stanmorecoal

annual report

2010

highlights for the FY2010 year include:

Listed in December 2009
– best performing IPO of 2009

•

Share price increase of
some 400% to date

•

318Mt initial JORC Inferred
Resources of coking and export
thermal coal established

•

Additional 290–370Mt of
immediate exploration
targets defined

•

Other Bowen Basin metallurgical
coal targets to be drilled

Contents

Corporate Information

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Neville Sneddon
Nicholas Jorss
Andrew Martin
Stephen Bizzell
Viv Forbes

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Duncan Cornish

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ASX Code: SMR

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AUSTRALIAN BUSINESS NUMBER
ABN 27 131 920 968

Chairman's Letter to Shareholders

Dear Shareholders

On behalf of the Board of Directors and management of Stanmore Coal, I take great pleasure in presenting our first annual report as an ASX-listed company.

I am delighted to report that through our fully-underwritten IPO in December 2009, we were able to successfully raise $6 million, highlighting the confidence in our team and the quality of our exploration portfolio in Queensland's world-class Bowen and Surat Basin coal provinces.

I am pleased to say that Stanmore Coal was the best performing IPO (measured by percentage share price gain) on the Australian Securities Exchange of 2009. We are already well ahead of our Prospectus estimates for our initial projects. The Company is well positioned to continue to reward the faith its investors have shown by creating further shareholder value through the development of coal deposits in the prime coal bearing regions of Eastern Australia.

We were pleased to announce in July 2010 that the drilling program at our 100% owned The Range project identified a substantially upgraded JORC Inferred Resource of 219Mt of export quality thermal coal. In September we released the results of the Conceptual Mining Study for The Range which concluded that the project is likely to be technically and commercially feasible with robust project economics at current coal prices.

Also in September we were very pleased to announce a maiden coking coal inferred resource of 99Mt at our Mackenzie River project in the heart of the Bowen Basin. This exciting coking coal project will now be the subject of further drilling with a view to increasing the size of the deposit.

Additionally, the Company has undertaken significant desktop work which has identified coking coal targets across its other Bowen Basin projects, which we are confident, will lead to substantial additional JORC Resources over time.

Stanmore Coal remains well on track to meet its stated aims of undertaking project development for high priority targets and ultimately producing and selling a variety of coal products into export markets.

With a portfolio of high quality coal tenements and a first class team to match, we will maximise opportunities for growth through a systematic approach to exploration and project delivery.

Your Board believes the future of the coal export market in Australia is strong and the Company will continue to move quickly and decisively to maximise benefits for shareholders.

With five metallurgical coal targets, we believe Stanmore Coal is very well positioned given the outlook for further structural shortages of metallurgical coal in the global market in the medium and longer term.

Equally, we are enthusiastic about the future of the energy market and the demand for thermal coal as major emerging economies such as India and China continue to drive high demand for our future product.

I would like to close by saying that Stanmore Coal would not be where it is today without the loyalty, hard work, commitment and support of our Board, employees and key contractors.

My sincere thanks to everyone involved.

Neville Sneddon
Chairman

Review of Operations

In its first year of operation as a listed company, Stanmore Coal has established itself as an emerging force in the Australian coal sector with a diverse portfolio of coking, thermal and PCI projects in Queensland's premier Bowen and Surat Basins.

The past seven months have been eventful and highly rewarding for Stanmore Coal as we began proving up our coal resources with a view to reaching production within the next five years.

Stanmore Coal holds 100% interests in seven coal project areas covering 1,080 km^2 of the Bowen and Surat Basins with the potential to host significant deposits of coking, PCI and thermal coal. These projects are typically well located for export infrastructure.

Stanmore Coal has undertaken an extensive exploration programme since the IPO with considerable success. Drilling to date has already delineated an initial 99Mt JORC Inferred Resource of shallow coking coal at Mackenzie River along with 219Mt JORC Inferred Resource of export quality thermal coal at The Range.

These two projects alone are capable of underwriting substantial growth for Stanmore Coal, however the potential for significant additional upside remains as our exploration programme is expanded to the rest of the portfolio.

Other key Bowen Basin projects include:

- New Cambria which is targeting low-volatiles PCI coal;
- Emerald which is targeting between 220Mt and 290Mt of low ash export thermal plus an additional semi soft coal target; and
- the Belview and Kerlong projects which are both targeting prime underground coking and PCI coal.

Extensive geological modelling by SRK Consulting has been undertaken on these additional projects and a detailed exploration plan has been established to guide the drilling programme.

Furthermore, the Company has applied for over 10 new Queensland coal exploration tenements (covering nearly 1,500 km^2) this financial year, giving us a strong pipeline of potential projects for future growth and development.

As well as building our tenement position, we have also been selectively strengthening our exploration team. The Stanmore Coal technical team now consists of a blend of in-house staff and external consultants, all with significant experience and a track record of success in coal exploration and project development.

With a diversified portfolio of coking, thermal and PCI coal targets in the Bowen and Surat Basins, Stanmore Coal is very focused on infrastructure development in order to progress timely mine development.

Our Bowen Basin projects are located on or very close to existing rail lines to coal terminals at Gladstone and Dalrymple Bay while The Range Project is well located for the upcoming Surat Basin Rail (SBR) link connecting to Gladstone.

The Company will continue working closely with key infrastructure providers including Queensland Rail, SBR and WICET to ensure optimal outcomes in the coal supply chain.

Stanmore Coal is delighted to report that our health and safety performance during the Reporting Period has been very strong with no reportable events and nil days lost due to accidents by contractors.

Stanmore Coal is committed to keeping its people safe in the workplace. As part of this, the Company is committed to ensuring its employees and contractors remain vigilant to health and safety issues and will continue to monitor and upgrade our health and safety management system to minimise risks, incidents and injuries.

Stanmore Coal remains focused on fostering strong, working relationships will all stakeholders including landowners, local communities, traditional owners and the Government to deliver positive outcomes.

Key Project Review

Project	Basin	Proposed Mining Method	Target Coal	Status	Rail Link to Existing Coal Port?
Mackenzie River	Bowen	Open pit	Coking	✓ Initial 99Mt JORC Inferred Resource [2] ✓ 70-80Mt additional exploration target [1]	✓
The Range	Surat	Open pit	Export thermal	✓ 219 Mt JORC Inferred Resource [2] ✓ Concept study completed (NPV A$300m)	Upcoming SBR Link
Emerald	Bowen	Underground	Export thermal / Semi-soft coking	✓ 220 – 290 Mt Thermal Coal Exploration Target[1] ✓ Exploration target for potential semi soft coking yet to be defined	✓
New Cambria	Bowen	Open pit / Underground	Low-vol PCI	✓ Initial scout drilling completed ✓ Further field work planned	✓
Belview	Bowen	Underground	Coking	✓ Desktop study and exploration plan completed	✓
Kerlong	Bowen	Underground	Coking / PCI	✓ Desktop study and exploration plan completed	✓

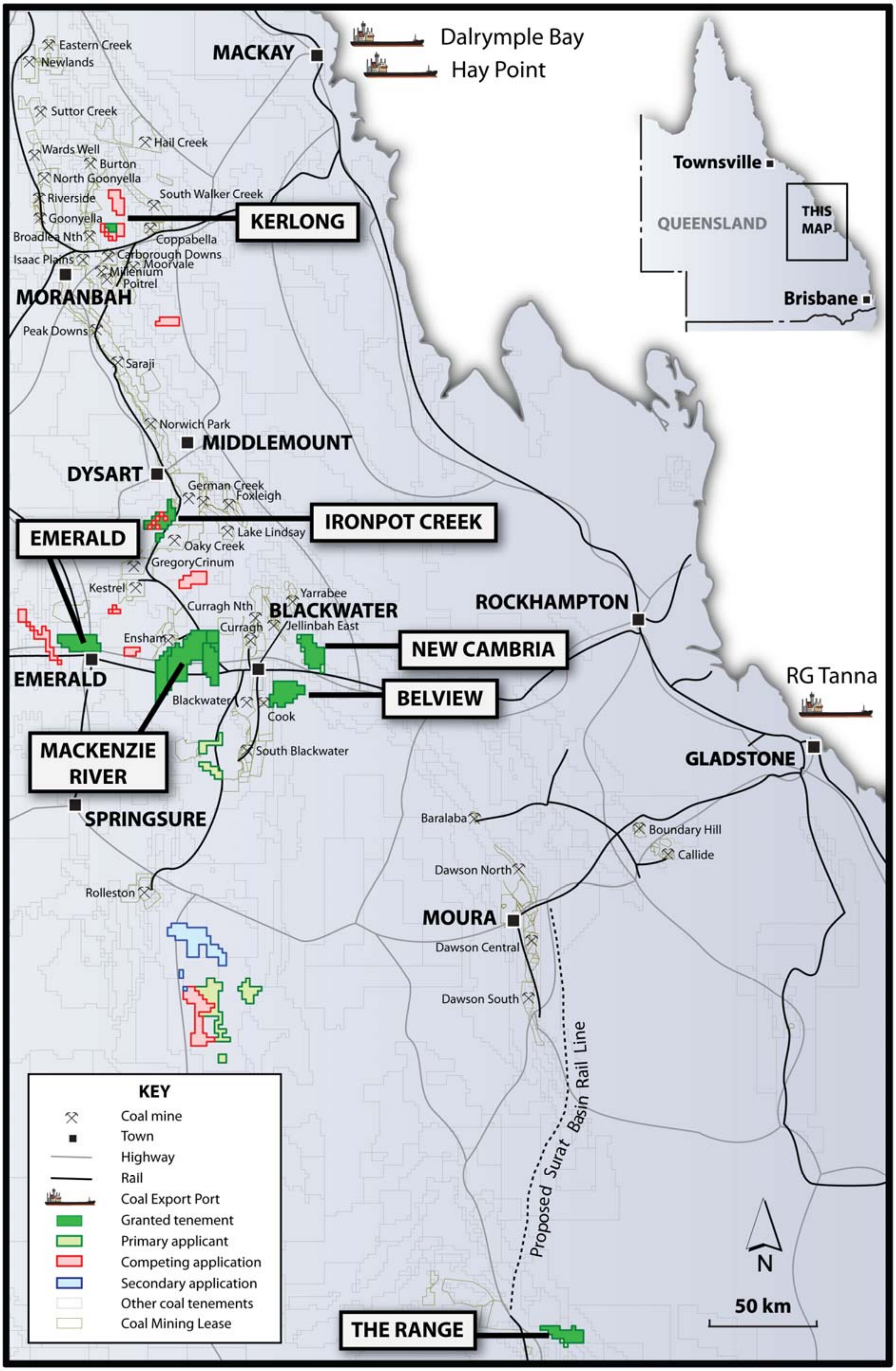

Figure 1: Project Locality and Infrastructure Plan.

Mackenzie River Project – Bowen Basin

Location	30km west of Blackwater
Area	512km^2
Project Description	Significant deposit of open cut coking coal
EPCs	1060, 1062, 1547, 1688, 1671

A significant open pit coking coal deposit

Drilling to date has defined an initial JORC Inferred Resource [2] of 99Mt of coking coal at this important project which is strategically located on the rail line to Gladstone between the existing Ensham and Curragh operating mines, in the heart of the Bowen Basin. Further drilling is aiming increase the size of this resource with an additional exploration target [1] of 70-80Mt (independent report – Xenith Consulting) within the western project area.

A conceptual mining study defining the path to production is planned to commence in the first quarter of 2011.

Coking properties

To date 49 holes including 23 cored holes have been drilled on the western side of the tenement targeting the Leo and Aquarius seams (Burngrove Formation) with considerable success. Total coal thickness across the target area typically varies from 2m to 2.5m (excluding bands) for the Aquarius seam and approximately 1m for the Leo seam. Strong coking properties were achieved with washed CSN values averaging 6.0 and ranging up to 8.0.

Well located on infrastructure

The Mackenzie River project is ideally located for export as it lies on the rail line to Gladstone between the existing Ensham and Curragh operating mines and adjacent to the Washpool project being developed by Aquila Resources which is also targeting the Burngrove Formation.

Stanmore Coal has plans to explore for additional coking coal targets with the 512 km^2 Mackenzie River project area.

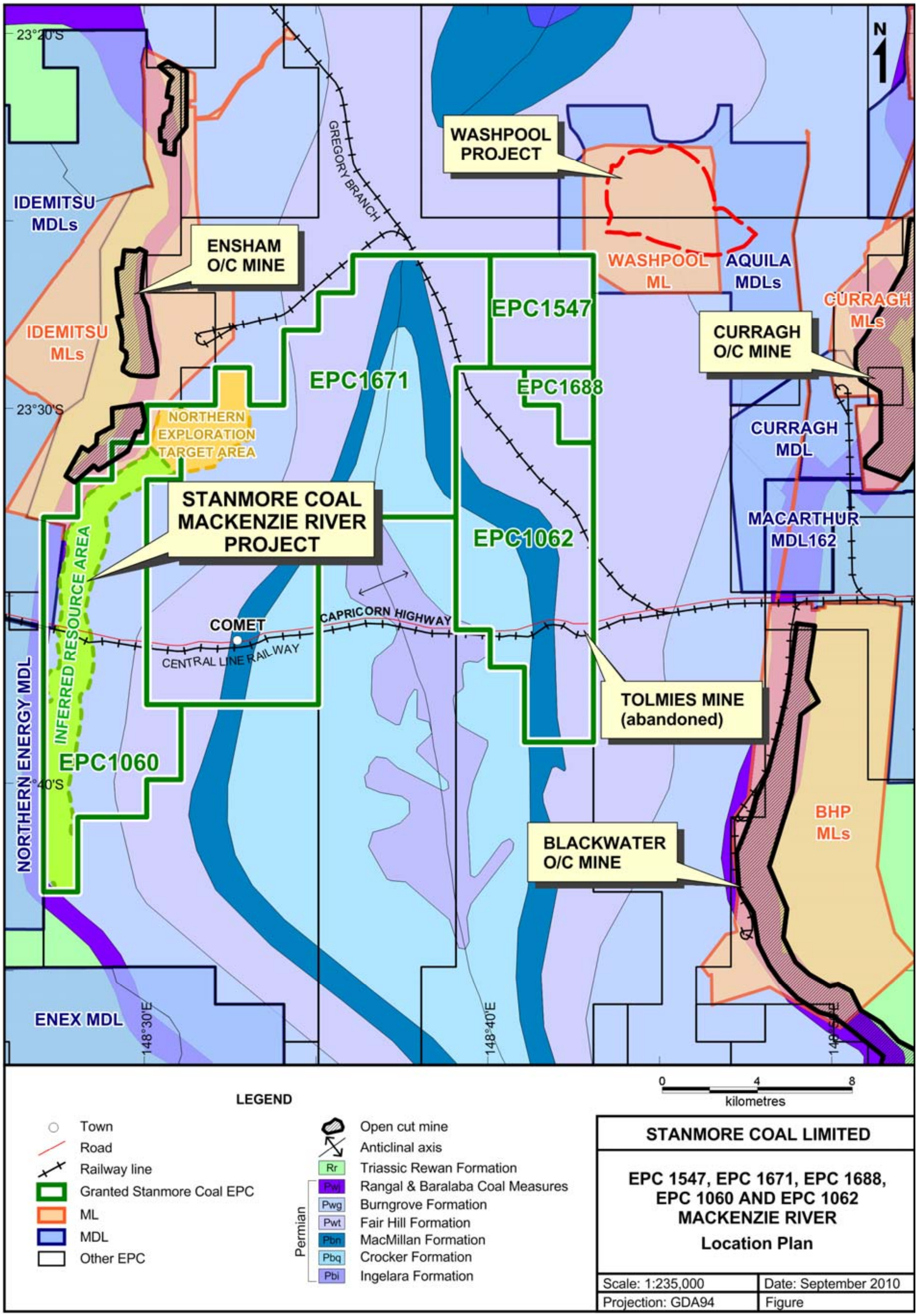

Figure 2: Mackenzie River Location Plan including solid geology.

