

**STANMORE COAL LIMITED
AND ITS SUBSIDIARIES**

A.B.N. 27 131 920 968

**CONSOLIDATED FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

**STANMORE COAL LIMITED
CORPORATE DIRECTORY**

**AUSTRALIAN BUSINESS NUMBER
27 131 920 968**

DIRECTORS

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

COMPANY SECRETARY

Doug McAlpine
Duncan Cornish (resigned 31 December 2013)

ADMINISTRATION AND REGISTERED OFFICE

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

Competent Persons Statement:

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

The information in this report relating to all other project exploration results and coal resources is based on information compiled by Mr Troy Turner who is a member of the Australasian Institute of Geoscientists and is a full time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 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 Minserve Pty Ltd. Mr Hoskings is a mining engineer, a Fellow of the Australian Institute of Mining and Metallurgy (AusIMM) and has the relevant experience (30+ years) in relation to the mineralisation being reported to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 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.

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Stanmore Coal Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2013 (referred to in this report as Stanmore Coal or the Group). All amounts are quoted in thousands of dollars unless otherwise stated.

Directors

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

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

Financial Results

For the half-year ended 31 December 2013, the Company reports an operating loss after providing for income tax of \$3.1M (2012: loss of \$3.3M). The current period result reflects employee costs and other overheads, which are necessary to support the ongoing development of the company's projects and satisfaction of the Company's regulatory and other compliance obligations. The prior period loss of \$3.3M included a non-recurring mark-to-market gain of \$0.9M on financial liabilities associated with financing arrangements provided by Credit Suisse which have now ceased. On a like for like basis, total losses for the half year ended 31 December 2013 have been reduced by approximately \$1.1M, reflecting a targeted effort to reduce Group overheads.

In light of current market conditions, the Company continues to invest in exploration and development activities which will improve the intrinsic value of its key metallurgical coal projects - Belview and Lilyvale. No further material expenditure is required on the Company's main thermal coal asset, The Range, until there is certainty around the timing for delivery of rail infrastructure for the Surat Basin. The Company continues to tailor its overhead structure so that it maintains a strong cash position whilst at the same time remaining sufficiently resourced to respond to opportunities and react quickly when market conditions inevitably improve.

Safety

During the six months period to 31 December 2013 the Company continued its excellent safety record, undertaking approximately 1,040 hours of drilling and exploration activity directly and through contractors with no reportable incidents.

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

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Review of Operations

During the six months to 31 December 2013, Stanmore Coal continued to enhance its portfolio of coal projects, particularly its highly prospective metallurgical coal assets located in the Bowen Basin. The Company delivered a substantial enhancement to the Belview Project's reported resource position and demonstrated significant improvement to Belview intrinsic value through encouraging results from coal quality analysis conducted.

Laboratory

tests confirmed that Belview will produce two high value metallurgical products at a high total washing yield. A primary hard coking coal product will be attractive to coke makers and steel makers and a low volatile PCI product can be produced from a secondary washing circuit, resulting in high overall product value.

During the period, the Belview Project's JORC Inferred Resource was increased from 95Mt to 322Mt (increase 239%) based on drilling results from the exploration program completed in July 2013. The Company also submitted a Mining Lease Application (MLA80199) which is an important step in the planning and approval process for the Project.

Project		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
The Range	Thermal	94.2	117.5	18.0	187.0	82.0	287.0
Mackenzie	Coking	-	-	-	25.7	117.5	143.2
Belview	Coking	-	-	-	-	322.0	322.0
Tennyson	Thermal/Coking	-	-	-	-	161.0	161.0
Totals		94.2	117.5	18.0	212.7	682.5	913.2

The Company is in the process of undertaking a comprehensive review of the capital cost estimates for its projects and believes that material capital and operational cost 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.

