris McAuliffe	-	-	-	-	-	-	-	-
Senior Management								
Doug McAlpine	1,800,000	-	-	-	1,800,000	-	-	-
Vaughan Wishart	1,000,000	-	(1,000,000)	-	-	-	-	-
Michael McKee	2,000,000	-	-	-	2,000,000	-	-	-
Wesley Nichols [^]	1,200,000	-	-	(1,200,000)	-	-	-	-

[^] Wesley Nichols ceased employment with the Company on 24 May 2013, resulting in a nil KMP option holding at 30 June 2013.

NOTE 5 KEY MANAGEMENT PERSONNEL (continued)**(b) Equity instruments (continued)**

	Balance 1 July 2011	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2012	Total vested at 30 June 2012	Total vested and exercisable at 30 June 2012	Total vested and not exercisable at 30 June 2012
Directors								
Neville Sneddon	1,350,000	-	-	-	1,350,000	1,350,000	1,350,000	-
Nicholas Jorss	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-
Andrew Martin	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
Stephen Bizzell	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000	-
Viv Forbes	525,000	-	-	-	525,000	525,000	525,000	-
Chris McAuliffe*	-	-	-	-	-	-	-	-
Senior Management								
Doug McAlpine^	-	1,800,000	-	-	1,800,000	-	-	-
Vaughan Wishart	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
Michael McKee^	2,000,000	-	-	-	2,000,000	-	-	-
Wesley Nichols^	-	1,200,000	-	-	1,200,000	-	-	-
Duncan Cornish**	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-

^ opening balance on commencement of employment

* Chris McAuliffe commenced as a Director on 19 July 2012

** Duncan Cornish stepped down as Chief Financial Officer on 19 September 2011 and is not considered to be key management personnel following that date.

Performance Rights

	Balance 1 July 2012	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2013	Total vested at 30 June 2013	Total vested and exercisable at 30 June 2013	Total vested and not exercisable at 30 June 2013
Directors								
Neville Sneddon	-	-	-	-	-	-	-	-
Nicholas Jorss	-	500,000	-	-	500,000	-	-	-
Andrew Martin	-	-	-	-	-	-	-	-
Stephen Bizzell	-	-	-	-	-	-	-	-
Viv Forbes	-	-	-	-	-	-	-	-
Chris McAuliffe*	-	-	-	-	-	-	-	-
Senior Management								
Doug McAlpine	-	450,000	-	-	450,000	-	-	-
Vaughan Wishart	-	400,000	-	-	400,000	-	-	-
Michael McKee	-	500,000	-	-	500,000	-	-	-
Wesley Nichols^	-	400,000	-	(400,000)	-	-	-	-

^ Wesley Nichols ceased employment with the Company on 24 May 2013, resulting in a nil KMP performance rights holding at 30 June 2013.

* Chris McAuliffe commenced as a Director on 19 July 2012

No performance rights were issued or held prior to 1 July 2012.

NOTE 5 KEY MANAGEMENT PERSONNEL (continued)**(c) Loans to Key Management Personnel**

There were no loans to Key Management Personnel during the year (2012: none).

(d) Other transactions and balances

Other transactions with Key Management Personnel are set out in Note 29 (c). There were no other transactions or balances with Key Management Personnel during the year.

NOTE 6 DIVIDENDS & FRANKING CREDITS

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

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

	2013	2012
	\$	\$

NOTE 7 AUDITORS' REMUNERATION**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	74,500	53,891
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Taxation services

Amounts paid/payable to BDO Audit Pty Ltd for non-audit taxation services performed for the entity or any entity in the Consolidated Entity:	18,625	20,892
- Preparation of income tax return		
	93,125	74,783

	2013	2012
	\$ '000	\$ '000

NOTE 8 EARNINGS PER SHARE**Earnings**

Loss attributable to owners of Stanmore Coal Limited used to calculate basic and diluted earnings per share	(5,011)	(7,682)
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	2013	2012
	Number '000	Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	197,925	143,658
Adjustments for calculation of diluted earnings per share:		
- Options *	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	197,925	143,658

* options are considered anti-dilutive as the Consolidated Entity is loss making. Options could potentially dilute earnings per share in the future. Refer to Note 19 (b) for details of options granted as at 30 June 2013.

	2013	2012
	\$ '000	\$ '000

NOTE 9 CASH & CASH EQUIVALENTS

Cash at bank and in hand	24,360	23,957
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Cash at bank bear floating and fixed interest rates between 1% and 4.45% (2012: 1% and 5.15%).