The Range Project – Surat Basin

Location	Surat Basin – 24km south-east of Wandoan
Area	96km^2
Project Description	Large deposit of high quality, open pit export thermal coal
EPC	1112

Developing a large open cut thermal coal deposit

Drilling to date has defined a JORC Inferred Resource of 219Mt of high quality thermal coal. A conceptual mining study has been completed which confirmed the projects viability and defined the metrics of an open pit coal mine producing around 5 Mtpa of thermal coal for the export market.

High quality export thermal coal

Quality results from recent drilling at The Range point to the potential for producing a high energy export quality product with a 10-12% product ash level.

Infrastructure

The Range Project is well located just 24km south east of the planned Surat Basin Rail line providing a link to Gladstone ports.

Discussions are continuing with the key infrastructure providers (Wiggins Island Coal Export Terminal (WICET), Surat Basin Rail (SBR) and Queensland Rail) to lock in a rail paths and port allocation.

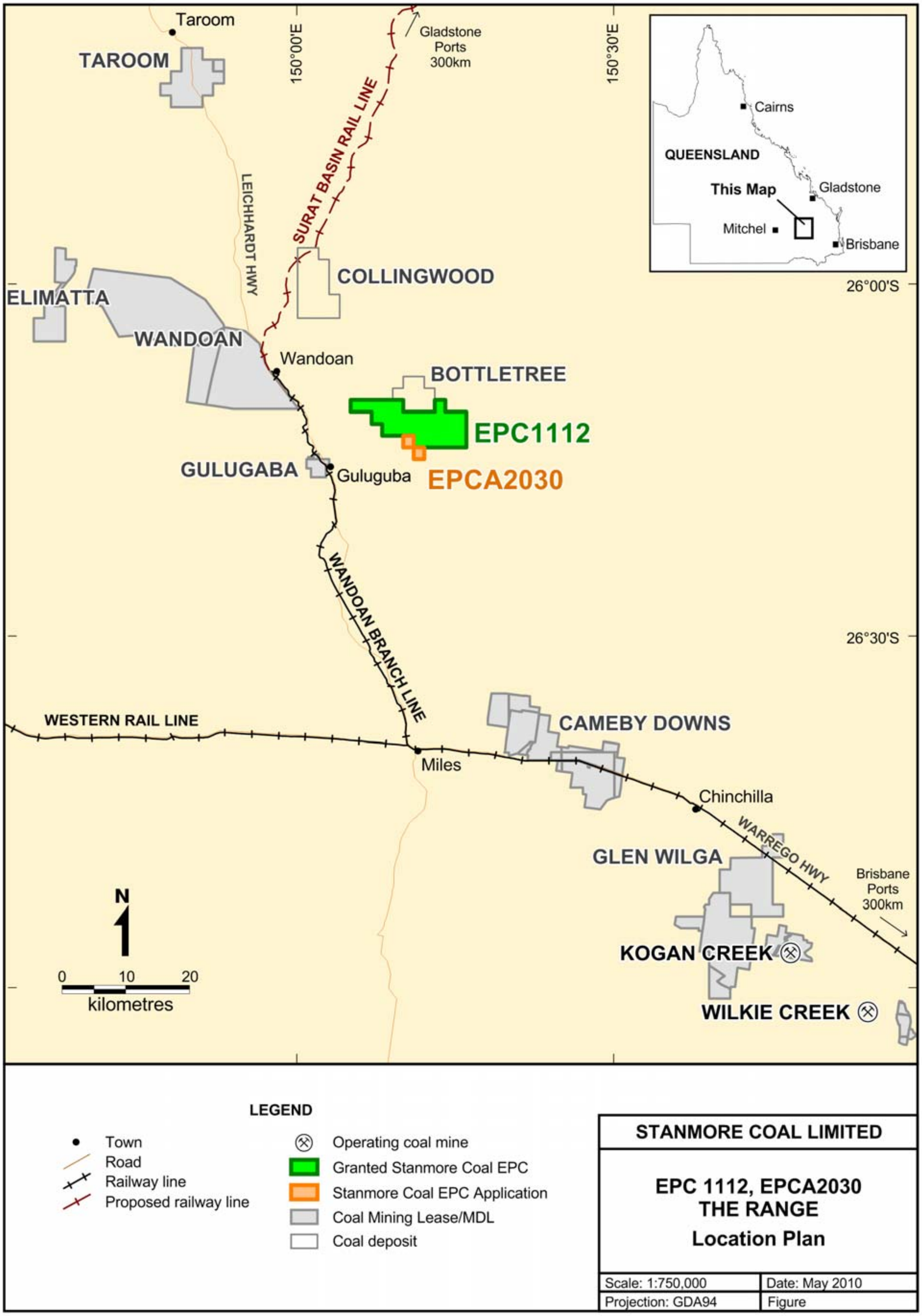

Figure 3: Locality Plan – The Range.

New Cambria Project – Bowen Basin

Location	20km east of Blackwater
Area	117km^2
Project Description	Targeting shallow Yarrabee style low-volatiles PCI coal
EPCs	1113

Potential for medium sized PCI coal deposits

Geological investigations point to the potential for shallow Rangal Coal deposits along trend from the Yarrabee Mine. The area is underexplored and has the potential to host one or more medium sized high rank coal deposits. Historical quality testing from the adjacent Excel Colliery indicates a target of high yield, low ash PCI coal product.

Results

Initial scout drilling programme has been completed within the structurally complex zone of thrust faults including those which created the open pit coal deposits at nearby Yarrabee and Jellinbah. While the initial round of drilling did not intersect shallow coal seams, it did provide useful geological information to guide the next phase of exploration.

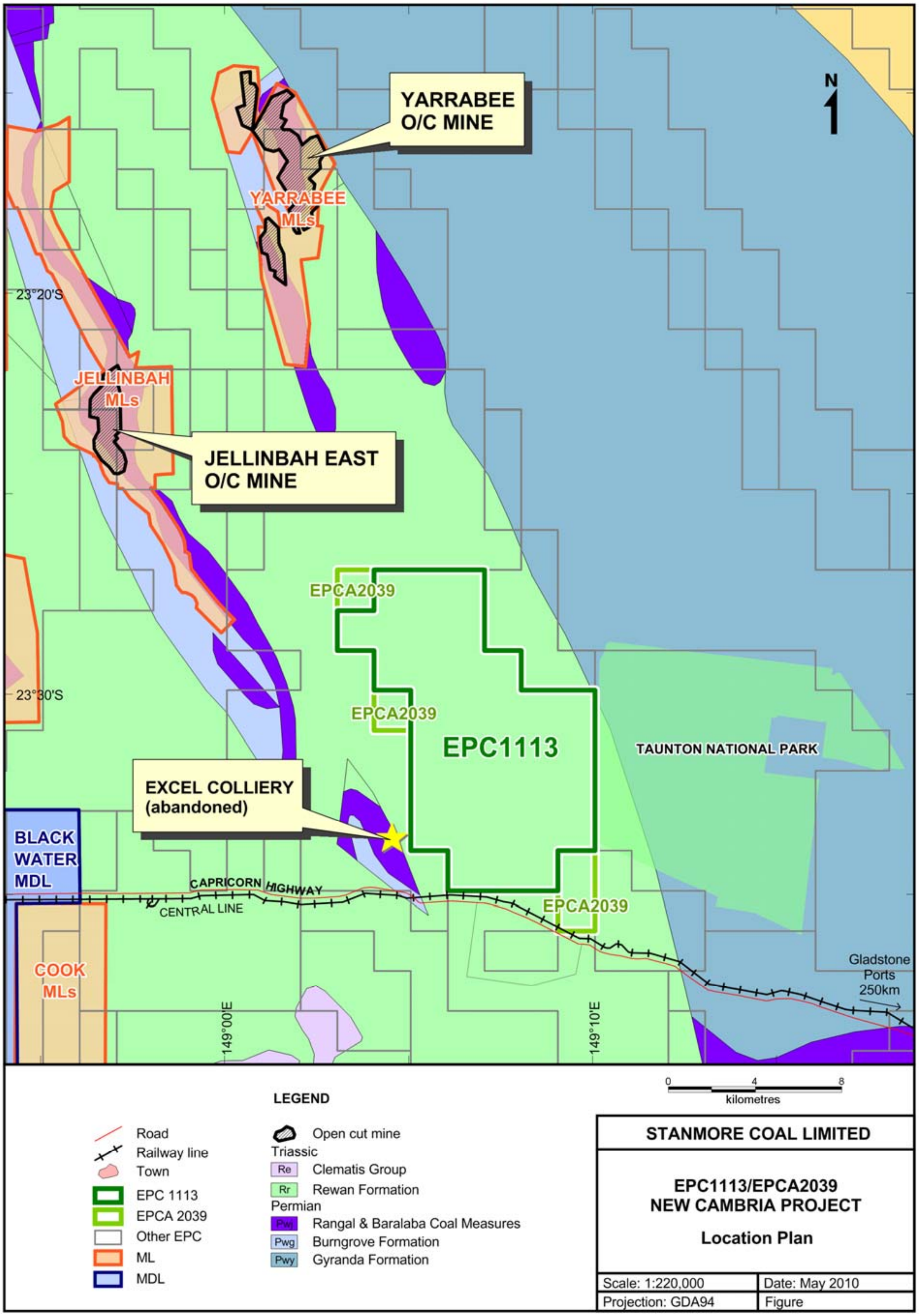

Figure 4: New Cambria Location showing solid geology**.**

Emerald Project – Bowen Basin

Location	Emerald
Area	131km^2
Project Description	Targeting underground semi-soft coking and clean thermal coal
EPCs	1168

Potential for semi-soft coking coal within the German Creek Coal Measures

The potential for a semi-soft coking coal target was identified in the German Creek Formation which is estimated to occur at depths from 280m within the Emerald EPC. The Corvus Lower Seam in particular is known to occur regionally at 1.0 to 2.9m and is reported to display coking properties. Further field work is planned to test the prospectivity of this seam. These Coal Measures are mined extensively throughout the Bowen Basin.

High quality thermal coal target within the Rangal Coal Measures

Geological modelling building on previous coal intercepts within the project area has defined an exploration target of 220 – 290 Mt [1] of relatively low ash export quality thermal coal in the Aries Seam within the Rangal Coal measures at depths estimated from 150m. The average seam thickness within the project area has been estimated as 2.1m with a raw ash content of some 8%-12%.

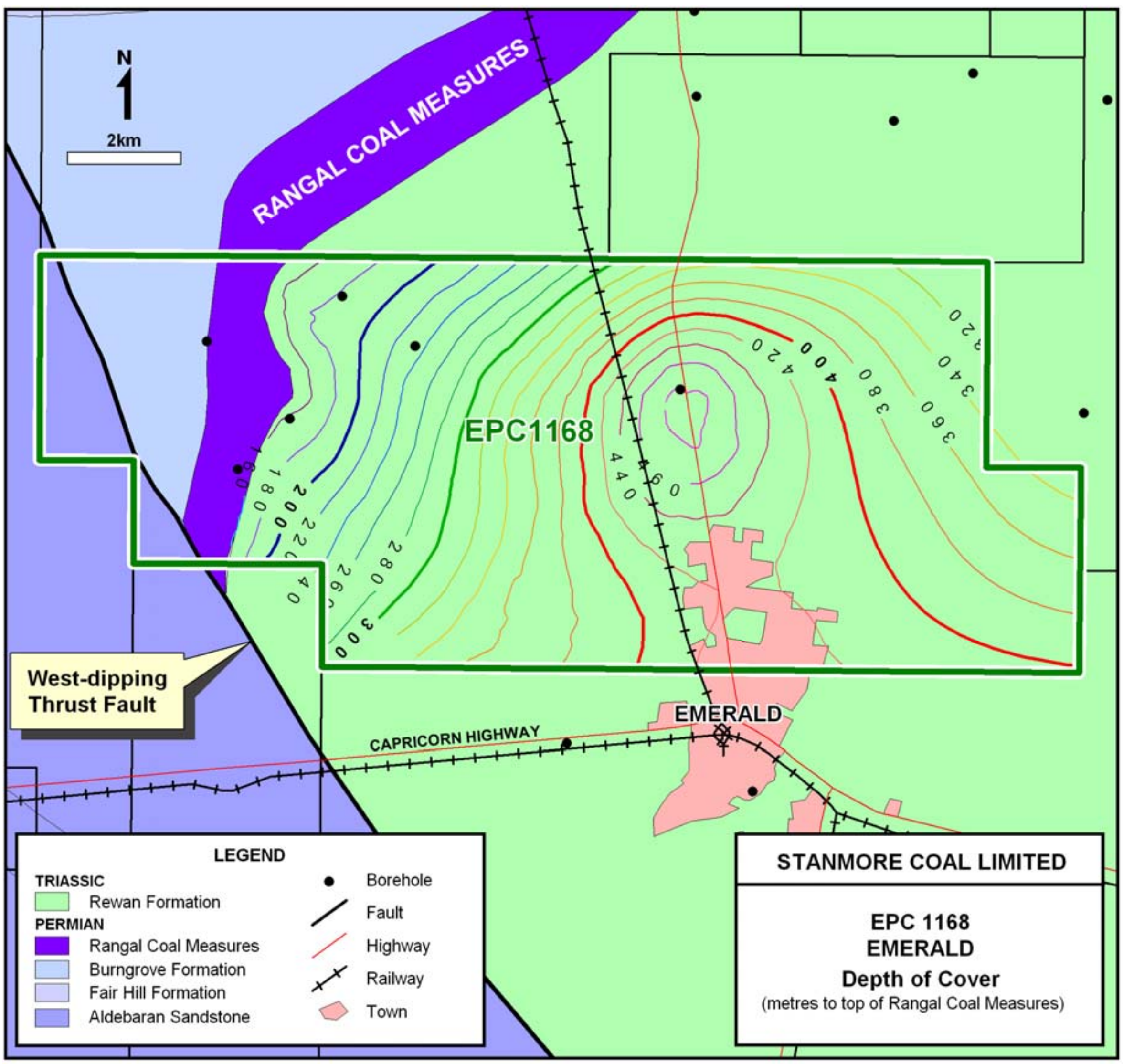

Figure 5: Emerald – Estimated depth to top of Rangal Coal Measures.