1. Refer to Competent Persons Statement (p. 1)

2. Refer to Marketable Reserves Note (p. 1)

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Project Update

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

Project	Status
<u>Belview</u> Underground Coking Coal	<ul style="list-style-type: none"> • 322Mt JORC Inferred Resource • Mining Lease application lodged in September 2013 • Coal quality analysis confirms the project can produce a high quality coking coal plus secondary PCI product • Recent funding provided by Taiheiyo Kouhatsu and JOGMEC for additional exploration • Studies planned for 2014 with a focus on reducing capital costs and developing initial mining options • Located close to an existing rail line that connects to an existing coal port
<u>Lilyvale</u> Underground Coking Coal	<ul style="list-style-type: none"> • Historical geological data indicates the Project area hosts the German Creek seam at a typical coal thickness of 2.2-2.5m • 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 • Acquired EPC2157 which doubles the project area and provides a shallower entry depth to coal • Located close to an existing rail line that connects to Gladstone coal ports
<u>The Surat Basin</u> The Range - Open Cut Thermal Coal and Clifford - Open Cut Thermal Coal	<ul style="list-style-type: none"> • Substantial resource position established at The Range - 94 Mt JORC Marketable Reserve¹, 287 Mt total JORC Resource (18Mt Measured, 187 Mt Indicated + 82Mt Inferred). • Substantial exploration opportunities within the 1,161km² Clifford Project Area with the potential to host a substantial thermal coal deposit suitable for open cut mining • The Range Project demonstrates attractive economics under both owner operator and contractor cases demonstrated in 5Mpta Feasibility Study completed in April 2013 • The Range EIS approved by the State and being progressed through Commonwealth approvals. Mining lease grant expected in calendar 2014 • No material level of expenditure required on the Range prior to development of rail infrastructure and decision to proceed. JOGMEC sole funding allows for substantial exploration activity at Clifford
<u>Tennyson</u> Underground Thermal Coal	<ul style="list-style-type: none"> • JORC Inferred Resource of 161Mt • Acquired EPC1580 under a royalty arrangement and no upfront consideration, expanding the project area by 60 sub-blocks

Rail and port infrastructure

Stanmore Coal is one of four coal companies that executed Capacity Commitment Deeds (CCD) for Wiggins Island Coal Export Terminal Expansion Phase 1 ("WEXP1") which provides it with 5 million tonnes per annum (Mtpa) of port capacity to support 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. In July 2013, Stanmore Coal and other WEXP1 shippers negotiated a one year extension to its capacity entitlements in WEXP1 and a material reduction to its financial commitments over that period. The Company is working with WICET management to progress WEXP1 toward financial close and to 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 Company's metallurgical coal projects located in the Bowen Basin are located close to existing rail lines that connect to existing coal ports in Gladstone. The Company is confident that it will be able to secure access to critical coal export infrastructure to support its Bowen Basin projects at the appropriate time.

Capital Management

As a result of a deferral of the 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. Consequently, Stanmore Coal was not required to draw on the senior debt facility established with Credit Suisse to support that project. In July 2013, Stanmore Coal renegotiated its ongoing financial obligations to WEXP1 and concluded that it could satisfy its ongoing funding obligations from existing cash reserves. As a result, the Company voluntarily 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. As at 31 December 2013, the Company has no secured external creditors.

In December 2013, the Company announced the successful completion of two funding deals with Japanese counterparties which will enable it to conduct further exploration activity during calendar year 2014 with limited further investment of the group's capital. These transactions emphasise the attractiveness of its key projects to third parties and also reflects the Company's capability to introduce strategic third party funding at appropriate times in the projects' lifecycles.

Under the terms of a Joint Exploration Agreement ("JEA") signed in December 2013, the Japan Oil, Gas and Metals National Corporation ("JOGMEC"), a Japanese Government owned corporation will provide up to \$4.5 million of exploration funding to Stanmore Coal over a 3 year period for the Clifford Thermal Coal Project, located in Queensland's Surat Basin. JOGMEC will earn up to a 40% economic interest in the Clifford Project by sole-funding the exploration activities and has the right to assign that interest to a Japanese nominee company in the future, in order to progress the project to development. Stanmore Coal and JOGMEC will jointly explore this prospective area in the Surat Basin, a major source of high energy, low emission thermal coal which the Company believes will become increasingly sought after in Asia.