Reconciliation of Cash

The above figures are reconciled to the cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	24,360	23,957
Balances per statement of cash flows	24,360	23,957

Cash and cash equivalents of \$24.36 million held at 30 June 2013, includes term deposits of \$22.00 million (2012: nil). These term deposits are at-call and readily available to be converted to cash without restriction.

NOTE 10 RESTRICTED CASH

Restricted cash	1,500	-
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Restricted cash of \$1.5 million held at 30 June 2013 is an amount held on term deposit to cash-back a bank guarantee. The bank guarantee is provided by National Australia Bank and relates to the Company's commitment to WEXP1.

NOTE 11 TRADE & OTHER RECEIVABLES**Current**

GST receivable	338	806
Sundry receivables	162	894
	500	1,700

No receivables balances are past due or impaired at the end of the reporting period. Sundry receivables reflect interest receivable in relation to \$22 million of term deposits held as at 30 June 2013 with various financial institutions.

NOTE 12 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(a).

Name of entity	Country of Incorporation	Class of Shares	Percentage Owned (%) [*]	
			2013	2012
Mackenzie Coal Pty Ltd	Australia	Ordinary	100%	100%
Comet Coal & Coke Pty Ltd	Australia	Ordinary	100%	100%
Belview Coal Pty Ltd	Australia	Ordinary	100%	100%
Belview Expansion Pty Ltd (incorporated 7/09/2012)	Australia	Ordinary	100%	0%
Brown River Project Pty Ltd	Australia	Ordinary	100%	100%
Emerald Coal Pty Ltd	Australia	Ordinary	100%	100%
New Cambria Pty Ltd	Australia	Ordinary	100%	100%
Kerlong Coking Coal Pty Ltd	Australia	Ordinary	100%	100%
Stanmore Surat Coal Pty Ltd	Australia	Ordinary	100%	100%
Theresa Creek Coal Pty Ltd (incorporated 6/06/2013)	Australia	Ordinary	100%	0%

* the proportion of ownership interest is equal to the proportion of voting power held.

	2013	2012
	\$ '000	\$ '000

NOTE 13 PROPERTY, PLANT & EQUIPMENT

Land Deposit		
At cost	1,930	1,930
Plant and equipment		
At cost	14	14
Accumulated depreciation	(4)	(2)
	10	12
Computer equipment		
At cost	91	91
Accumulated depreciation	(62)	(34)
	29	57
Furniture and office equipment		
At cost	137	134
Accumulated depreciation	(33)	(17)
	104	117
Total plant and equipment	2,073	2,116

NOTE 13 PROPERTY, PLANT & EQUIPMENT (continued)**Movements in carrying amounts**

2013	Land Deposit	Plant and equipment	Computer equipment	Furniture and office equipment	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance at the beginning of the year	1,930	12	57	117	2,116
Additions	-	-	-	3	3
Depreciation expense	-	(2)	(28)	(16)	(46)
Carrying amount at the end of the year	1,930	10	29	104	2,073

2012	Land Deposit	Plant and equipment	Computer equipment	Furniture and office equipment	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance at the beginning of the year	1,930	6	29	74	2,039
Additions	-	7	50	56	113
Depreciation expense	-	(1)	(22)	(13)	(36)
Carrying amount at the end of the year	1,930	12	57	117	2,116

	2013 \$ '000	2012 \$ '000
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NOTE 14 (a) EXPLORATION AND EVALUATION EXPENDITURE**Non-Current**

Exploration and evaluation expenditure capitalised

- exploration and evaluation phases	30,517	19,286
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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	19,286	14,697
Additions	11,231	4,589
Written-off	-	-
Carrying amount at the end of the year	30,517	19,286

Commitments for exploration and evaluation expenditure are disclosed in Note 21.

	2013 \$ '000	2012 \$ '000
NOTE 14 (b) CAPITALISED DEVELOPMENT COSTS		
Non-Current		
Capitalised development costs	20,831	15,200
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	15,200	4,672
Other additions	5,631	10,528
Written-off	-	-
Carrying amount at the end of the year	20,831	15,200

NOTE 15 OTHER ASSETS

Current		
Prepaid Insurance	11	16
Prepaid Borrowing Costs	492	734
Debt Service Reserve Account#	853	-
	1,356	750
Non-Current		
Loans Receivable ^	8,595	6,213
Debt Service Reserve Account#	-	1,069
Security deposits	326	769
Prepaid Borrowing Costs	-	734
	8,921	8,785

^ Loans Receivable reflects amounts due from third parties in respect of funding provided for port infrastructure development. During the year the Company impaired a \$787k loan which related to funding of early studies for a long term future port expansion which is currently not subject to a formal capacity commitment arrangement. Based on uncertainty around timing of this potential expansion the Company has adopted a conservative position and fully impaired the loan until there is further clarity around delivery of the future expansion;

The Company is required to maintain a Debt Service Reserve Account in accordance with the requirements of a debt finance facility. This balance has been classified as a Current Asset at 30 June 2013 as at balance date the Company had entered into negotiations with Credit Suisse AG to voluntarily repay the facility. The facility was subsequently repaid in July 2013. Refer Note 17 below.