Belview Project – Bowen Basin

Location	10km south-east of Blackwater
Area	131km^2
Project Description	Targeting underground prime coking coal
EPCs	1114

Potential for large deposit of high quality underground coking coal

The coal within Belview is likely to be similar in quality to the prime coking coal mined at the nearby Cook and Leichhardt Collieries. Coal quality data from Cook Colliery demonstrates a low ash, prime coking coal.

A comprehensive desktop study and modelling exercise undertaken by SRK Consulting for Stanmore Coal identified the potential for an underground hard coking coal within the Rangal Coal Measures. The mine workings at BHP's nearby Leichhardt colliery focussed on the Gemini Seam which averaged 6m in thickness at 350 to 410 meters in depth when mined in the 1960s to 1980s.

Well located for export infrastructure

The Blackwater to Gladstone railway line runs approximately five kilometres north of the project.

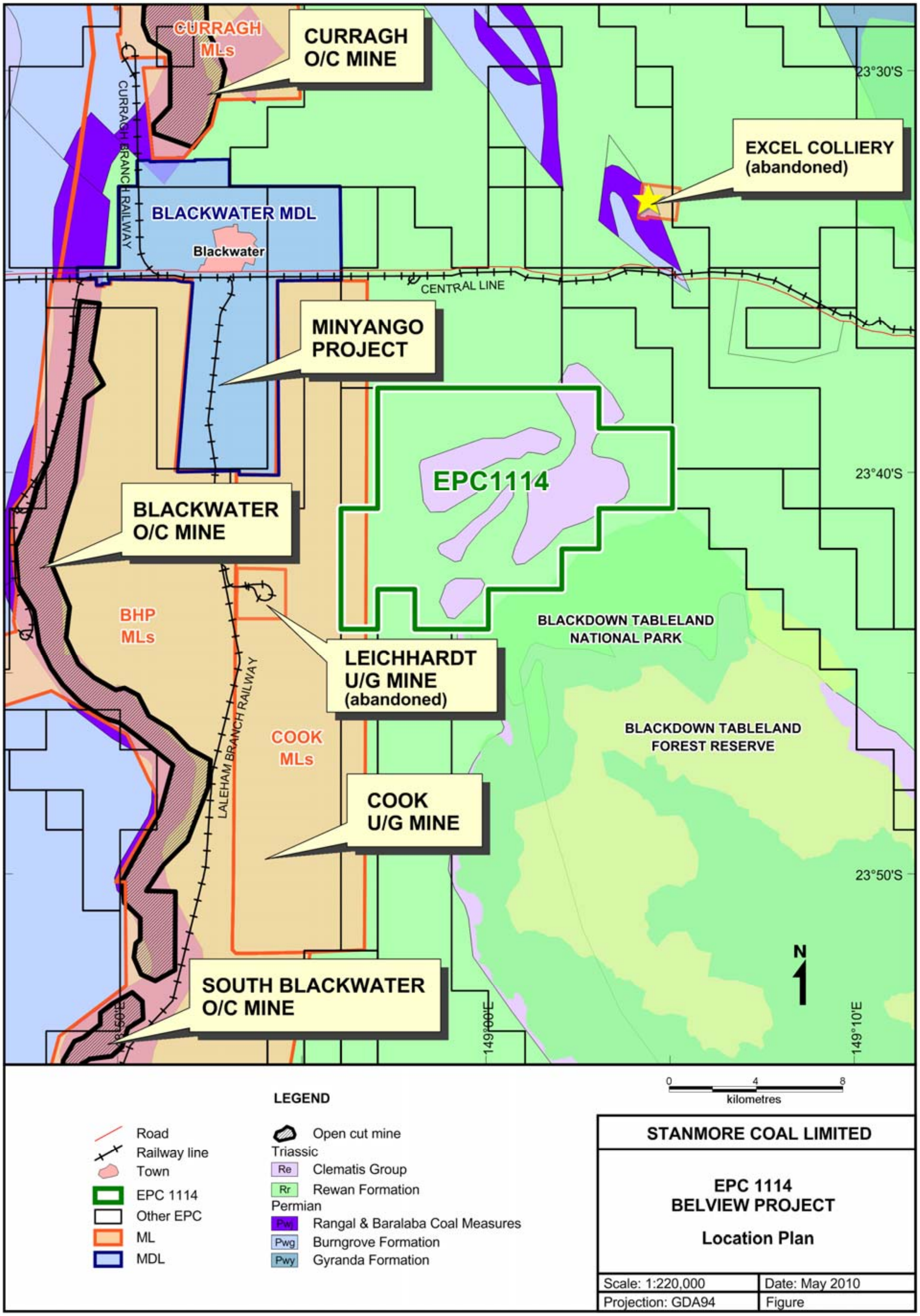

Figure 6: Belview Location Plan including solid geology.

Kerlong Project – Bowen Basin

Location	19km north-east of Moranbah
Area	$17km^2$ + $92km^2$ (under application)
Project Description	Superior underground coking /PCI coal
EPCs	1552 (EPCAs: 1657, 1769, 2176)

Targeting a high quality PCI/coking coal deposit

Coal quality data from nearby exploration points to the potential for a high quality underground PCI and coking coal product to be produced from the targeted Leichhardt and Vermont seams. Seam thickness of 3.3m (Vermont) and 4.6m (Leichardt) have been identified in nearby holes and the coal is mined extensively in the surrounding operations where seam thicknesses of over 10m are not uncommon.

A comprehensive desktop study and modelling exercise has been undertaken by SRK Consulting on behalf of Stanmore Coal. The study confirmed the potential for underground coking and PCI coal within the Leichhardt and potentially the Vermont seam in the Rangal Coal Measures. The Leichhardt seam in this region is known to produce a low ash (5-10%) coking product, a moderate ash (10-20%) PCI and a thermal product with low sulphur and low phosphorous and moderate to high specific energy.

Well located for export infrastructure

The project is located close to infrastructure being just 8km north of the main line to the Dalrymple Bay Coal Terminal and 10km north of the Peak Downs Highway.

Expansion potential

Additional EPC applications have been lodged for surrounding areas which have recently become available. Should these applications be successful they will substantially add to Stanmore Coal's Kerlong project area and the likely size of any contained coal deposit.

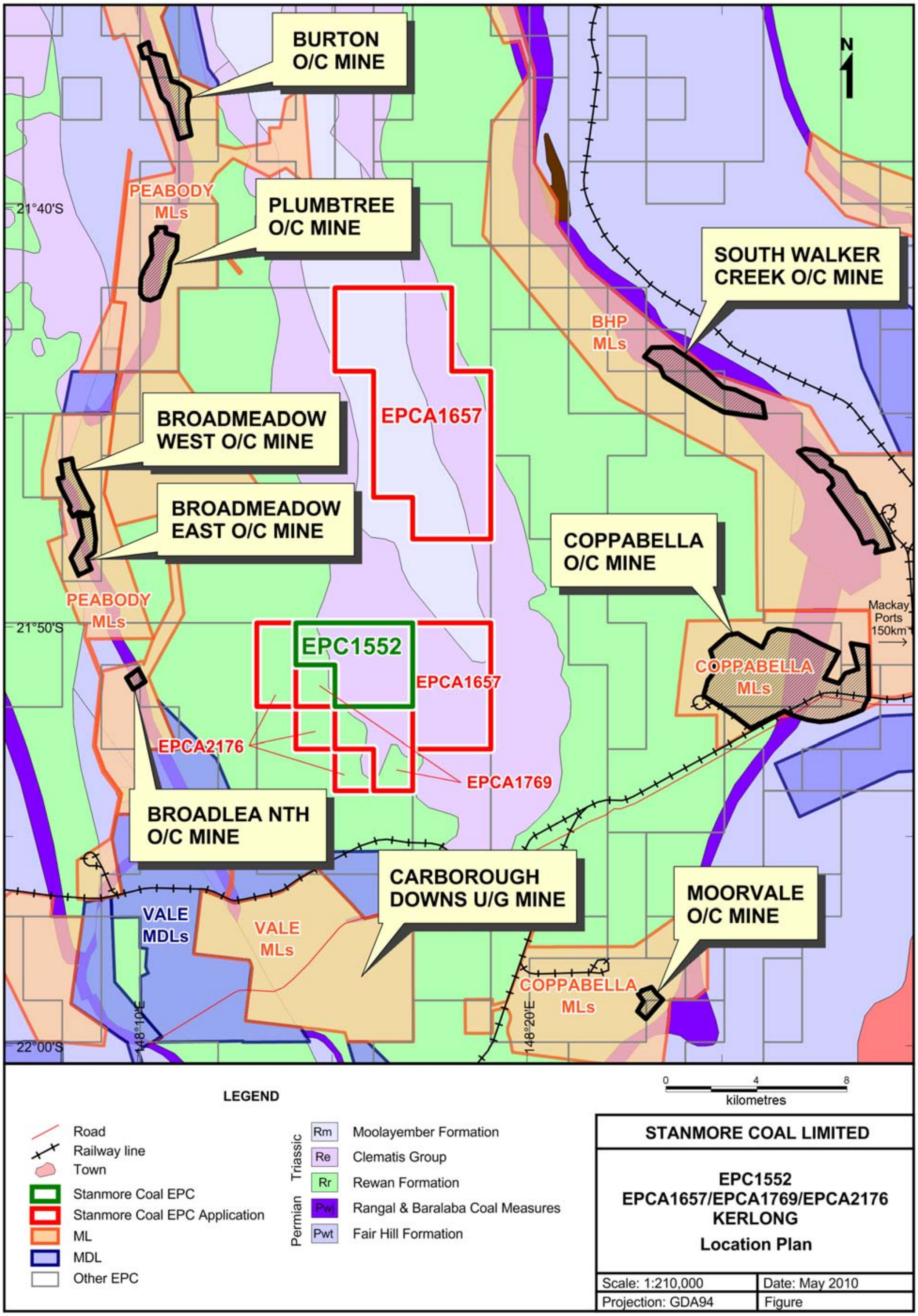

Figure 7: Kerlong Location Plan including solid geology.

Notes

1: Exploration Target

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 herein as to exploration results or exploration targets has been made consistent with the requirements of the JORC Code.

***2:* Competent Persons Statement**

The information in this report relating to exploration results and coal resources is based on information compiled by Mr Tim Jones who is a member of the Australian Institute of Geosciences and is a full time employee of Stanmore Coal Ltd.

Mr Jones 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 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”.

Mr Jones consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.

Directors' Report

Your directors present their report for the year ended 30 June 2010.

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
Managing Director

As Managing Director, Nick Jorss brings more than 20 years investment banking, engineering and project management experience to Stanmore Coal. As an investment banker he has led advisory mandates with corporate, government and private equity clients across a range of sectors including resources, infrastructure, engineering and mining services.

Nick has provided financial, commercial and strategic advice to corporations and governments across numerous transactions including advice on acquisitions, trade sales, privatisations, capital raising and project financing. He was formerly a Director of Pacific Road Corporate Finance and prior to that worked as an engineer for Baulderstone Hornibrook where he project-managed several major Australian infrastructure projects.

Nick is a founding shareholder and Director of St Lucia Resources International, Stanmore Coal and Kurilpa Uranium. He is also a Director of Vantage Private Equity Growth, Vantage Asset Management and Wingate Capital.

A highly-qualified industry professional, Nick graduated with Honours in Civil Engineering from the University of Queensland, holds a Master of Business Administration from the Australian Graduate School of Management and a Graduate Diploma of Applied Finance and Investment from FINSIA.

Neville Sneddon
Non-Executive Chairman (appointed 5 October 2009)

A mining engineer with over 37 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 and is the Chairman of CSM Energy and has recently stepped down from the Board of Centennial Coal.

Neville is a member of the Audit and Risk Management 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
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.

Andrew is a member of the Audit and Risk Management Committee.

Stephen Bizzell
Non-Executive Director (appointed 5 October 2009)

A Chartered Accountant, Stephen spent his early career in the corporate finance division of Ernst & Young and the corporate tax division of Coopers & Lybrand. He is highly experienced in the fields of corporate restructuring, debt and equity financing, mergers and acquisitions and has over 15 years corporate finance and public company management experience in the resources sector in Australia and Canada.

Stephen is Chairman of boutique investment banking and funds management group Bizzell Capital Partners and an Executive Director of Dart Energy Ltd.

Stephen was previously an Executive Director of Arrow Energy Ltd from 1999 until its recent acquisition 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.

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

- Renison Consolidated Mines NL * (since 28 June 1996)
- Arrow Energy Ltd (from 16 June 1999 to 23 August 2010)
- Bow Energy Ltd * (since 17 September 2004)
- Dart Energy Ltd * (since 9 November 2006) (company listed on ASX on 22 July 2010)
- Liquefied Natural Gas Limited (from 20 December 2007 to 17 March 2010) (Alternate Director)
- Apollo Gas Ltd * (since 15 August 2009)
- Hot Rock Ltd * (since 22 September 2009)
- Diversa Ltd * (since 25 August 2010)

* denotes current directorship.

Viv Forbes
Non-Executive Director (appointed 5 October 2009)

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.

Vaughan Wishart
Operations Manager (Director until 5 October 2009)

With 20 years experience in multi-disciplinary engineering projects and studies, Vaughan has successfully filled a variety of positions including owners' representative, project manager, study manager, engineering manager, area manager and construction manager. He has worked in owners' teams, operation teams and project teams for contractors and engineers.

Vaughan's resources-industry experience stretches across Australia, Toronto, London, New Zealand, China, Thailand, New Caledonia and Ghana with expertise in coal, gold, nickel and infrastructure projects. He has contributed to significant projects including Goro Nickel, Dawson Coal, ODX, and Rosia Montana Gold.

Vaughan is a founding Director of St Lucia Resources International, a co-founder of Stanmore Coal and a founding Director of Kurilpa Uranium. He has a degree in Civil Engineering from the University of Queensland.

Duncan Cornish
Company Secretary, CFO (appointed 17 September 2009)

Mr Duncan Cornish was the company secretary of Stanmore Coal Limited from 17 September 2009 and up to the date of this report.

Duncan is an accomplished and highly regarded corporate administrator and manager. He has many years 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.