In December 2013, Stanmore Coal and Taiheiyo Kouhatsu Inc. ("Taiheiyo") supported by the Japan Oil, Gas and Metals National Corporation ("JOGMEC") signed an Exploration Support Agreement ("ESA") which provides

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\$680,000 of funding for resource drilling and associated coal quality analysis at Belview. Drilling associated with the ESA has commenced and is expected to be concluded in the first quarter of 2014.

Outlook

Stanmore Coal is pleased with the progress achieved at Belview during the period having substantially increased its resource base of high quality metallurgical coal. The Company intends to progress its resource definition and feasibility studies in calendar 2014 as it moves towards development of this potentially long life, high quality, metallurgical coal project. Stanmore Coal management is focussed on reducing capital cost estimates for Belview and pursuing opportunities to expand the project. Achievement of these objectives will further improve the Belview project economics and enhance the Company's ability to attract the right strategic project partners and procure construction funding.

Stanmore Coal believes that the long term fundamentals of both the coking and thermal coal markets are strong. The Company believes that Australian coal will continue to play a key role in providing a cost effective raw material for energy and steel production in Asia. Supplying clean, low emission energy coal into Asia will help improve the living standards and public health outcomes for millions of people. 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. The Company aims to capitalise on these expansion 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 value adding opportunities.

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.

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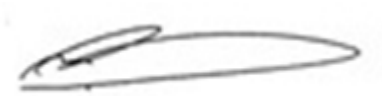
Auditor's Independence Declaration

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

Rounding of Amounts to the Nearest Thousand Dollars

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

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



Nicholas Jorss
Managing Director

Brisbane
21 February 2014

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

As lead auditor for the review of Stanmore Coal Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

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

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



T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 21 February 2014

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated Entity	
		31 December 2013 \$ '000s	31 December 2012 \$ '000s
Revenue		391	347
Other Income	2	7	936
Borrowing costs		(519)	(796)
Employee benefits expense		(1,319)	(1,373)
Share based payment expense		(268)	(510)
Depreciation and amortisation expenses		(23)	(24)
Legal expenses		(71)	(531)
Consulting and business development expenses		(501)	(255)
Other administrative expenses		(794)	(1,067)
Loss before income tax expense		(3,097)	(3,273)
Income tax expense		-	-
Loss for the half-year attributable to members of Stanmore Coal Limited		(3,097)	(3,273)
Other comprehensive income		-	-
Items that will not be reclassified to profit or loss		-	-
Items that will be reclassified to profit or loss		-	-
Total comprehensive income for the half-year attributable to members of Stanmore Coal Limited		(3,097)	(3,273)
		Cents	Cents
Loss per share attributable to owners of Stanmore Coal Limited:			
Basic loss per share		(1.5)	(1.7)
Diluted loss per share		(1.5)	(1.7)

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

STANMORE COAL LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	31 December 2013 \$ '000s	30 June 2013 \$ '000s
ASSETS			
Current Assets			
Cash and cash equivalents	3	18,916	24,360
Restricted cash		363	1,500
Trade and other receivables		656	500
Other current assets		43	1,356
Total Current Assets		19,978	27,716
Non-Current Assets			
Property, plant and equipment		2,070	2,073
Exploration and evaluation assets	4	31,536	30,517
Capitalised development costs		20,927	20,831
Other non-current assets		7,530	8,921
Total Non-Current Assets		62,063	62,342
TOTAL ASSETS		82,041	90,058
LIABILITIES			
Current Liabilities			
Trade and other payables		716	1,905
Interest bearing loans and borrowings	6	-	4,040
Non-interest bearing loans and borrowings	5	9,027	-
Total Current Liabilities		9,743	5,945
Non-Current Liabilities			
Non-interest bearing loans and borrowings	5	-	9,027
Total Non-Current Liabilities		-	9,027
TOTAL LIABILITIES		9,743	14,972
NET ASSETS		72,298	75,086
EQUITY			
Issued capital	7	88,278	88,253
Reserves		3,828	3,543
Accumulated losses		(19,808)	(16,710)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF STANMORE COAL LTD		72,298	75,086