NOTE 16 TRADE & OTHER PAYABLES

Current		
Trade and other payables	1,084	524
Sundry payables and accrued expenses	785	2,738
Employee benefits	36	62
	1,905	3,324
Other current financial liabilities		
Other payables	-	1,400

Current other payables in the prior year relate to the fair value of the cash-settlement obligation of options granted to CS in June 2012. As a consequence of obtaining shareholder approval to settle this obligation via the issuance of equity at the extraordinary general meeting in October 2012, there is no liability for this obligation at 30 June 2013.

NOTE 17 – INTEREST BEARING LOANS & BORROWINGS

	2013 \$ '000	2012 \$ '000
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Current

Interest Bearing Loan	4,040	-
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Non-Current

Interest Bearing Loan	-	4,040
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On 28 June 2012 the Company entered into a facility with Credit Suisse AG to provide funding support for part of an infrastructure related financing commitments. During the year no additional funding was drawn from Credit Suisse AG and at 30 June 2013 the Company commenced negotiations with Credit Suisse AG to voluntarily prepay the facility.

The facility was repaid in in July 2013 and Credit Suisse AG has fully released their secured charge against the assets and undertakings of the Company and its subsidiaries. The amount standing in the Debt Service Reserve Account at balance date (\$0.8 million) was returned to the Company such that the net cash outflow to prepay the facility was \$3.2 million.

NOTE 18 – NON-INTEREST BEARING CONVERTIBLE NOTES**Non-Current**

Non-Interest Bearing Convertible Notes	9,027	-
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On 27 June 2012 the Company signed a Subscription and Co-Operation Agreement with Greatgroup which included the issuance of 13,373,377 convertible notes at a price of 67.5 cents per note (value \$9,027,029).

The terms of the notes specify that they cannot be converted (except in the limited case of a change of control) to ordinary shares of the Company by either party prior to the conversion period which commences on 27 June 2014. Consequently, in the unlikely circumstance that an event of default occurs prior to the conversion period, it is possible that Greatgroup could enforce its right to redeem the notes for full cash consideration. This feature is described as a contingent settlement provision in AASB 132 Financial Instruments: Presentation and as such the notes are considered a non-current liability prior to date the conversion period commences.

	2013 \$ '000	2012 \$ '000
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NOTE 19 ISSUED CAPITAL

208,419,252 fully paid ordinary shares (2012: 179,409,108)	92,113	76,243
Share issue costs	(3,860)	(3,845)
	88,253	72,398

	2013 Number	2012 Number	2013 \$ '000	2012 \$ '000
(a) Ordinary shares				
At the beginning of the year	179,409,108	125,676,177	72,398	34,770
- 20 July 2011 (1)		25,000		29
- 11 August 2011 (2)		1,495,664		1,500
- 14 December 2011 (3)		19,079,526		14,119
- 19 December 2011 (4)		97,606		104
- 18 January 2012 (5)		9,756,553		7,220
- 27 January 2012 (6)		3,736,486		2,765
- 7 February 2012 (7)		106,406		82
- 23 March 2012 (8)		206,803		165
- 29 June 2012 (9)		19,228,887		12,980
- 12 October 2012 (10)	292,553		87	
- 26 October 2012 (11)	20,791,143		14,034	
- 12 November 2012 (12)	5,714,286		1,314	
- 12 November 2012 (13)	20,000		5	
- 26 November 2012 (14)	1,600,000		309	
- 11 March 2013 (15)	592,162		121	
Share issue costs	-	-	(15)	(1,336)
At reporting date	208,419,252	179,409,108	88,253	72,398