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 $0.24 @ 9/12/12	Unlisted Options $0.24 @ 31/12/13	Unlisted Options $0.20 @ 16/1/14
Neville Sneddon	-	1,350,000	-	-
Nicholas Jorss	31,200,000 *	2,000,000	-	-
Andrew Martin	31,200,000 *	1,000,000	-	-
Stephen Bizzell	6,186,564	1,000,000	2,000,000	-
Viv Forbes	2,036,595	-	-	525,000

* 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 the consolidated entity during the financial year were focused on the identification and development of export thermal, coking and PCI coal deposits within the prime coal bearing regions of Eastern Australia.

During the year the consolidated entity also successfully raised $6,000,000 through the issue of 30,000,000 ordinary shares, under a fully underwritten Initial Public Offering (IPO), and listed on the Australian Securities Exchange on 9 December 2009.

OPERATING RESULTS

For the year ended 30 June 2010, the loss for the consolidated entity after providing for income tax was $1,753,693 (2009: $176,213).

DIVIDENDS PAID OR RECOMMENDED

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

REVIEW OF OPERATIONS

Detailed comments on operations and exploration programs up to the date of this report are included separately in the Annual Report under Review of Operations.

REVIEW OF FINANCIAL CONDITION

Capital structure

On 7 October 2009 a capital raising of $1,750,000 was completed through the placement of 5,648,750 ordinary shares. The Consolidated entity also issued 273,438 ordinary shares at a price of $0.32 as a capital raising fee in relation to the capital raising.

On 8 October 2009, 356,328 unlisted $0.02 options, 230,384 unlisted $0.10 options and 92,153 unlisted $0.20 options were exercised into ordinary shares.

On 13 October 2009 the share capital of the consolidated entity was reorganised by way of subdividing each fully paid ordinary share into 3 fully paid ordinary shares.

On 3 December 2009 an IPO of $6,000,000 was completed through the placement of 30,000,000 ordinary shares and in conjunction with the IPO the Consolidated entity also issued 9,000,000 shares as part consideration of 100% of the share capital in Comet Coal & Coke Pty Ltd.

Stanmore Coal Limited was listed on the Australian Securities Exchange on 9 December 2009.

At 30 June 2010, the consolidated entity had 93,213,159 ordinary shares and 12,175,000 unlisted options on issue.

On 20 August 2010, the Consolidated entity issued the following options were issued to an employee of the Consolidated entity:

- 100,000 unlisted options exercisable at $1.10, on or before 31 December 2013.
- 100,000 unlisted options exercisable at $1.25, on or before 31 December 2013.
- 100,000 unlisted options exercisable at $1.35, on or before 31 December 2013.

On 14 September 2010, 500,000 unlisted options exercisable at $0.24 on or before 31 December 2013 were exercised into ordinary shares.

At the date of this report, the consolidated entity had 93,713,159 ordinary shares and 11,975,000 unlisted options on issue.

Financial position

The net assets of the consolidated entity have increased by $7,941,844 from $22,483 at 30 June 2009 to $7,964,327 at 30 June 2010. This increase has largely resulted from the following factors:

- Successfully raising capital and completing IPO;
- Increasing the consolidated entity's (capitalised) exploration expenditure, partly offset by;
- Operating losses.

The consolidated entity's working capital, being current assets less current liabilities has increased from $(87,808) in 2009 to $2,102,878 in 2010.

During the past year the consolidated entity has invested in the identification and development of export thermal, coking and PCI coal deposits within the prime coal bearing regions of Eastern Australia.

Treasury policy

The consolidated entity does not have a formally established treasury function. The Board is responsible for managing the consolidated entity's finance facilities. The consolidated entity does not currently undertake hedging of any kind and is not directly exposed to currency risks.

Liquidity and funding

The consolidated entity has sufficient funds to finance its operations and exploration activities, and to allow the consolidated entity to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the consolidated entity occurred in the financial year:

On 7 October 2009 a capital raising of $1,750,000 was completed through the placement of 5,648,750 ordinary shares. The Consolidated entity also issued 273,438 ordinary shares at a price of $0.32 as a capital raising fee in relation to the capital raising.

On 8 October 2009, 356,328 unlisted $0.02 options, 230,384 unlisted $0.10 options and 92,153 unlisted $0.20 options were exercised into ordinary shares.

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Stanmore Coal Limited was listed on the Australian Securities Exchange on 9 December 2009.

AFTER BALANCE DATE EVENTS

On 20 August 2010, the consolidated entity issued the following options were issued to an employee of the consolidated entity:

- 100,000 unlisted options exercisable at $1.10, on or before 31 December 2013
- 100,000 unlisted options exercisable at $1.25, on or before 31 December 2013
- 100,000 unlisted options exercisable at $1.35, on or before 31 December 2013

On 14 September 2010, 500,000 ordinary shares in Stanmore Coal Limited were issued as a result of the exercise of options. The amount paid for these shares was $120,000.

There have been no other events since 30 June 2010 that impact upon the financial report as at 30 June 2010.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years have been discussed where appropriate in the Annual Report under Review of Operations.

There are no further 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.

ENVIRONMENTAL ISSUES

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

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of Stanmore Coal Limited, and for the key management personnel.

Remuneration policy

The performance of the consolidated entity depends upon the quality of its directors and executives. To prosper, the consolidated entity must attract, motivate and retain highly skilled directors and executives.

The Board does not presently have Remuneration and Nomination Committees. The directors consider that the consolidated entity is not of a size, nor are its affairs of such complexity, as to justify the formation of any other special or separate committees at this time. All matters which might be dealt with by such committees are reviewed by the directors meeting as a Board.

REMUNERATION REPORT (AUDITED) CONTINUED

The Board, in carrying out the functions of the Remuneration and Nomination Committees, is responsible for reviewing and negotiating the compensation arrangements of senior executives and consultants.

The Board, in carrying out the functions of the Remuneration and Nomination Committees, assess the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the consolidated entity.

The Consolidated entity aims to reward the Managing Director and senior management with a level and mix of remuneration commensurate with their position and responsibilities within the consolidated entity. The Board's policy is to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives.

In accordance with best practice corporate governance, the structure of non-executive directors, Managing Director and senior management remuneration is separate and distinct.

Non-executive director remuneration

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

The Constitution of Stanmore Coal Limited and the ASX Listing Rules specify that the non-executive directors are entitled to remuneration as determined by the 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 aggregate remuneration currently determined by Stanmore Coal Limited is $350,000 per annum. Additionally, non-executive directors will be entitled to be reimbursed for properly incurred expenses.

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 remuneration of non-executive directors for the year ending 30 June 2010 is detailed in this Remuneration Report.

Managing Director and senior management remuneration

The Consolidated entity aims to reward the Managing Director and senior management with a level and mix of remuneration commensurate with their position and responsibilities within the consolidated entity and so as to:

- reward Executives for consolidated entity and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Consolidated entity; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Managing Director and senior management may from time to time be fixed by the Board. As noted above, the Board's policy is to align the Managing Director and senior management objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board, in carrying out the functions of the Remuneration and Nomination Committees, and 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.

REMUNERATION REPORT (AUDITED) CONTINUED

Senior management are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the consolidated entity.

Long-term incentives are provided in the form of options and/or the issue of shares following the completion of satisfactory time periods of service. The Consolidated entity uses employee continuity of service and the future share price to align comparative shareholder return and reward for executives.

The remuneration of the Managing Director and senior management for the year ending 30 June 2010 is detailed in this Remuneration Report.

Relationship between remuneration and consolidated entity performance

During the financial year, the consolidated entity has generated losses as its principal activity was exploration for coal within Queensland's Bowen and Surat Basins.

On 9 December, 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 2010 was $0.65.

There were no dividends paid during the year ended 30 June 2010.

As the Consolidated entity is still in the exploration and development stage, the link between remuneration, consolidated entity performance and shareholder wealth is tenuous. Share prices are subject to the influence of metals prices and market sentiment toward the sector, and as such increases or decreases may occur quite independent of executive performance or remuneration.

Employment contracts

It is the Board's policy that employment 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 Board in accordance with the remuneration policy set out above.

The current employment agreements with the Managing Director and the Company Secretary have three month notice periods. All other employment agreements have one month (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.

Key management personnel are entitled to their statutory entitlements of accrued annual leave and long service leave together with any superannuation on termination. No other termination payments are payable.

Managing Director

Stanmore Coal Limited has a consulting agreement with Wingate Capital Pty Ltd (Wingate) and Nick Jorss, the Managing Director. The Agreement commenced on 15 October 2009 and is for a term of two years unless terminated earlier in accordance with the provisions of the agreement. Under the terms and conditions of the Wingate Agreement Wingate has agreed to provide certain corporate management and other services to the consolidated entity. Additionally, Nicholas Jorss has agreed to act as the Managing Director of Stanmore Coal Limited.

Wingate will receive a base fee for provision of the services of $235,440 per annum (exclusive of GST) on the basis of performance of not less than 4 days per week. If at the request of the consolidated entity, Wingate provides additional services to the consolidated entity, Wingate shall be paid additional remuneration at a rate of $1,132 per day. The consolidated entity is also obliged to reimburse Wingate for all reasonable and necessary expenses incurred by Wingate in providing services pursuant to the Wingate Agreement.

REMUNERATION REPORT (AUDITED) CONTINUED

Both Stanmore Coal Limited and Wingate are entitled to terminate the Wingate Agreement upon giving not less than three month's written notice. In the event that Wingate 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 Wingate's solvency or other conduct of Wingate or Nicholas Jorss.

During the financial year, Mr Jorss was granted 2,000,000 unlisted options exercisable at 24 cents, expiring on 9 December 2012.

Senior Management

Operations Manager
Stanmore Coal Limited has a consulting agreement with West End Consulting Pty Ltd (West End) and Vaughan Wishart, the Operations Manager. The Agreement commenced on 15 October 2009 and is for a term of 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 will receive a base fee for provision of the services of $103,550 per annum (exclusive of GST) on the basis of performance of an average of two and one half days per week. If at the request of the consolidated entity, West End provides additional services to the consolidated entity, West End shall be paid additional remuneration calculated at the rate of $1,000 per day for those additional services. The Company 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.

During the financial year, Mr Wishart was granted 1,000,000 unlisted options exercisable at 24 cents, expiring on 9 December 2012.

Exploration Manager
Stanmore Coal Limited has an Employment Contract with Mr Tim Jones for the position of Exploration Manager which commenced on 4 December 2009.

The employment contract may be terminated by either party by providing one month's written notice, or immediately in the case of gross negligence or serious misconduct.

Under the terms of the contract, during the year ended 30 June 2010, Mr Jones was granted 1,500,000 unlisted options, expiring 31 December 2013, exercisable as follows:

- 500,000 at $0.25 (vesting 9 June 2010)
- 500,000 at $0.40 (vesting 9 December 2010)
- 500,000 at $0.55 (vesting 9 December 2011)

Company Secretarial and CFO

Stanmore Coal Limited has a services agreement with Corporate Administration Services Pty Ltd (CAS) and Duncan Cornish, the Secretary. The agreement commenced on 17 September 2009 and has a term of one year, unless terminated earlier in accordance with the provisions of the agreement. Under the terms and conditions of the agreement, CAS has agreed to provide certain corporate secretarial, administration and other services to Stanmore Coal Limited. Additionally, Duncan Cornish has agreed to act as the secretary and chief financial officer of Stanmore Coal Limited.

CAS will receive a base fee for provision of the services of $100,000 (exclusive of GST) commencing on the date the Company lists on the ASX. In addition, Stanmore Coal Limited has issued to CAS 1,000,000 unlisted options exercisable at 24 cents, expiring on 31 December 2013, for services performed prior the Initial Public Offering. If at the request of the consolidated entity, CAS or Duncan Cornish provide additional services to the consolidated entity, CAS shall be paid additional remuneration at an hourly rate. The Consolidated entity is also obliged to reimburse CAS for all reasonable and necessary expenses incurred by CAS in providing services pursuant to the Agreement.

REMUNERATION REPORT (AUDITED) CONTINUED

Both Stanmore Coal Limited and CAS are entitled to terminate the agreement upon giving not less than three month's written notice. In the event that a party is in breach of the agreement either party 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 CAS' solvency or other conduct of CAS or Duncan Cornish. CAS is also entitled to terminate the agreement upon the happening of various events in respect of Stanmore Coal Limited's solvency.

(a) Details of Management Personnel

(i) Directors

Neville Sneddon	Non-Executive Chairman (appointed 5 October 2009)
Nicholas Jorss	Managing Director
Andrew Martin	Non-Executive Director
Stephen Bizzell	Non-Executive Director (appointed 5 October 2009)
Viv Forbes	Non-Executive Director (appointed 5 October 2009)

(ii) Senior Management

Vaughan Wishart	Operations Manager (appointed 15 October 2009) (Director until 5 October 2009)
Tim Jones	Exploration Manager (appointed 4 December 2009)
Duncan Cornish	Company Secretary and Chief Financial Officer (appointed 17 September 2009)

(b) Remuneration details

The following table of benefits and payments details, in respect to the financial years ended 30 June 2010 and 2009, the component of remuneration for each key management person of the Consolidated entity and, to the extent different, the five Consolidated entity executives and five company executives who received the highest remuneration:

2010	Short-Term Benefits				Post-Employment	Termination Benefits	Share-based payments		Total	% Remuneration as options
	Salary & Fees	Cash Bonus	Insurance premiums	Other short-term benefits	Superannuation		Equity-settled (options)	Cash-settled		
	$	$	$	$	$	$	$	$	$	
Directors										
Neville Sneddon *	26,667	-	3,201	-	-	-	81,000	-	110,868	73%
Nicholas Jorss	223,285	-	3,201	-	-	-	120,000	-	346,486	35%
Andrew Martin	27,500	-	3,201	-	-	-	60,000	-	90,701	66%
Stephen Bizzell *	16,855	-	3,201	-	-	-	60,000	-	80,056	75%
Viv Forbes *	94,526	-	3,201	-	-	-	39,375	-	137,102	29%
Total	**388,833**	**-**	**16,005**	**-**	**-**	**-**	**360,375**	**-**	**765,213**	
Senior Management										
Vaughan Wishart	146,769	-	-	-	-	-	60,000	-	206,769	29%
Tim Jones ^	99,754	-	-	-	7,754	-	121,773	-	229,281	53%
Duncan Cornish #	55,914	-	3,201	-	-	-	68,553	-	127,668	54%
Total	**302,437**	**-**	**3,201**	**-**	**7,754**	**-**	**250,326**	**-**	**563,718**	

* appointed 5 October 2009
^ appointed 4 December 2009
# appointed 17 September 2009

REMUNERATION REPORT (AUDITED) CONTINUED

2009	Short-Term Benefits				Post-Employment	Termination	Share-based payments		Total	% Remuneration as options
	Salary & Fees	Cash Bonus	Insurance premiums	Other short-term benefits	Superannuation	Benefits	Equity-settled	Cash-settled		
	$	$	$	$	$	$	$	$	$	
Directors										
Nicholas Jorss	88,417	-	-	-	-	-	-	-	88,417	-
Andrew Martin	14,500	-	-	-	-	-	-	-	14,500	-
Total	**102,917**	**-**	-	**-**	**-**	**-**	**-**	**-**	**102,917**	
Senior Management										
Vaughan Wishart	39,583	-	-	-	-	-	-	-	39,583	-
Total	**39,583**	**-**	-	**-**	**-**	**-**	**-**	**-**	**39,583**	

In both 2009 and 2010 the Consolidated entity had fewer than 5 Executives.