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

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Issued Capital \$ '000s	Accumulated Losses \$ '000s	Option Reserve \$ '000s	Total Equity \$ '000s
At 1 July 2012	72,398	(11,699)	2,331	63,030
Total comprehensive income for the half-year				
Loss for the half-year	-	(3,273)	-	(3,273)
	-	(3,273)	-	(3,273)
Transactions with owners in their capacity as owners				
Issue of share capital	15,657	-	436	16,093
Costs associated with issue of share capital	(30)	-	-	(30)
Share-based payments	92	-	418	510
	15,719	-	854	16,573
At 31 December 2012	88,117	(14,972)	3,185	76,330
At 1 July 2013	88,253	(16,711)	3,543	75,085
Total comprehensive income for the half-year				
Loss for the half-year	-	(3,097)	-	(3,097)
	-	(3,097)	-	(3,097)
Transactions with owners in their capacity as owners				
Issue of shares	16	-	-	16
Costs associated with issue of share capital	-	-	-	-
Share-based payments	9	-	285	294
	25	-	285	310
At 31 December 2013	88,278	(19,808)	3,828	72,298

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated Entity	
		31 December 2013 \$ '000s	31 December 2012 \$ '000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (including payments of Goods & Services Tax)		(2,034)	(1,850)
Interest received		383	93
Interest paid		-	(166)
Net cash outflow from operating activities		(1,651)	(1,923)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for security and other deposits		1,136	(1)
Payments for property plant & equipment		(42)	(2)
Payments for exploration, evaluation and development assets		(3,053)	(12,978)
Repayment of loans to finance port infrastructure		1,392	
Net cash outflow from investing activities		(567)	(12,981)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	14,343
Proceeds from issue of convertible notes		-	9,027
Payments for share issue expenses		-	(26)
Repayments of borrowings		(3,226)	-
Net cash inflow from financing activities		(3,226)	23,344
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(5,444)	8,440
Cash and cash equivalents at beginning of period		24,360	23,957
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3	18,916	32,397

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

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

1. BASIS OF PREPARATION

These general purpose financial statements for the half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2013 and any public announcements made by Stanmore Coal Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

(a) Going concern

The half-year financial report has 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. Whilst the Directors believe sufficient funds are held for commitments over the next 12 months, the ability of the consolidated entity beyond that period, to maintain continuity of normal business activities and to pay its debts as and when they fall due, is dependent on the ability of the consolidated entity to successfully raise additional funding through debt, equity or farm-out and/or the successful exploration and subsequent exploitation of areas of interest.

(b) Comparatives

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

(c) Fair Value

The Fair value of the consolidated entity's financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

2. INDIVIDUALLY SIGNIFICANT ITEMS

The loss for the previous half-year ended 31 December 2012 includes a mark-to-market, non-cash gain on financial liabilities of \$936 thousand. This gain relates to a tranche of options granted to Credit Suisse, AG in June 2012 that was classified as a financial liability as at the time it was only able to be cash settled. Pursuant to obtaining shareholder approval to allow the company to equity settle the options, the instruments are classified as equity at 31 December 2013.

As a result of the downward movement of the share price between 30 June 2012 and the October 2012 shareholder meeting when shareholder approval was obtained to settle the liability in shares, the fair value of the obligation reduced. This movement resulted in the non-cash gain recognised and presented in the Consolidated Statement of Comprehensive Income for the previous half year ended 31 December 2012.

3. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents of \$18.916 million at 31 December 2013, includes \$17.140 million held on term deposit with various financial institutions. The treasury strategy employed by the group seeks to optimise fixed income earnings for funds which are deemed to be surplus to short term requirements. At all times

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

these funds on term deposit are immediately callable and accessible by the group. The balance of \$1.776 million in cash and cash equivalents is held in several operating accounts for day to day working capital and other short term requirements.

4. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets of \$31.521 million at 31 December 2013, includes an amount of \$6.414 million which was paid to the vendors of EPC 1186 which is now part of the Belview Project. Consideration for EPC 1186 paid in the previous half-year ended 31 December 2012 was \$5.1 million paid in cash and the balance through the issue of 5.7 million ordinary shares.

5. NON INTEREST BEARING CONVERTIBLE NOTES

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. At 31 December 2013, the notes are considered a current liability as the company expects they will be converted into 13,373,377 ordinary shares within the next 12 months.

6. INTEREST BEARING LIABILITIES

During the six months to 31 December 2013, the Company and Credit Suisse AG ("CS") agreed to a voluntary repayment of the senior debt facility in place at 30 June 2013. The net outstanding amount of \$3.2 million was repaid and CS released its security position over the assets and undertakings of the Company. Pursuant to repayment of the CS debt facility the Company has no secured or unsecured debt.

7. EQUITY SECURITIES ISSUED

(a) Ordinary shares

	Consolidated Entity		Consolidated Entity	
	31 December 2013 No.	30 June 2013 No.	31 December 2013 \$ '000s	30 June 2013 \$ '000s
At 1 July	208,419,252	179,409,108	88,253	72,398
Shares issued during the half-year				
- 11 th March 2013 (1)		592,162		121
- 15 th August 2013 (2)	50,000		9	
- 20 th November 2013 (3)	100,000		16	
- 12 October 2012 (4)		292,553		87
- 26 October 2012 (5)		20,791,143		14,034
- 12 November 2012 (6)		5,714,286		1,314
- 12 November 2012 (7)		20,000		5
- 26 November 2012 (8)		1,000,000		309
- 29 November 2012 (8)		300,000		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Consolidated Entity		Consolidated Entity	
	31 December 2013 No.	30 June 2013 No.	31 December 2013 \$ '000s	30 June 2013 \$ '000s
- 7 December 2012 (8)		300,000		
Share issue costs		-		(15)
At 31 December	208,569,252	208,419,252	88,278	88,253

- (1) On 11th 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.
- (2) On 15th August 2013 50,000 ordinary shares (value \$9 thousand) were issued pursuant to the terms of an employment contract.
- (3) On 20th November 2013 100,000 ordinary shares (value \$16 thousand) were issued in return for the extension of a payment for the acquisition of land.
- (4) On 12 October 2012 292,553 ordinary shares (value \$87 thousand) were issued to employees of the company as part of terms of employment contracts.
- (5) 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.
- (6) On 12 November 2012 5,714,286 ordinary shares (value \$1,314 thousand) were issued to the vendor as consideration for the acquisition of EPC 1186
- (7) On 12 November 2012 20,000 ordinary shares (value \$5 thousand) were issued pursuant to terms of employment contracts
- (8) Between 26 November 2012 and 7 December 2012 a total of 1,600,000 employee options with a strike price of 19.3 cents were exercised, 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.

(b) Options

During the half-year ended 31 December 2013 and pursuant to the terms of the Company's shareholder approved Long Term Incentive Scheme, the Company issued the following options to employees:

- 2,766,000 unlisted options with an exercise price of \$0.22. These options vest on 4 September 2015 and expire on 4 September 2017

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

8. SEGMENT INFORMATION

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

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

9. CONTINGENT LIABILITIES

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

10. EVENTS SUBSEQUENT TO REPORTING DATE

There have been no events since 31 December 2013 that impact upon the financial report as at 31 December 2013.

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

The directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (a) Complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Nicholas Jorss
Managing Director

Brisbane
21 February 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Stanmore Coal Limited

Report on the Half-Year Financial Report

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Stanmore Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit Pty Ltd

BDO



T J Kendall
Director

Brisbane, 21 February 2014