NOTE 19 ISSUED CAPITAL (continued)**(a) Ordinary shares (continued)**

- (1) On 20 July 2011, 25,000 ordinary shares (value of \$29,000) were issued to an employee of the Consolidated Entity.
- (2) On 11 August 2011, 1,495,664 ordinary shares were issued at an exercise price of \$1.0029 (value of \$1,500,000) to the vendors of Comet Coke & Coal Pty Ltd in satisfaction of the third and final payment of the purchase of Comet Coal & Coke Pty Ltd.
- (3) On 14 December 2011, 19,079,526 ordinary shares were issued pursuant to a placement to investors, raising \$14,118,849 before issue costs
- (4) On 19 December 2011, 97,606 ordinary shares (value of \$104,000) were issued to employees of the Consolidated Entity.
- (5) On 18 January 2012, 9,756,553 ordinary shares were issued pursuant to a placement to investors, raising \$7,219,849 before issue costs
- (6) On 27 January 2012, 3,736,486 ordinary shares were issued pursuant a placement to investors, raising \$2,765,000 before issue costs
- (7) On 7 February 2012, 106,406 ordinary shares were issued to an employee of the Consolidated Entity (value of \$81,600).
- (8) On 23 March 2012, 206,806 ordinary shares (value of \$165,442) were issued to employees of the Consolidated Entity.
- (9) On 29 June 2012, 19,228,887 ordinary shares were issued to Greatgroup Investments Limited, raising \$12,979,498 before issue costs.
- (10) On 12 October 2012, 292,553 ordinary shares (value \$87,000) were issued to employees of the Company as part of terms of employment contracts.
- (11) On 26 October 2012, 20,791,143 ordinary shares were issued to Greatgroup Investments Limited pursuant to Shareholder approval obtained at the EGM October 2012. The shares were priced at \$0.675 per security (value \$14,034,021).
- (12) On 12 November 2012, 5,714,286 ordinary shares (value \$1,314,000) were issued to the vendor as consideration for the acquisition of EPC 1186.
- (13) On 12 November 2012, 20,000 ordinary shares (value \$5,000) were issued pursuant to terms of employment contracts.
- (14) On 26 November, 29 November and 7 December 2012, a total of 1,600,000 employee options were exercised (value \$308,800 with a strike price of 19.3 cents, resulting in 1,600,000 ordinary shares being issued. 4,750,000 options (with strike price of 19.3 cents) not exercised expired on 9 December 2012.
- (15) On 11 March 2013, 592,162 ordinary shares (value \$121,000) were issued to employees of the Company as part of the STI payment for the year ending 31 December 2012 and pursuant to Shareholder approval obtained at the EGM October 2012.

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

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

(b) Options & Performance Rights

For information relating to the Stanmore Coal Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end refer to Note 27.

For information relating to the Stanmore Coal Limited performance rights, including details of rights issued, exercised and lapsed during the financial year and the performance rights outstanding at year-end refer to Note 27.

NOTE 19 ISSUED CAPITAL (continued)

All options on issue at 30 June 2013 were as follows:

Number of options	Exercise price	Expiry date
3,500,000	\$0.19	31 December 2013
525,000	\$0.15	16 January 2014
100,000	\$0.73	31 December 2013
100,000	\$0.87	31 December 2013
100,000	\$1.09	31 December 2013
75,000	\$0.25	2 April 2015
900,000	\$1.75	31 December 2015
900,000	\$2.00	31 December 2015
900,000	\$2.25	31 December 2015
500,000	\$2.50	31 December 2015
450,000	\$1.75	31 March 2016
450,000	\$2.00	31 March 2016
450,000	\$2.25	31 March 2016
450,000	\$2.50	31 March 2016
1,216,000	\$0.48	30 June 2014
11,670,000	\$0.518	27 June 2015
22,286,000		

(c) Capital Management

The capital of the Consolidated Entity is managed in order 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 Statement of Financial Position. There are no externally imposed capital requirements.

Management manages the Consolidated Entity's capital by assessing the Consolidated Entity's 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 other than the need to limit dilution arising from our issuances of capital at low share prices.

	2013 \$ '000	2012 \$ '000
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NOTE 20 RESERVES

Option Reserve – capital raising	286	286
Option Reserve – Director, executive and employee options	2,821	2,045
Option Reserve – other options	436	-
	3,543	2,331

The option reserve records the value of options issued as part of capital raisings, as well as expenses relating to Director, executive and employee share options.

	2013	2012
	\$ '000	\$ '000

NOTE 21 ACCUMULATED LOSSES

Accumulated losses attributable to members of Stanmore Coal Limited at beginning of the financial year	(11,699)	(4,017)
Losses after income tax	(5,011)	(7,682)
Accumulated losses attributable to members of Stanmore Coal Limited at the end of the financial year	(16,710)	(11,699)

NOTE 22 PARENT ENTITY INFORMATION

The Corporations Act 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 regards 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 accounting policy described in Note 1(a).