Cash bonuses, performance-related bonuses and share-based payments
Key management personnel and other executives were not paid cash bonuses or performance-related bonuses during the years ended 30 June 2010 and 2009.

Details of share-based payments to key management personnel and other executives during the year ended 30 June 2010 are detailed in the table below. There were not share-based payments to key management personnel or other executives during the year ended 30 June 2009.

	Remuneration type	Grant date	Grant value (per option) $ #	Percentage vested / paid during year %	Percentage forfeited during year %	Percentage remaining as unvested %	Expiry date
Consolidated entity key management personnel							
Neville Sneddon	Options	5/10/2009	0.06	100%	-	-	9/12/2012
Nicholas Jorss	Options	5/10/2009	0.06	100%	-	-	9/12/2012
Andrew Martin	Options	5/10/2009	0.06	100%	-	-	9/12/2012
Stephen Bizzell	Options	5/10/2009	0.06	100%	-	-	9/12/2012
Viv Forbes	Options	5/10/2009	0.08	100%	-	-	16/01/2014
Vaughan Wishart	Options	5/10/2009	0.06	100%	-	-	9/12/2012
Tim Jones	Options	7/12/2009	0.13	33.33%	-	66.67%	31/12/2013
Duncan Cornish	Options	5/10/2009	0.06	100%	-	-	31/12/2013

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.

These options were not issued based on performance criteria as the Board does not consider this appropriate for a junior exploration company. The options were issued to the directors and senior management of Stanmore Coal Limited to align comparative shareholder return and reward for directors and senior management.

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 year ended 30 June 2010 were granted for nil consideration. Once vested, options can be exercised at any time up to the expiry date.

During the years ended 30 June 2010 and 2009 there were no options exercised that had been granted as remuneration in current or prior years.

End of Remuneration Report

DIRECTORS' MEETINGS

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

	Board		Audit & Risk Management Committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Neville Sneddon	8	8	1	1
Nicholas Jorss	8	8	n/a	n/a
Andrew Martin	8	8	1	1
Stephen Bizzell	8	7	1	1
Viv Forbes	8	8	n/a	n/a

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

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

Stanmore Coal Limited has insured all 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

At the date of this report, there were 11,975,000 unissued ordinary shares under options as follows:

- 6,350,000 unlisted options exercisable at $0.24, on or before 9 December 2012.
- 3,500,000 unlisted options exercisable at $0.24, on or before 31 December 2013.
- 525,000 unlisted options exercisable at $0.20, on or before 16 January 2014.
- 500,000 unlisted options exercisable at $0.40, on or before 31 December 2013.
- 500,000 unlisted options exercisable at $0.55, on or before 31 December 2013.
- 100,000 unlisted options exercisable at $0.78, on or before 31 December 2013.
- 100,000 unlisted options exercisable at $0.92, on or before 31 December 2013.
- 100,000 unlisted options exercisable at $1.14, on or before 31 December 2013.
- 100,000 unlisted options exercisable at $1.10, on or before 31 December 2013.
- 100,000 unlisted options exercisable at $1.25, on or before 31 December 2013.
- 100,000 unlisted options exercisable at $1.35, on or before 31 December 2013.

No option 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 2010, 678,865 (2,536,595 post subdivision) ordinary shares in Stanmore Coal Limited were issued as a result of the exercise of options. The amount paid for these shares was $48,596.

Subsequent to year end, 500,000 ordinary shares in Stanmore Coal Limited were issued as a result of the exercise of options. The amount paid for these shares was $120,000.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity or intervene in any proceedings to which the Consolidated entity is a party for the purposes of taking responsibility on behalf of the Consolidated entity for all or any part of those proceedings.

The Consolidated entity was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor BDO Audit (QLD) 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 (QLD) Pty Ltd received the following amounts for the provision of non-audit services:

Independent accountant's report for prospectus	$11,550
Tax services	$2,000

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 30.

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 35.

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

Nicholas Jorss
Managing Director

Brisbane
23 September 2010

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DECLARATION OF INDEPENDENCE BY D P WRIGHT TO THE DIRECTORS OF STANMORE COAL LIMITED

As lead auditor of Stanmore Coal Limited for the year ended 30 June 2010, 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.

D P Wright

Director

BDO Audit (Qld) Pty Ltd

Brisbane, 23 September 2010

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 17 September 2010.

(a) Distribution of equity securities

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

	Ordinary shares		Unlisted options ($0.24 @ 9/12/12)		Unlisted options ($0.24 @ 31/12/13)		Unlisted options ($0.20 @ 16/1/14)	
	Number of holders	Number of shares	Number of holders	Number of options	Number of holders	Number of options	Number of holders	Number of options
1 – 1,000	69	50,247	-	-	-	-	-	-
1,001 – 5,000	236	782,573	-	-	-	-	-	-
5,001 – 10,000	260	2,253,914	-	-	-	-	-	-
10,001 – 100,000	543	18,921,207	-	-	-	-	-	-
100,001 and over	83	71,705,218	5	6,350,000	3	3,500,000	1	525,000
Total	1,191	93,713,159	5	6,350,000	3	3,500,000	1	525,000

	Unlisted options ($0.40 @ 31/12/13)		Unlisted options ($0.55 @ 31/12/13)		Unlisted options ($0.78 @ 31/12/13)		Unlisted options ($0.92 @ 31/12/13)	
	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	1	500,000	1	500,000	-	-	-	-
Total	1	500,000	1	500,000	1	100,000	1	100,000

	Unlisted options ($1.14 @ 31/12/13)		Unlisted options ($1.10 @ 31/12/13)		Unlisted options ($1.25 @ 31/12/13)		Unlisted options ($1.35 @ 31/12/13)	
	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	1	100,000	1	100,000
100,001 and over	-	-	-	-	-	-	-	-
Total	1	100,000	1	100,000	1	100,000	1	100,000

The number of shareholders holding less than a marketable parcel (490 ordinary shares) is 9 (605 ordinary shares).

(b) Twenty largest holders

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

Ordinary shares:

		Number of shares	% of total shares
1	St Lucia Resources	31,200,000	33.29%
2	Bizzell Nominees Pty Ltd *	3,656,250	3.90%
3	CPS International Holdings Pty Ltd *	3,393,750	3.62%
4	Droneen Pty Ltd	2,700,000	2.88%
5	Geoperformance Pty Ltd	2,700,000	2.88%
6	National Nominees Limited	2,251,369	2.40%
7	Mr Vivian Forbes	2,036,595	2.17%
8	Mr Nicholas Mather & Mrs Judith Mather *	1,970,000	2.10%
9	Caythorpe Pty Ltd	1,800,000	1.92%
10	Graham Alexander Mackenzie	1,800,000	1.92%
11	BCP Alpha Investments Pty Ltd	1,680,000	1.79%
12	ANZ Nominees Limited	1,301,821	1.39%
13	Albiano Holdings Pty Ltd *	957,000	1.02%
14	Bizzell Capital Partners Pty Ltd	820,314	0.88%
15	UBS Wealth Management Australia Nominees Pty Ltd	799,300	0.85%
16	Mr Richard Geoffrey Austin & Mrs Pamela Margaret Austin	700,000	0.75%
17	Sker Holdings Pty Ltd	656,250	0.70%
18	Woodlands Asset Management Pty Ltd	656,250	0.70%
19	BT Portfolio Services Ltd	406,000	0.43%
20	Cogent Nominees Pty Limited	374,688	0.40%
	Top 20	61,859,587	66.01%
	Total	93,713,159	100.00%

*** merged**

(c) Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by Stanmore Coal Limited at 17 September 2010 are:

Name of Shareholder:	Ordinary Shares:
St Lucia Resources International Pty Ltd	31,200,000
Olross Investments Pty Ltd *	31,200,000
Raplon Pty Ltd *	31,200,000
VW & AC Pty Ltd *	31,200,000

* 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 31,200,000 shares in Stanmore Coal Limited.

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

(e) Restricted securities

Restricted securities on issue at 17 September 2010 are:

Escrow Release Date	Escrow Period	Shares	Options			Total
			$0.24 @ 9/12/2012	$0.24 @ 31/12/2013	$0.20 @ 16/01/2014	
8 October 2010	12 months	6,850,375	-	-	-	6,850,375
3 December 2010	12 months	9,000,000	-	-	-	9,000,000
9 December 2011	24 months	37,405,439	6,350,000	3,500,000	525,000	47,780,439

(f) Business objectives

The consolidated entity has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

Interests in Tenements

Stanmore Coal Limited held the following interests in tenements as at 17 September 2010:

Tenement	% Interest	Application Lodged	Grant Date	Expiry Date
EPC 1060	100	19/06/2006	23/11/2006	22/11/2011
EPC 1062	100	21/06/2006	23/11/2006	22/11/2011
EPC 1112	100	14/12/2006	23/03/2007	22/03/2012
EPC 1113	100	14/12/2006	23/03/2007	22/03/2012
EPC 1114	100	14/12/2006	28/02/2008	27/02/2013
EPC 1168	100	27/06/2007	24/10/2007	23/10/2010
EPC 1545	100	07/08/2008	20/05/2009	19/05/2014
EPC 1547	100	08/08/2008	04/08/2009	03/08/2014
EPC 1552	100	11/08/2008	20/05/2009	19/05/2012
EPC 1671	100	06/01/2009	29/09/2009	28/09/2014
EPC 1688	100	02/02/2009	09/10/2009	08/10/2014
EPCA 1546	100	07/08/2008	-	-
EPCA 1567	100	01/09/2008	-	-
EPCA 1627	100	28/10/2008	-	-
EPCA 1630	100	27/10/2008	-	-
EPC A1657	100	01/12/2008	-	-
EPCA 1687	100	02/02/2009	-	-
EPCA 1769	100	01/06/2009	-	-
EPCA 1804	100	01/07/2009	-	-
EPCA 2030	100	04/01/2010	-	-
EPCA 2039	100	20/01/2010	-	-
EPCA 2062	100	17/02/2010	-	-
EPCA 2086	100	01/04/2010	-	-
EPCA 2111	100	04/05/2010	-	-
EPCA 2113	100	05/05/2010	-	-
EPCA 2115	100	10/05/2010	-	-
EPCA 2148	100	30/06/2010	-	-
EPCA 2155	100	30/06/2010	-	-
EPCA 2176	100	30/07/2010	-	-
EPCA 2177	100	30/07/2010	-	-

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.

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

ASX Principles and recommendations	**Summary of the Consolidated entity's Position**
Principle 1 – Lay solid foundations for management and oversight	
Recommendation 1.2 – Companies should disclose the process for evaluating the performance of senior executives	The Board has not established a separate nomination committee. The directors consider that the consolidated entity is not of a size nor are its affairs of such complexity as to justify the formation of any other special or separate committees at this time. In the absence of a formally constituted nomination committee, the Board acts as a nomination committee. Members of the Board have been brought together to provide a blend of qualifications, skills and national and international experience required for managing a company operating within the mining industry.
Principle 2 – Structure the board to add value	
Recommendation 2.1 – A majority of the Board should be 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.

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	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, together with his associated entities, are in aggregate a substantial (greater than 5%) shareholder in the consolidated entity. He is also a director of Bizzell Capital Partners Pty Ltd, one of the joint lead managers and joint lead underwriters for Initial Public Offering completed in December 2009. Mr Neville Sneddon is a non-executive director and the current Chairman of the Board. The consolidated entity considers Mr Sneddon to be an independent director as defined in the ASX Guidelines. 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 in the consolidated entity. Mr Viv Forbes is a non-executive director. The consolidated entity considers Mr Forbes to be an independent director as defined in the ASX Guidelines. On the basis of above information, the consolidated entity is of the view that there is a possibility that the Committee does not consist of a majority of independent directors. While it is possible that the Consolidated entity does not presently comply with this Recommendation 4.2, 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 4.2 will not be detrimental to the consolidated entity.
Principle 8 - Remunerate fairly and responsibly	
Recommendation 8.1 – The board should establish a remuneration committee	The Board has not established a remuneration committee. The Board considers that given its size, no efficiencies or other benefits would be gained by the establishing of such committee. The role of the remuneration committee is carried out by the full Board. The consolidated entity has adopted a Remuneration Committee Charter, which is set out in Stanmore Coal Limited's Corporate Governance Charter.

Board

The Board has adopted a formal board charter that outlines the roles and responsibilities of directors and senior executives. The Board Charter has been made publicly available on Stanmore Coal Limited'.

The skills, experience and expertise relevant to the position of Director held by each Director on office at the date of the Annual Report is included in the Director's Report. Corporate Governance Council Recommendation 2.1 requires a majority of the Board should be independent Directors. The Corporate Governance Council defines and 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 10% 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 10% 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.

At the date of this report:
In accordance with the Council's definition of independence above, and the materiality thresholds set, the following Directors are considered to be independent:

Name	Position
Neville Sneddon	Non-Executive Chairman
Viv Forbes	Non-Executive Director

In accordance with the Council's definition of independence above, and the materiality thresholds set, the following Directors are not considered to be independent:

Name	Position	Reason for non-compliance
Nicholas Jorss	Managing Director	Mr Jorss is employed by the Company in an executive capacity and is a director of St Lucia Resources International Pty Ltd, a substantial (greater than 5%) shareholder in the Company.
Andrew Martin	Non-Executive Director	Mr Martin is a director of St Lucia Resources International Pty Ltd, a substantial (greater than 5%) shareholder in the Company.
Stephen Bizzell	Non-Executive Director	Mr Bizzell and his associated entities are in aggregate a substantial (greater than 5%) shareholder of the Company. He is also a director of Bizzell Capital Partners Pty Ltd, one of the joint lead managers and joint lead underwriters for Initial Public Offering completed in December 2009.

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 Company's expense.

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	11 months
Nicholas Jorss	2 years 3 months
Andrew Martin	2 years 3 months
Stephen Bizzell	11 months
Viv Forbes	11 months

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.

Remuneration and Nomination Committees

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

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)
- Neville Sneddon
- Andrew Martin
- Viv Forbes (joined the committee on 27 August 2010)

For additional details of directors' attendance at Board and 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.

Risk Management

The Company has developed a basic 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 Risk management Policies can be found within the Audit and Risk Management Committee Charter available on the Company website (www.stanmorecoal.com.au).

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. A formal report to the Board as to the effectiveness of the management of the Company's material business risks is currently being undertaken.

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 they system is operating effectively in all material respects in relation to financial reporting risks.

Performance Evaluation

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

The performance of the individual members of the Board is considered at the regular meetings of the Board. As the company listed on the ASX in December 2009, no formal performance evaluation of the directors was undertaken during the year ended 30 June 2010. The Board intend to undertake formal evaluations during the current financial year against both measurable and qualitative indicators aligned with the financial and non-financial objectives of Stanmore Coal Limited.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating directors and key executives fairly and appropriately with reference to relevant and employment market conditions. To assist in achieving this objective, the Board links the nature and amount of Executive Director's and Officer's emoluments to the Consolidated entity's financial and operations performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key Executives
- attraction of quality management to the Consolidated entity
- performance incentives which allow Executives to share the rewards of the success of Stanmore Coal Limited

For details on the amount of remuneration and all monetary and non-monetary components for each of the five highest paid (Non-Director) Executives during the period, and for all Directors, please refer to the Remuneration Report within the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of Stanmore Coal Limited and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

The Board 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.

Continuous Disclosure Policy

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.

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

Other Information

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's web site at: http://www.stanmorecoal.com.au/corporate_governance.aspx

Consolidated Statement of Comprehensive Income For the year ended 30 June 2010

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Revenue	2	101,259	722
Employee benefits expenses		(753,548)	-
Depreciation and amortisation expenses		(2,651)	(22)
Finance costs		(235)	(4)
Legal expenses		(106,048)	(14,972)
Administration and consulting expenses		(805,190)	(155,128)
Other expenses		(187,280)	(6,809)
Profit/(loss) before income tax expense		**(1,753,693)**	**(176,213)**
Income tax expense	4	-	-
Net profit/(loss) for the year		**(1,753,693)**	**(176,213)**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**(1,753,693)**	**(176,213)**
Profit/(Loss) for the year is attributable to:			
Owners of Stanmore Coal Ltd		**(1,753,693)**	**(176,213)**
Total comprehensive income for the year is attributable to:			
Owners of Stanmore Coal Ltd		**(1,753,693)**	**(176,213)**
Earnings/(loss) per share for profit attributable to owners of Stanmore Coal Ltd:		**Cents**	**Cents**
Basic earnings/(loss) per share (cents per share)	8	(2.5)	(1.7)
Diluted earnings/(loss) per share (cents per share)	8	(2.5)	(1.7)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 30 June 2010

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Current Assets			
Cash and cash equivalents	9	3,010,866	143,714
Trade and other receivables	10	247,351	15,244
Other current assets	14	14,209	-
Total Current Assets		**3,272,426**	**158,958**
Non-Current Assets			
Plant and equipment	12	23,420	2,451
Exploration and evaluation expenditure	13	7,187,934	100,340
Other non-current assets	14	36,112	7,500
Total Non-Current Assets		**7,247,466**	**110,291**
TOTAL ASSETS		**10,519,892**	**269,249**
Current Liabilities			
Trade and other payables	15	1,169,548	246,766
Total Current Liabilities		**1,169,548**	**246,766**
Non-Current Liabilities			
Trade and other payables	15	1,386,017	-
Total Non-Current Liabilities		**1,386,017**	**-**
TOTAL LIABILITIES		**2,555,565**	**-**
NET ASSETS		**7,964,327**	**22,483**
Equity			
Issued capital	16	8,954,482	198,696
Reserves	17	939,751	-
Accumulated Losses	18	(1,929,906)	(176,213)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF STANMORE COAL LIMITED		**7,964,327**	**22,483**

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 2010

	Issued Capital	Accumulated Losses	Reserves	Total
	$	**$**	**$**	**$**
Balance at 1 July 2008	**100**	**-**	**-**	**100**
Total comprehensive income for the financial year				
Profit/(loss) for the year	-	(176,213)	-	(176,213)
	-	(176,213)	-	(176,213)
Transactions with owners in their capacity as owners				
Issue of share capital	200,000	-	-	200,000
Costs associated with issue of share capital	(1,404)	-	-	(1,404)
Issue of options	-	-	-	-
	198,596	-	-	198,596
At 30 June 2009	**198,696**	**(176,213)**	**-**	**22,483**
Total comprehensive income for the financial year				
Profit/(loss) for the year	-	(1,753,693)	-	(1,753,693)
	-	(1,753,693)	-	(1,753,693)
Transactions with owners in their capacity as owners				
Issue of share capital	9,686,096	-	-	9,686,096
Costs associated with issue of share capital	(930,310)	-	286,053	(644,257)
Issue of options	-	-	653,698	653,698
	8,755,786	-	939,751	9,695,537
At 30 June 2010	**8,954,482**	**(1,929,906)**	**939,751**	**7,964,327**

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 2010

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,857,145)	(28,290)
Interest received		87,877	722
Interest paid		(235)	(4)
Net cash (outflow)/inflow from operating activities	**24**	**(1,769,504)**	**(27,572)**
Cash Flows from Investing Activities			
Cash outflow for business combination	23	(600,328)	-
Payments for plant and equipment		(23,620)	(2,473)
Payments for exploration and evaluation		(1,854,451)	(48,841)
Security deposit (payments) / refunds		(18,610)	(7,500)
Net cash (outflow)/inflow from investing activities		**(2,497,009)**	**(58,814)**
Cash Flows from Financing Activities			
Proceeds from issue of shares		7,798,596	200,000
Proceeds (received during the year) from issue of shares made after year-end		-	30,000
Capital raising & IPO expenses		(558,161)	-
Net cash (outflow)/inflow from financing activities		**7,240,435**	**230,000**
Net increase/(decrease) in cash held		2,867,152	143,614
Net cash at beginning of year		143,714	100
Net cash at end of year	**9**	**3,010,866**	**143,714**

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 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Stanmore Coal Limited for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on [date] and covers the consolidated entity consisting of Stanmore Coal Limited and its subsidiaries 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

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Stanmore Coal Limited at the end of the reporting period. A controlled entity is any entity over which Stanmore Coal Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existences and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Consolidated entity during the year, the financial performance of those entities are included only for the period of the year that that they were controlled. A list of controlled entities is contained in Note 11 to the financial statements.

In preparing the consolidated financial statements, all inter-group balance and transaction between entities in the consolidated entity have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to the parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009. The following is an overview of the key changes and the impact on the Consolidated entity's financial statements in relation to the acquisition of an additional ownership interest in Comet Coal & Coke Pty Ltd.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business Combinations (continued)

Recognition and measurement impact

Recognition of acquisition costs — The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination.

As such $106,771 of costs associated with the acquisition of an additional ownership interest in Comet Coal & Coke Pty Ltd were expensed during the current financial year.

Measurement of contingent considerations — The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the statement of comprehensive income except to the extent where they relate to conditions or events existing at acquisition date, in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill.

In accounting for the acquisition of an additional ownership interest in Comet Coal & Coke Pty Ltd, a contingent consideration of $1,386,017 has been recognised. There has been no current year impact on the statement of comprehensive income. However, as the probability of payment changes, some impact may be noted in future reporting periods.

Measurement of non-controlling interest — For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at the fair value of the non-controlling interest (the full goodwill method) or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Under the previous version of AASB 3 only the latter option was permitted.

Recognition of contingencies — The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability.

(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) 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.

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 are also recognised directly in other comprehensive income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Income Tax (continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation
Stanmore Coal Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Consolidated entity recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Consolidated entity notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 20 October 2009. The tax consolidated group has entered a tax funding arrangement whereby each company in the Consolidated entity contributes to the income tax payable by the Consolidated entity in proportion to their contribution to the Consolidated entity's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(e) 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.

(f) 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.

(g) Financial Instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated entity commits itself to either the purchase or sale of the asset (ie. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:
a. the amount at which the financial asset or financial liability is measured at initial recognition;
b. less principal repayments;
c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

The Consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss
Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.
Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Consolidated entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

If during the period the Consolidated entity sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are measured at fair value and included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

(v) Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative instruments
Stanmore Coal Limited and Controlled Entities designates certain derivatives as either:
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the consolidated entity's risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in equity are transferred to the statement of comprehensive income in the periods when the hedged item will affect profit or loss.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all other financial assets and liabilities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment
At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Financial guarantees
Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) Plant and Equipment

Plant and equipment
Plant and equipment are 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
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 the statement of comprehensive income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Exploration and Development Expenditure

Exploration, evaluation and development 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.

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.

(j) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

(k) 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.

(l) 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.

(m) 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.

(n) Share-Based Payments

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

The fair value of options granted to employees and consultants are recognised as an employee benefit expense with a corresponding increase in equity (option reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the 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 options that will ultimately vest because of internal conditions of the options, 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 options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Share-Based Payments (continued)

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

The fair value of options granted to employees and consultants are recognised as an employee benefit expense with a corresponding increase in equity (option reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined by an independent valuator 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 options that will ultimately vest because of internal conditions of the options, 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 options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options 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.

(o) Earnings per Share

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

(p) 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 statements 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.

(q) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Consolidated entity has decided against early adoption of these standards. A discussion of those future requirements and their impact on the consolidated entity follows:

AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards amend the classification and measurement of financial assets. The Consolidated entity has not yet determined the potential impact on the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New Accounting Standards for Application in Future Periods (continued)

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  - the objective of the entity's business model for managing the financial assets; and
  - the characteristics of the contractual cash flows.

Other new and amended standards and interpretations are not expected to impact the consolidated entity.

(s) Accounting Estimates and Judgments

Critical accounting estimates and judgements
Details of critical accounting estimates and judgements about the future 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 25.

(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. No assets are considered impaired at year end.

(iii) Key judgements – exploration & evaluation expenditure
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 $7,187,934 (2009: $100,340).

(t) Determination and presentation of operating segments

The Consolidated entity has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Managing Director and other members of the Board of Directors.

(u) Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the consolidated entity's financial statements.

Disclosure impact

(i) Terminology changes
The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

(ii) Reporting changes in equity
The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Presentation of Financial Statements (continued)

(iii) Other comprehensive income

The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

	Note	Consolidated Entity	
		2010	**2009**
		$	**$**
NOTE 2 REVENUE			
Revenue			
- interest received	2(a)	101,259	722
Total revenue		101,259	722
(a) Interest revenue from:			
- other persons		101,259	722
Total interest revenue		101,259	722
NOTE 3 PROFIT/(LOSS)			
Profit(loss) before income tax includes the following specific expenses:			
Depreciation			
Plant & equipment		2,651	22
Finance costs			
Interest paid		235	4
Write-off of capitalised exploration expenditure		304	914
Share based payments (options)		653,698	-

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $

NOTE 4 INCOME TAX EXPENSE

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

	2010 $	2009 $
Prima facie tax benefit (30%) on loss before income tax	(526,108)	(52,864)
Add tax effect of:		
- Deferred tax asset not recognised	526,108	52,864
Income tax expense	-	-
Deferred tax assets		
Unused tax losses	1,924,115	15,245
Deductible temporary differences	274,215	14,857
	2,156,380	30,102
Deferred tax liabilities		
Assessable temporary differences	2,156,380	30,102
Deferred tax	-	-
Unused tax losses	895,280	53,285
Deferred tax assets not taken up at 30% (2009: 30%)	268,584	15,986

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

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test much be passed. The majority of losses are carried forward at 30 June 2010 under COT.

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

(i) the Consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;

(ii) the Consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the losses.

NOTE 5 KEY MANAGEMENT PERSONNEL

(a) Key management personnel compensation

	2010 $	2009 $
Short-term employee benefits	710,476	142,500
Post-employment benefits	7,754	-
Termination benefits	-	-
Share-based payments	610,701	-
	1,328,931	**142,500**

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 22 to 27 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 2009	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2010
Directors					
Neville Sneddon	-	-	-	-	-
Nicholas Jorss *	* 10,400,000	-	-	* ^ 20,800,000	* 31,200,000
Andrew Martin *	* 10,400,000	-	-	* ^ 20,800,000	* 31,200,000
Stephen Bizzell	-	-	-	^ 6,186,564	6,186,564
Viv Forbes	-	-	678,865	^ 1,357,730	2,036,595
Senior Management					
Vaughan Wishart *	* ^ 10,400,000	-	-	* ^ 20,800,000	* 31,200,000
Tim Jones	-	-	-	65,000	65,000
Duncan Cornish	-	-	-	967,000	967,000
Total	**10,400,000**	**-**	**678,865**	**29,376,294**	**40,455,159**

* 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%.
^ Includes effect of subdivision on 13 October 2009.

Stephen Bizzell was appointed as Non-Executive Director on 5 October 2009. On appointment he held 1,250,000 ordinary shares in Stanmore Coal Limited.

There were no shares held nominally at 30 June 2010.

	Balance 1 July 2008	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2009
Directors					
Nicholas Jorss *	* 100	-	-	* ^ 10,399,900	* 10,400,000
Andrew Martin *	* 100	-	-	* ^ 10,399,900	* 10,400,000
Senior Management					
Vaughan Wishart *	* 100	-	-	* ^ 10,399,900	* 10,400,000
Total	**100**	**-**	**-**	**10,399,900**	**10,400,000**

* 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%.
^ Includes effect of subdivision on 25 May 2009.

There were no shares held nominally at 30 June 2009.

Options holdings

	Balance 1 July 2009	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2010	Total vested at 30 June 2010	Total vested and exercisable at 30 June 2010	Total vested and unexercisable at 30 June 2010
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	-	1,000,000	-	2,000,000	3,000,000	3,000,000	3,000,000	-
Viv Forbes	-	525,000	(678,865)	678,865	525,000	525,000	525,000	-
Senior Management								
Vaughan Wishart	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
Tim Jones	-	1,500,000	-	-	1,500,000	500,000	500,000	-
Duncan Cornish	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
Total	**-**	**9,375,000**	**(678,865)**	**2,678,865**	**11,375,000**	**10,375,000**	**10,375,000**	**-**

Viv Forbes was appointed as Non-Executive Director on 5 October 2009. On appointment he held 958,307 options in Stanmore Coal Limited.

NOTE 5 KEY MANAGEMENT PERSONNEL (continued)

(b) Equity instruments (continued)

Options holdings (continued)

	Balance 1 July 2008	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2009	Total vested at 30 June 2009	Total vested and exercisable at 30 June 2009	Total vested and unexercisable at 30 June 2009
Directors								
Nicholas Jorss	-	-	-	-	-	-	-	-
Andrew Martin	-	-	-	-	-	-	-	-
Senior Management								
Vaughan Wishart	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	-	-	-	-	-

(c) Loans to Key Management Personnel

There were no loans to Key Management Personnel during the year.