Parent Entity	2013 \$ '000	2012 \$ '000
Current assets	66,009	58,431
Non-current assets	23,412	13,437
Total assets	89,421	71,868
Current liabilities	5,338	4,724
Non-current liabilities	9,027	4,040
Total liabilities	14,365	8,764
Net assets	75,056	63,104
Issued capital	88,253	72,316
Reserves	3,539	2,328
Accumulated losses	(16,736)	(11,540)
Total shareholder's equity	75,056	63,104
Profit / (loss) for the year	(5,196)	(7,682)
Total comprehensive income for the year	(5,196)	(7,682)

Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries (2012: \$nil).

Contingent liabilities

The parent entity has no contingent liabilities.

Capital Commitments

The parent entity has no capital commitments.

	2013	2012
	\$ '000	\$ '000

NOTE 23 COMMITMENTS**(a) Future Exploration**

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

The commitments to be undertaken are as follows:

Payable

- not later than 12 months	2,322	936
- between 12 months and 5 years	7,829	9,377
- greater than 5 years	-	-
	10,151	10,313

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Consolidated Entity has the option to negotiate new terms or relinquish the tenements. The Consolidated Entity also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

(b) Operating leases

The commitments to be undertaken are as follows:

Payable

- not later than 12 months	26	96
- between 12 months and 5 years	-	32
- greater than 5 years	-	-
	26	128

The Consolidated Entity has an operating lease commitment in relation to the lease of commercial office premises. The lease commenced on 1 November 2010 for a term of 3 years. The economic entity has provided a bank guarantee of \$25,121 as a security bond on the premises.

(c) Capital commitments

The commitments to be undertaken are as follows:

Payable

- not later than 12 months	3,100	-
- between 12 months and 5 years	-	3,100
- greater than 5 years	-	-
	3,100	3,100

Land Acquisitions

On 7 April 2011 the Consolidated Entity announced that it had completed an agreement for the right to purchase a key property at The Range thermal coal Project in the Surat Basin. This agreement gives the Company access to undertake evaluation and development work as the Project moves to first coal production in 2015. The terms of the acquisition are confidential but are within normal market expectations and involve a series of staged payments over a number of years.

A completion payment of \$3,100,000 in cash is due the earlier of 30 days after the Mining Lease is granted by the Department of Mines and Energy or 29 November 2013. The Company is in the process of negotiating an extension to the completion payment date.

NOTE 23 COMMITMENTS (continued)*WICET Port Infrastructure*

On 27 June 2012 the Company executed a Capacity Commitment Deed (CCD) for five million tonnes per annum of port capacity in WEXP1. The CCD committed the Company to provide \$44 million of early works costs for the Project prior to WEXP1 financial close. The CCD contemplated that financial close would occur on or before 30 June 2013 but due to market conditions this was not achieved. Subsequent to year end the WEXP1 producers have negotiated a 1 year extension to the CCD which gives the producers the option to accelerate the Project or finalise a longer term framework for protecting their priority rights to future expansions of the terminal. Stanmore's contractual rights under the CCD remain unchanged. Post execution of binding take or pay contracts at WEXP1 financial close, early works funding will be converted to an equity interest in WICET.

NOTE 24 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 25 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) in assessing performance and determining the allocation of resources. The Consolidated Entity is managed primarily on a geographic basis, that is, the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the Board which is at the Consolidated Entity level. The Consolidated Entity does not have any products or services it derives revenue from.

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

	2013 \$ '000	2012 \$ '000
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NOTE 26 CASH FLOW INFORMATION**(a) Reconciliation of profit/(loss) after income tax to net cash flow from operating activities**

Loss for the year	(5,011)	(7,682)
Depreciation	46	36
Revaluation of derivatives	(964)	-
Impairment of loans to secure infrastructure capacity	787	-
Borrowing Costs	979	1,400
Share-based payments expense	990	1,462
Change in operating assets and liabilities:		
- (Increase)/Decrease in trade and other receivables	300	(978)
- (Increase)/Decrease in other assets	44	4
- Increase/(Decrease) in trade and other payables	(15)	1,576
Net cash flow from operating activities	(2,844)	(4,182)

(b) Non-cash investing activities

During the year ended 30 June 2013, 5,714,286 ordinary shares (value \$1,314,000) were issued to the vendor as consideration for the acquisition of EPC 1186.

NOTE 27 SHARE-BASED PAYMENTS

The following share based payment arrangements existed at 30 June 2013.