(d) Other transactions and balances

Other transactions with Key Management Personnel are set out in Note 27 (d). 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 were no franking credits available to the shareholders of Stanmore Coal Limited.

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
NOTE 7 AUDITORS' REMUNERATION			
Audit services			
Amounts paid/payable to BDO Audit (QLD) Pty Ltd for audit or review of the financial statements for the entity or any entity in the consolidated entity		31,864	5,000
Taxation services			
Amounts paid/payable to BDO Audit (QLD) Pty Ltd for non-audit taxation services performed for the entity or any entity in the consolidated entity: - Preparation of income tax return		2,000	-
Other services			
Amounts paid/payable to BDO Audit (QLD) Pty Ltd for other non-audit services performed for the entity or any entity in the consolidated entity: - Preparation of independent accountant's report for prospectus		11,550	-
		45,414	5,000
NOTE 8 EARNINGS PER SHARE			
Earnings			
Profit attributable to owners of Stanmore Coal Limited used to calculate basic and diluted earnings per share		(1,753,693)	(176,213)

NOTE 8 EARNINGS PER SHARE (continued)

	2010 Number	2009 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	71,473,909	10,145,753
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	71,473,909	10,145,753

* 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 16 for details of option granted as at 30 June 2010.

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
NOTE 9 CASH & CASH EQUIVALENTS			
Cash at bank and in hand		3,010,866	143,714

Cash at bank bear floating and fixed interest rates between 1 and 5.74% (2009: 1 and 2%).

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		3,010,866	143,714
Balances per statements of cash flows		3,010,866	143,714

NOTE 10 TRADE & OTHER RECEIVABLES

Current			
GST receivable		233,969	15,244
Sundry receivables		13,382	-
		247,351	15,244

No receivables balances are past due or impaired at the end of the reporting period.

NOTE 11 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 (%)* 2010	Percentage Owned (%)* 2009
Mackenzie Coal Pty Ltd	Australia	Ordinary	100%	100%
Comet Coal & Coke Pty Ltd	Australia	Ordinary	100%	-
Belview Coal Pty Ltd	Australia	Ordinary	100%	-
Brown River Project Pty Ltd	Australia	Ordinary	100%	-
Emerald Coal Pty Ltd	Australia	Ordinary	100%	-
New Cambria Pty Ltd	Australia	Ordinary	100%	-

Range Project Pty Ltd	Australia	Ordinary	100%	-

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

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
NOTE 12 PLANT & EQUIPMENT			
Computer equipment			
At cost		23,399	-
Accumulated depreciation		(2,509)	-
		20,890	-
Furniture and office equipment			
At cost		2,694	2,473
Accumulated depreciation		(164)	(22)
		2,530	2,451
Total plant and equipment		**23,420**	**2,451**

(a) Movements in carrying amounts

2010	Computer equipment $	Furniture and office equipment $	Total $
Balance at the beginning of the year	-	2,451	2,451
Additions	23,399	221	23,620
Depreciation expense	(2,509)	(142)	(2,651)
Carrying amount at the end of the year	20,890	2,530	23,420

2009	Computer equipment $	Furniture and office equipment $	Total $
Balance at the beginning of the year	-	-	-
Additions	-	2,473	2,473
Depreciation expense	-	(22)	(22)
Carrying amount at the end of the year	-	2,451	2,451

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
NOTE 13 EXPLORATION AND EVALUATION EXPENDITURE			
Non-Current			
Exploration and evaluation expenditure capitalised			
- exploration and evaluation phases		7,187,934	100,340

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation of coal, or alternatively, sale of the respective areas of interest.

(a) Movements in carrying amounts

	Note	2010 $	2009 $
Balance at the beginning of the year		100,340	-
Acquired on business combination	23	4,471,077	-
Other additions		2,616,821	101,254
Written-off		(304)	(914)
Carrying amount at the end of the year		7,187,934	100,340

Commitments for exploration and evaluation expenditure are disclosed in Note 20.

NOTE 14 OTHER ASSETS

	2010 $	2009 $
Current		
Prepayments	14,209	-
Non-Current		
Security deposits	36,112	7,500

NOTE 15 TRADE & OTHER PAYABLES

	2010 $	2009 $
Current		
Trade payables	826,042	168,366
Sundry payables and accrued expenses	335,414	78,400
Employee benefits	8,092	-
	1,169,548	246,766
Non-Current		
Trade payables	1,386,017	-

NOTE 16 ISSUED CAPITAL

	2010 $	2009 $
93,213,159 fully paid ordinary shares (2009: 11,650,000)	9,886,196	200,100
Share issue costs	(931,714)	(1,404)
	8,954,482	198,696

NOTE 16 ISSUED CAPITAL (continued)

	Note	2010 Number	2009 Number
(a) Ordinary shares			
At the beginning of the year		11,650,000	100
Shares issued during the year			
- 25 May 2009 (1)		-	9,999,900
- 28 May 2009 (2)		-	400,000
- 29 May 2009 (3)		-	1,250,000
- 7 October 2009 (4)		5,468,750	-
- 7 October 2009 (5)		273,438	-
- 8 October 2009 (6)		678,865	-
- 13 October 2009 (7)		36,142,106	-
- 3 December 2009 (8)		30,000,000	-
- 3 December 2009 (9)		9,000,000	-
At reporting date		**93,213,159**	**11,650,000**

(1) On 25 May 2009, the issued capital of the Consolidated entity was subdivided such that 100 ordinary shares became 10,000,000 ordinary shares.

(2) On 28 May 2009 the Consolidated entity issued 400,000 shares to the founders for no consideration.

(3) On 29 May 2009 a capital raising of $200,000 was completed through the placement of 1,250,000 ordinary shares.

(4) On 7 October 2009 a capital raising of $1,750,000 was completed through the placement of 5,468,750 ordinary shares.

(5) On 7 October 2009 the Consolidated entity issued 273,438 ordinary shares at a price of $0.32 as a capital raising fee in relation to the capital raising of $1,750,000.

(6) On 8 October 2009 356,328 unlisted $0.02 options, 230,384 unlisted $0.10 options and 92,153 unlisted $0.20 options were exercised into ordinary shares.

(7) On 13 October 2009 the share capital of the Consolidated entity was reorganised by way of subdividing each fully paid ordinary share into 3 fully paid ordinary shares.

(8) On 3 December 2009 an IPO of $6,000,000 was completed through the placement of 30,000,000 ordinary shares.

(9) On 3 December 2009 the Consolidated entity issued 9,000,000 shares as part consideration of 100% of the share capital in Comet Coal & Coke Pty Ltd.

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.

(b) Options

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 25.

All options on issue at 30 June 2010 were as follows:

Number of options	Exercise price	Expiry date
6,350,000	$0.24	9 December 2012
3,500,000	$0.24	31 December 2013
525,000	$0.20	16 January 2010
500,000	$0.40	13 December 2013
500,000	$0.55	13 December 2013
100,000	$0.78	13 December 2013
100,000	$0.92	13 December 2013
100,000	$1.10	13 December 2013
100,000	$1.14	13 December 2013
100,000	$1.25	13 December 2013
100,000	$1.35	13 December 2013

NOTE 16 ISSUED CAPITAL (continued)

(c) Capital Risk Management

Management controls the capital of the Consolidated entity 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 effectively 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 share issues.

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

	Note	Consolidated Entity	
		2010 $	2009 $
NOTE 17 RESERVES			
Option Reserve – capital raising		286,053	-
Option Reserve – director, executive and employee options		653,698	-
		939,751	-

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.

NOTE 18 ACCUMULATED LOSSES			
Accumulated losses attributable to members of Stanmore Coal Limited at beginning of the financial year		(176,213)	-
Losses after income tax		(1,753,693)	(176,213)
Accumulated losses attributable to members of Stanmore Coal Limited at the end of the financial year		(1,929,906)	(176,213)

NOTE 19 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	2010 $	2009 $
Current assets	3,215,294	158,918
Non-current assets	8,336,146	111,291
Total assets	11,551,440	270,209
Current liabilities	2,132,264	246,766
Non-current liabilities	1,386,017	160
Total liabilities	3,518,281	246,926
Net assets	**8,033,159**	**23,283**
Issued capital	8,954,482	198,696
Reserves	939,751	-
Accumulated losses	(1,861,074)	(175,413)
Total shareholder's equity	**8,033,159**	**23,283**
Profit / (loss) for the year	**(1,685,660)**	**(175,413)**
Total comprehensive income for the year	**(1,685,660)**	**(175,413)**

Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries.

Contractual Commitments

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 30 June 2010 (2009 - nil).

Contingent liabilities

The parent entity has no contingent liabilities.

	Note	Consolidated Entity	
		2010	**2009**
		$	**$**

NOTE 20 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	598,333	30,000
- between 12 months and 5 years	2,830,000	630,000
- greater than 5 years	-	-
	3,428,333	660,000

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.

NOTE 21 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 22 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.

NOTE 23 BUSINESS COMBINATIONS

On 29 September 2009, Stanmore Coal Limited entered into a share sale agreement with Comet Coal & Coke Pty Ltd and its shareholders to purchase 100% of the issued capital in Comet Coal & Coke Pty Ltd, which was varied on 16 October 2009.

The agreement was conditional on, amongst other things, satisfactory due diligence investigations being completed by Stanmore Coal. This condition was satisfied and the sale was completed on 29 September 2009.

The acquisition of Comet Coal & Coke Pty Ltd added six prospective EPCs in Queensland's Bowen and Surat Basin's to Stanmore's existing portfolio.

No part of the operations of Comet Coal & Coke Pty Ltd have, or will be, disposed of as part of the combination.

NOTE 23 BUSINESS COMBINATIONS (continued)

	Recognised on acquisition 2010 $
Cash and cash equivalents	6,454
Trade and other receivables	48,484
Exploration expenditure	4,471,077
Other non-current assets	10,002
Trade and other payables	(743,218)
Consideration paid	**3,792,799**

Cash	606,782
Issue of shares	1,800,000
Future liability	1,386,017
	3,792,799

Reconciliation of cash:	
Cash acquired	6,454
Cash paid	(606,782)
Cash outflow from business combination	(600,328)

The consideration payable by Stanmore Coal included the following the issue of 9,000,000 fully paid ordinary shares in Stanmore Coal at an issue price of $0.20.

Further consideration of $1,500,000 is payable on or before the earlier of 31 December 2011 and the date that is 5 business days after Stanmore Coal Limited delivers to the vendors of Comet Coal & Coke Pty Ltd the JORC report referred to below. The consideration of $1,500,000 is to be satisfied through either:

(a) if Stanmore Coal obtains a JORC Report that establishes a 40 million metric tonnes Indicated Resource (EPC1112 – The Range) within the JORC Code reporting requirements by the Third Payment Date, either the issue of fully paid ordinary shares in Stanmore Coal (at an issue price of the volume weighted average price of Stanmore Coal's shares sold on ASX during the 10 business days before the payment date) or payment in cash (at the election of the Buyer); or

(b) if Stanmore Coal does not obtain a JORC Report to determine whether there is a 40 million metric tonnes Indicated Resource in The Range by the payment date, payment in cash.

In the event that Stanmore Coal obtains a JORC Report as required however, the JORC Report states that a 40 million metric tonnes Indicated Resource within The Range has not been established, the obligation of Stanmore Coal to make the payment of $1,500,000 is at an end.

The share sale agreement obliges Stanmore Coal to complete a drilling program at The Range by 31 December 2011 and ensure that a competent person (within the meaning of the JORC Code) assesses and produces a report which ascertains whether or not there is an Indicated Resource of at least 40 million tonnes of open cut coal.

The directors have assessed, based on current indication that the payment is highly likely to be made and accounted for it accordingly, taking into account the time value of money.

A non-current liability of $1,386,017 has been recognised in the Consolidated Statement of Financial Position which represents the future liability payable to the vendors of Comet Coal & Coke Pty Ltd, discounted to net present value by applying the following inputs:

Future payment	$1,500,000
Risk free interest rate	5.41%
Time to payment	1.5 years

NOTE 23 BUSINESS COMBINATIONS (continued)

Revenue and profit contribution

From the date of acquisition, Comet Coal & Coke Pty Ltd has contributed nil to revenue and $67,780 to the net loss of the consolidated entity. If the acquisition had occurred on 1 July 2009, the revenue of the consolidated entity would have been $101,259 and the net loss would have been $1,818,085.

Acquisition related costs

Legal fees, stamp duties, consultant fees and other acquisition-related costs amounting to $106,771 have been included in the Consolidated Statement of Comprehensive Income.

Acquired receivables

Identifiable assets acquired include trade and other receivables with a fair value and gross contractual amount receivable of $48,484

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
NOTE 24 CASH FLOW INFORMATION			
(a) Reconciliation of profit/(loss) after income tax to net cash flow from operating activities			
Loss for the year		(1,753,693)	(176,213)
Depreciation		2,651	22
Write back of capitalised expenditure		305	914
Share options expensed		653,698	-
Change in operating assets and liabilities:			
- (Increase)/Decrease in trade and other receivables		111,760	(14,220)
- (Increase)/Decrease in other assets		(14,209)	-
- Increase/(Decrease) in trade and other payables		(770,015)	161,925
Net cash flow from operating activities		(1,769,504)	(27,572)

NOTE 25 SHARE-BASED PAYMENTS

The following share based payment arrangements existed at 30 June 2010.

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

During the year ended 30 June 2010 the following options were issued to directors, senior management and employees of the Consolidated entity:

- 6,350,000 options exercisable at $0.24 and expiring 9 December 2012 (vesting immediately on issue);
- 1,000,000 options exercisable at $0.24 and expiring 31 December 2013 (vesting immediately on issue);
- 525,000 options exercisable $0.20 and expiring 16 January 2014 (vesting immediately on issue); and
- 1,800,000 options with various exercise and prices expiring 31 December 2013 (vesting 6, 12 and 18 months from date of issue). Unvested options expire upon employee departure and vested options expire three (3) months after employee departure. All options expire if employee is dismissed with cause.

All of these options were issued by Stanmore Coal Limited and entitle the holder to one ordinary share in Stanmore Coal Limited for each options exercised. The options were granted for nil consideration. Once vested, options can be exercised at any time up to the expiry date.

NOTE 25 SHARE-BASED PAYMENTS (continued)

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

	2010		2009	
	No. of options *	Weighted average exercise price *	No. of options *	Weighted average exercise price *
		$		$
Outstanding at beginning of year	2,874,921	0.52	-	-
Granted	9,675,000	0.28	2,874,921	0.52
Forfeited	-	-	-	-
Exercised	(2,036,595)	0.21	-	-
Expired	(838,326)	1.28	-	-
Outstanding at year-end	9,675,000	0.28	2,874,921	0.52
Exercisable at year-end	8,375,000	0.24	2,874,921	0.52

* post-subdivision

The options outstanding at 30 June 2010 had a weighted average exercise price of $0.24 (2009: $0.52) and weighted average remaining contractual life of 2.81 years (2009: 4.55 years). Exercise prices range from $0.20 to $1.14 in respect of options outstanding at 30 June 2010 (2009: $0.01 to $0.60, pre-subdivision).