(a) Share-based payments to Directors, executives and employees

During the year ended 30 June 2013 the following options were issued to employees and consultants of the Consolidated Entity:

- 1,356,000 unlisted options exercisable at \$0.48, on or before 30 June 2014 (vesting 30 June 2013)
- 75,000 unlisted options exercisable at \$0.25, on or before 2 April 2015 (vesting 2 April 2014)

All of these options were issued by Stanmore Coal Limited and entitle the holder to one ordinary share in Stanmore Coal Limited for each option exercised. The options were granted for nil consideration. Once vested, options can be exercised at any time up to the expiry date. There is no market or performance based vesting criteria in respect of these options.

	2013		2012	
	No. of options	Weighted average exercise price \$	No. of options	Weighted average exercise price \$
Outstanding at beginning of year	13,400,000	0.94	10,700,000	0.63
Granted	1,431,000	0.47	3,000,000	2.08
Forfeited	(365,000)	1.20	(300,000)	1.19
Exercised	(1,600,000)	0.19	-	-
Expired	(4,750,000)	0.19	-	-
Outstanding at year-end	8,116,000	1.43	13,400,000	0.94
Exercisable at year-end	3,675,000	1.06	8,750,000	0.31

NOTE 27 SHARE-BASED PAYMENTS (continued)**(a) Share-based payments to Directors, executives and employees (continued)**

The options exercisable at 30 June 2013 had a weighted average exercise price of \$1.06 (2012: \$0.31) and weighted average remaining contractual life of 1.5 years (2012: 1.8 years). Exercise prices range from \$0.15 to \$2.50 in respect of options outstanding at 30 June 2013 (2012: \$0.15 to \$2.50).

In the year ending 30 June 2013, 1,600,000 options were exercised at a price of \$0.19, with a weighted average exercise price of options exercised of \$0.19. (2012: Nil options exercised.)

Pursuant to the Consolidated Entity's Incentive Option Scheme, if an employee ceases to be employed by the Consolidated Entity then options will expire three months from the date employment ceases.

The weighted average fair value of the options granted during the year ended 30 June 2013 was \$0.10 (2012: \$0.28). This price was calculated by using a Black-Scholes options pricing model applying the following inputs:

	2013	2012
Weighted average exercise price	\$0.47	\$2.08
Weighted average life of the option	1.73 years	4.48 years
Weighted average share price	\$0.29	\$0.91
Weighted average expected share price volatility	58.36%	58.63%
Weighted average risk free interest rate	3.81%	4.11%

Historical volatility has been the basis for determining expected share price volatility.

The expected life of the options has been taken to be the full period of time from grant date to expiry date. The options pricing model assumes that options will be exercised on or immediately before the expiry date.

The settlement method for the above options is on a 1:1 basis. During the year ended 30 June 2013, 1,600,000 ordinary shares (2012: nil) in Stanmore Coal Limited were issued as a result of the exercise of options. The amount paid for the exercise of options into shares was \$308,800 (2012: nil).

During the year ended 30 June 2013, the following shares were granted to key management personnel as share-based payments:

Grant Date	Number	Fair Value
12 October 2012	292,553	87,766
12 November 2012	20,000	5,000
11 March 2013	592,162	121,393

The fair value of the shares, as determined by reference to the closing price on the date of grant, was \$214,159.

These shares were issued as compensation to Directors and employees of the Group. Further details are provided in the Directors' Report.

During the year ended 30 June 2013, the following performance rights were granted to key management personnel as share-based payments:

Grant Date	Number	Total Fair Value (\$)	FY13 Fair Value Amortised (\$)
12 October 2012	2,350,000	705,000	193,139

The total fair value of the performance rights, as determined by reference to the closing price on the date of grant, was \$705,000. The amortised cost for the year ended 30 June 2013 was \$193,139.

These shares were issued as compensation to Directors and employees of the Group. Further details are provided in the Directors' Report.

NOTE 27 SHARE-BASED PAYMENTS (continued)**(a) Share-based payments to Directors, executives and employees (continued)**

The amount included in the statement of Comprehensive Income is as follows:

	2013 \$ '000	2012 \$ '000
Employee benefits expense	956	1,380
Administration and consulting expense	34	82
	990	1,462

These amounts have been recognised in equity in the Balance Sheet as follows:

	2013 \$ '000	2012 \$ '000
Share capital	214	380
Option reserve	776	1,082
	990	1,462

(b) Other share-based payments

During the year ended 30 June 2013 \$436k was recognised as a share base payment expense in relation to the method to settle options issued to Credit Suisse, AG. In the prior year these options were only capable of being cash settled and therefore valued marked-to-market as a financial liability. Shareholder approval was obtained in October 2012 which provided the Company with the ability to settle these options by issuing ordinary shares of the Company. Accordingly the settlement is no longer considered to be a financial liability and the marked-to-market liability at the time of shareholder approval was reclassified to equity. There were no other share based payments made by the Company (2012: 1,495,664 ordinary shares issued, fair value \$1,500,151).

NOTE 28 EVENTS AFTER BALANCE DATE**WICET Capacity Commitment Deed extension**

The WEXP1 CCD had an expiry of 30 June 2013 and was subsequently extended to 31 August 2014 which includes a revised, relatively low bonding and expenditure commitment. The extension was executed on 29 August 2013.

Voluntary prepayment and voluntary cancellation of Credit Suisse Facility

The Company and CS have agreed to a voluntary close out of the facility. The net outstanding amount of \$3.2 million was paid to CS in July 2013 and CS has released its security position over the assets and undertakings of the Company.

There have been no other events since 30 June 2013 that impact upon the financial report as at 30 June 2013.

NOTE 29 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.

(a) Parent entity

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

(b) Subsidiaries

Interests in subsidiaries are disclosed in Note 12.

(c) Key management personnel

Disclosures relating to key management personnel are set out in the Remuneration Report contained in the Directors' Report and in Note 5.

(d) Transactions with Directors and Director-related entities

During the financial year ended 30 June 2013, Bizzell Capital Partners Pty Ltd provided investor relations services to the Consolidated Entity. The services were based on normal commercial terms and conditions. Bizzell Capital Partners Pty Ltd received \$209,941 (GST inclusive) (2012: \$179,102) for these services during the financial year. As at 30 June 2013 the Consolidated Entity had an accounts payable amount of \$10,106 (2012: \$1,141) owing to Bizzell Capital Partners Pty Ltd in relation to these services.

NOTE 30 FINANCIAL RISK MANAGEMENT**(a) 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, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Consolidated Entity's financial instruments consist mainly of deposits with banks, trade and other receivables, security deposits and trade and other payables.

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 policies 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:

(b) 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.

NOTE 30 FINANCIAL RISK MANAGEMENT (continued)**(b) Credit Risk (continued)**

The Consolidated Entity's maximum exposure to credit risk at the end of the reporting period, 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	2013 \$ '000	2012 \$ '000
Cash and cash equivalents	24,360	23,957
Restricted cash	1,500	-
Receivables	500	1,700
Security deposits and debt service reserve	1,682	1,838
Loans receivable	8,595	6,213
	36,637	33,708

Credit risk is reviewed regularly by the Board and the audit committee.

The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Consolidated Entity. No receivables balances were past due or impaired at year end. The credit quality of receivables that are neither past due nor impaired is good. Bank deposits are held with National Australia Bank Limited, Westpac Banking Corporation and Bank of Queensland Limited.

(c) Liquidity Risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due. The object of managing liquidity risk is to ensure, as far as possible, that the Consolidated Entity will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions. Liquidity risk is reviewed regularly by the Board and the audit 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 decreased from \$27.896 million in 2012 to \$21.771 million in 2013. As outlined Note 1, the ability for the Company to deliver on its strategic objectives is dependent upon the ability to secure necessary funding through debt, equity or farm-out, or the successful exploration and subsequent exploitation of the Consolidated Entity's tenements. Should these avenues be delayed or fail to materialize, the Group has the ability to scale back its activities to allow the Group to continue as a going concern and meet its debts as and when they fall due.

	Carrying Amount \$ '000	Contractual Cash flows \$ '000	<6 months \$ '000	6 – 12 months \$ '000	1 – 3 years \$ '000	>3 years \$ '000
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MATURITY ANALYSIS – CONSOLIDATED – 2013**Financial Liabilities**

- Trade payables	1,084	1,084	1,084	-	-	-
- Other payables	821	821	821	-	-	-
- Interest Bearing Loan	4,040	4,040	4,040	-	-	-
- Non-interest bearing convertible notes	9,027	-	-	-	-	-
	14,972	5,945	5,945	-	-	-

	Carrying Amount \$ '000	Contractual Cash flows \$ '000	<6 months \$ '000	6 – 12 months \$ '000	1 – 3 years \$ '000	>3 years \$ '000
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MATURITY ANALYSIS – CONSOLIDATED – 2012**Financial Liabilities**

- Trade payables	524	524	524	-	-	-
- Other payables	4,200	4,200	4,200	-	-	-
- Interest Bearing Loan	4,040	4,732	173	173	4,386	-
	8,764	9,456	4,897	173	4,386	-

NOTE 30 FINANCIAL RISK MANAGEMENT (continued)

Further information regarding commitments is included in Note 23.

(d) Market Risk

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

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 debt. For further details on interest rate risk refer to the tables below:

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount as per the statements of financial position	Weighted average effective interest rate
	2013 \$ '000	2013 \$ '000	2013 \$ '000	2013 \$ '000	2013 %
<i>Financial assets</i>					
Cash and cash equivalents	2,360	22,000	-	24,360	4.15
Restricted cash	-	1,500	-	1,500	4.10
Receivables	-	-	500	500	-
Security deposits, debt service reserve and prepayment	853	-	829	1,682	1.46
Loan receivables	8,595	-	-	8,595	3.07
Total financial assets	11,808	23,500	1,329	36,637	-
<i>Financial liabilities</i>					
Trade payables	-	-	1,084	1,084	-
Other payables	-	-	822	822	-
Interest bearing loan	4,040	-	9,027	13,067	2.58
Total financial liabilities	4,040	-	10,933	14,973	-
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount as per the statements of financial position	Weighted average effective interest rate
	2012 \$ '000	2012 \$ '000	2012 \$ '000	2012 \$ '000	2012 %
<i>Financial assets</i>					
Cash and cash equivalents	-	23,957	-	23,957	4.99
Receivables	-	-	1,700	1,700	-
Security deposits	1,742	-	96	1,838	4.99
Loan receivables	6,213	-	-	6,213	4.99
Total financial assets	7,955	23,957	1,796	33,708	-
<i>Financial liabilities</i>					
Trade payables	-	-	524	524	-
Other payables	-	-	4,200	4,200	-
Interest bearing loans	4,040	-	-	4,040	8.58
Total financial liabilities	4,040	-	4,724	8,764	-

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.

NOTE 30 FINANCIAL RISK MANAGEMENT (continued)**(d) Market Risk (continued)***Interest rate risk (continued)*

At 30 June 2013 the effect on profit and equity as a result of changes in the interest rate would be as follows:

	Carrying Amount	Increase in interest rate by 1%		Decrease in interest rate by 1%	
		Profit	Other comprehensive income	Profit	Other comprehensive income
	\$ '000	\$ '000	\$ '000	\$ '000	\$
2013					
Cash and cash equivalents	24,360	240	-	(240)	-
Restricted cash	1,500	15		(15)	
Security deposits	853	9		(9)	
Loans receivable	8,595	86		(86)	
Interest bearing loan	(4,040)	(40)		40	
Tax charge of 30%	-	-	-	-	-
After tax increase/ (decrease)	-	310	-	(310)	-

The above analysis assumes all other variables remain constant.

2012

Cash and cash equivalents	23,957	240	-	(240)	-
Security deposits	1,742	17		(17)	
Loans receivable	6,213	62		(62)	
Interest bearing loan	(4,040)	(40)		40	
Tax charge of 30%	-	-	-	-	-
After tax increase/ (decrease)	-	279	-	(279)	-

The above analysis assumes all other variables remain constant.

(e) Fair Values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Stanmore Coal Limited has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

NOTE 30 FINANCIAL RISK MANAGEMENT (continued)**(d) Market Risk (continued)***Interest rate risk (continued)*

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2012 and 2013.

2013	Level 1	Level 2	Level 3	Total
	\$ '000	\$ '000	\$ '000	\$ '000
Financial liabilities				
Other payables	-	-	-	-
Total financial liabilities	-	-	-	-

2012	Level 1	Level 2	Level 3	Total
	\$ '000	\$ '000	\$ '000	\$ '000
Financial liabilities				
Other payables	-	-	1,400	1,400
Total financial liabilities	-	-	1,400	1,400

The fair values disclosed in the above table have been determined using the probable future cash outflows payable, discounted to net present value.

The fair values of all remaining financial assets and financial liabilities approximate their carrying value.

Declaration by Directors

The Directors of the Consolidated Entity declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with 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 2013 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 23-34 of the Directors' report (as part of audited Remuneration Report) for the year ended 30 June 2013, 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.



Nicholas Jorss
Managing Director

Brisbane
Date: 24 September 2013



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INDEPENDENT AUDITOR'S REPORT

To the members of Stanmore Coal Limited

Report on the Financial Report

We have audited the accompanying financial report of Stanmore Coal Limited, which comprises the consolidated statement of financial position as at 30 June 2013, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

- (a) the financial report of Stanmore Coal Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

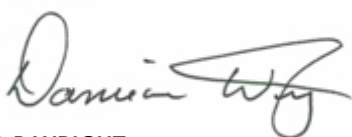
We have audited the Remuneration Report included in pages 23 to 34 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Stanmore Coal Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO



D P WRIGHT

Director

Brisbane, 24 September 2013