Exercise prices ranged from $0.02 to $0.20 in respect of options exercised during the year ended 30 June 2010 (2009: nil) and the weighted average exercise price of options exercised during the year ended 30 June 2010 was $0.21 (2009: nil). Stanmore Coal Limited was unlisted at the time of exercise.

Pursuant to the Consolidated entity's, Incentive Option Scheme, if an employee ceases to be any 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 2010 was $0.08 (2009: nil). This price was calculated by using a Black Scholes options pricing model applying the following inputs:

Weighted average exercise price	$0.24
Weighted average life of the option	3.51 years
Underlying share price	$0.20
Expected share price volatility	106.10%
Risk free interest rate	5.04%

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 2010, 678,865 (2,536,595 post subdivision) ordinary shares in Stanmore Coal Limited were issued as a result of the exercise of options. The amount paid for these shares was $48,596. Subsequent to year end, 500,000 ordinary shares in Stanmore Coal Limited were issued as a result of the exercise of options. The amount paid for these shares was $120,000.

The amount included under Employee Benefits Expense in the Statement of Comprehensive Income for the year ended 30 June 2010 is $525,145 (2009: nil). The amount included under Administration and Consulting Expense in the Statement of Comprehensive Income for the year ended 30 June 2010 is $128,553 (2009: nil).

NOTE 25 SHARE-BASED PAYMENTS (continued)

(b) Other share-based payments

During the year ended 30 June 2010 the Consolidated entity issued 1,000,000 $0.24 options expiring 31 December 2013 as a capital raising fee in relation to the capital raising of $1,750,000. The options vested immediately and can be exercised at any time up to the expiry date.

The Consolidated entity also issued 1,500,000 $0.24 options expiring 31 December 2013 part of the fees paid to the underwriters to the Initial Public Offering, pursuant to underwriting agreements dated 30 October 2009. Pursuant to the agreements the underwriters each agreed to underwrite the offer to the extent of $3 million each and the Consolidated entity agreed to pay the underwriter a 5% fee of the underwritten amount along with a total of 1,500,000 $0.24 options expiring 31 December 2013. The IPO was completed on 3 December 2010 and, having met the requirements of the agreement, the Consolidated entity issued the options to the underwriter. The options vested immediately. They can be exercised at any time up to the expiry date.

The weighted average fair value of the capital raising and underwriter fee options granted during the year ended 30 June 2010 was $0.11. This price was calculated by using a Black Scholes options pricing model applying the following inputs:

Weighted average exercise price	$0.24
Weighted average life of the option	4.14 years
Underlying share price	$0.20
Expected share price volatility	106.99%
Risk free interest rate	5.01 %

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 none of the capital raising or underwriter fee options were exercised into ordinary shares.

The amount included as a Share Issue Cost within Issued Capital in the Statements of Financial Position as at 30 June 2010 is $286,053 (2009: nil).

NOTE 26 EVENTS AFTER BALANCE DATE

On 20 August 2010, the Consolidated entity issued the following options were issued to an employee of the Consolidated entity:

- 100,000 unlisted options exercisable at $1.10, on or before 31 December 2013
- 100,000 unlisted options exercisable at $1.25, on or before 31 December 2013
- 100,000 unlisted options exercisable at $1.35, on or before 31 December 2013

On 14 September 2010, 500,000 ordinary shares in Stanmore Coal Limited were issued as a result of the exercise of options. The amount paid for these shares was $120,000.

There have been no other events since 30 June 2010 that impact upon the financial report as at 30 June 2010.

NOTE 27 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 11.

(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 of the Financial Statements.

(d) Transactions with directors and director-related entities

During the financial year, Stanmore Coal Limited entered into an Underwriting Agreement with Bizzell Capital Partners, as a partial underwriter to the Initial Public Offering, completed in December 2009. Stephen Bizzell (a director) is a director of Bizzell Capital Partners Pty Ltd.

The terms of the Bizzell Capital Partners Pty Ltd underwriting agreement were negotiated on an arm's length basis. The underwriting agreement was on the same terms and conditions ordinarily as the underwriting agreement with another (external) partial underwriter to the initial public offering (RBS Morgans Corporate Limited).

Pursuant to the underwriting agreements, dated 30 October 2009, Bizzell Capital Partners Pty Ltd received a 5% fee of the underwritten amount ($150,000 in cash) along with a total of 1,500,000 $0.24 options expiring 31 December 2013.

Also during the financial year, Bizzell Capital Partners Pty Ltd received a capital raising fee in relation to the seed capital raising of $1,750,000, completed in October 2009. The fee consisted of $87,500 paid in shares and 1,000,000 $0.24 options expiring 31 December 2013.

Share and option transactions of directors and director-related entities are shown in Note 5 of the Financial Statements.

NOTE 28 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 accounts payable.

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

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

NOTE 28 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit Risk (continued)

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

The consolidated entity's maximum exposure to credit risk at the end of the reporting 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	Consolidated Entity	
		2010	**2009**
		$	**$**
Cash and cash equivalents		3,010,866	143,714
Receivables		247,351	15,244
Security deposits		36,112	7,500
		3,294,329	166,458

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 Macquarie Bank Limited and Westpac Banking Corporation.

(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 meets 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 increased from $(87,808) in 2009 to $2,102,878 in 2010.

	Carrying Amount	Contractual Cash flows	<6 months	6 – 12 months	1 – 3 years	>3 years
	$	$	$	$	$	$
MATURITY ANALYSIS – CONSOLIDATED – 2010						
Financial Liabilities						
- Trade and other payables	2,555,565	2,669,548	1,169,548	-	1,500,000	-

	Carrying Amount	Contractual Cash flows	<6 months	6 – 12 months	1 – 3 years	>3 years
	$	$	$	$	$	$
MATURITY ANALYSIS – CONSOLIDATED – 2009						
Financial Liabilities						
- Trade and other payables	246,766	246,766	246,766	-	-	-

Further information regarding commitments is included in Note 20.

NOTE 28 FINANCIAL RISK MANAGEMENT (continued)

(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.

(i) 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
	2010	2010	2010	2010	2010
	$	$	$	$	%
Financial assets					
Cash and cash equivalents	928,116	2,082,611	139	3,010,866	3.66%
Receivables	-	-	247,351	247,351	-
Security deposits	-	-	36,112	36,112	-
Total financial assets	928,116	2,082,611	283,602	3,294,329	
Financial liabilities					
Trade and other payables	-	-	2,555,565	2,555,565	-
Total financial liabilities	-	-	2,555,565	2,555,565	

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount as per the statements of financial position	Weighted average effective interest rate
	2009	2009	2009	2009	2009
	$	$	$	$	%
Financial assets					
Cash and cash equivalents	143,614	-	100	143,714	1.00%
Receivables	-	-	15,244	15,244	-
Security deposits	-	-	7,500	7,500	-
Total financial assets	143,614	-	22,844	166,458	
Financial liabilities					
Trade and other payables	-	-	246,766	246,766	-
Total financial liabilities	-	-	246,766	246,766	

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 28 FINANCIAL RISK MANAGEMENT (continued)

(d) Market Risk (continued)

(i) Interest rate risk (continued)

At 30 June 2010 the effect on profit and equity as a result of changes in the interest rate would be as follows:

		Increase in interest rate by 1%		Decrease in interest rate by 1%	
	Carrying Amount	Profit	Other comprehensive income	Profit	Other comprehensive income
	$	$	$	$	$
CONSOLIDATED - 2010					
Cash and cash equivalents	3,010,866	30,109	-	(30,109)	-
Tax charge of 30%		-	-	-	-
After tax increase/ (decrease)		30,109	-	(30,109)	-

The above analysis assumes all other variables remain constant.

CONSOLIDATED - 2009					
Cash and cash equivalents	143,713	1,437	-	(1,437)	-
Tax charge of 30%		-	-	-	-
After tax increase/ (decrease)		1,437	-	(1,437)	-

The above analysis assumes all other variables remain constant.

(e) Net Fair Values

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

As of 1 July 2009, 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).

The following table presents the consolidated entity's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial liabilities				
Trade and other payables	-	-	1,386,017	1,386,017
Total financial liabilities	**-**	**-**	**1,386,017**	**1,386,017**

The fair values disclosed in the above table have been determined using the probable future cash outflows payable, discounted to net present value as disclosed in Note 23.

The net 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 statements of comprehensive income, statements of financial position, statements of cash flows, statements 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 2010 and of its performance for the year ended on that date.

2. The consolidated entity has included in the notes to the financial statement and 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 22 to 27 of the directors' report (as part of audited Remuneration Report) for the year ended 30 June 2010, 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
23 September 2010

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GPO Box 457, Brisbane QLD 4001 Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Stanmore Coal Limited

We have audited the accompanying financial report of Stanmore Coal Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity'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* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's 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 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matters on Going Concern and Carrying Value of Exploration and Evaluation Expenditure

Without qualification to the opinion expressed above, we draw attention to the matters set out in Note 1. 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. This includes the realisation of capitalised exploration and evaluation expenditure of $7,187,934 (30 June 2009: $100,340) as summarised in Note 13. The ability of the economic entity to maintain continuity of normal business activities, to pay their debts as and when they fall due and to recover the carrying value of their capitalised exploration and evaluation expenditure, is dependent upon the ability of the economic entity to successfully raise additional capital and/or the successful exploration and subsequent exploitation of their areas of interest through sale, farm-out or development.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the company and economic entity's plans not eventuate.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

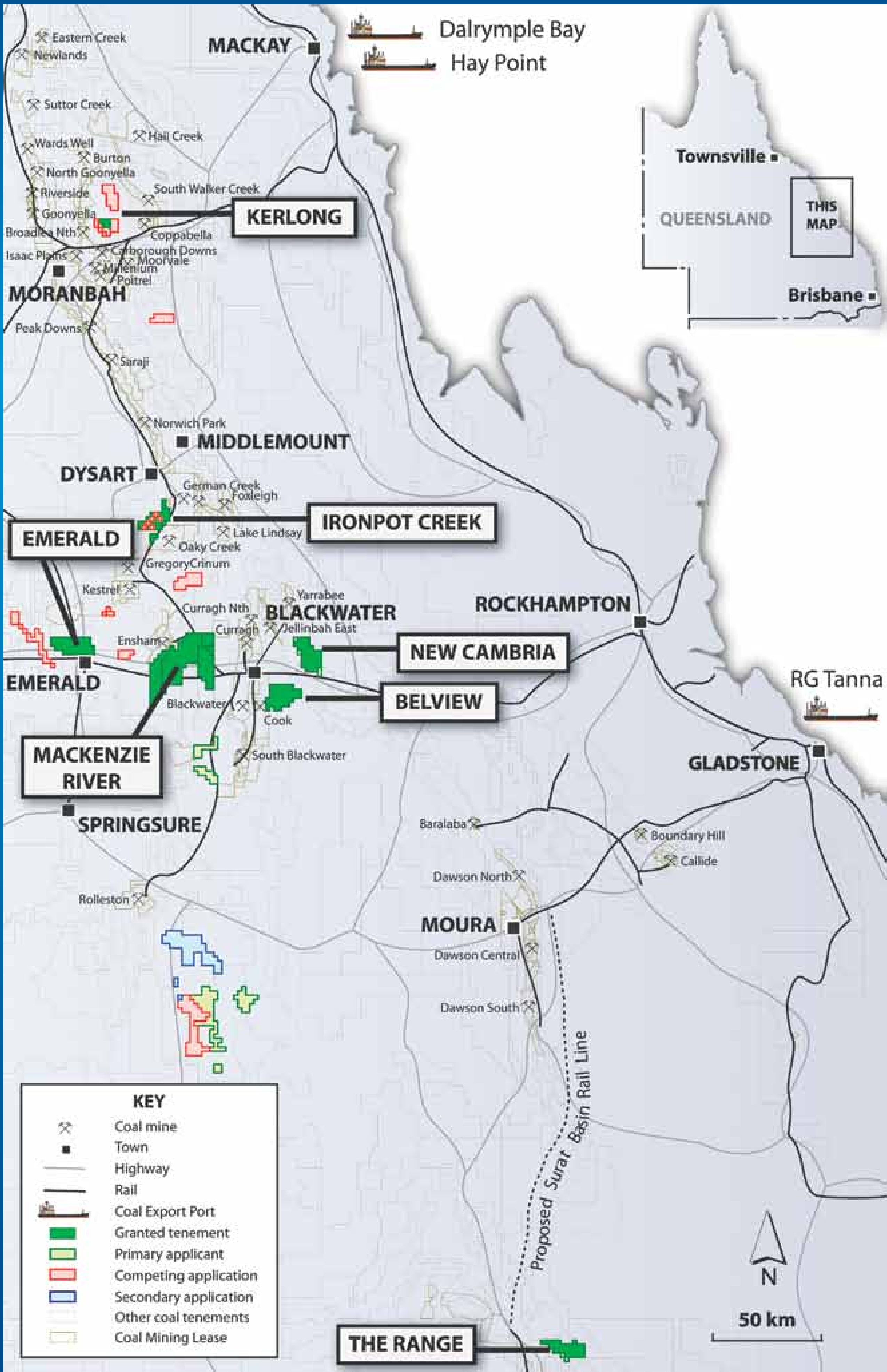
In our opinion, the Remuneration Report of Stanmore Coal Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

BDO Audit (Qld) Pty Ltd

D P Wright

Director

Brisbane, 23 September 2010



Dalrymple Bay
Hay Point
MACKAY
Eastern Creek
Newlands
Suttor Creek
Hail Creek
Wards Well
Burton
North Goonyella
Riverside
South Walker Creek
Goonyella
KERLONG
Broadlea Nth
Coppabella
Isaac Plains
Carborough Downs
Moorvale
Millenium
Poitrel
MORANBAH
Peak Downs
Saraji
Norwich Park
MIDDLEMOUNT
DYSART
German Creek
Foxleigh
IRONPOT CREEK
EMERALD
Lake Lindsay
Oaky Creek
GregoryCrinum
Kestrel
Yarrabee
Curragh Nth
BLACKWATER
Curragh
Jellinbah East
Ensham
NEW CAMBRIA
EMERALD
Blackwater
Cook
BELVIEW
South Blackwater
MACKENZIE RIVER
SPRINGSURE
Rolleston
ROCKHAMPTON
RG Tanna
GLADSTONE
Baralaba
Boundary Hill
Callide
Dawson North
MOURA
Dawson Central
Dawson South
Proposed Surat Basin Rail Line
THE RANGE
Townsville
QUEENSLAND
THIS MAP
Brisbane
N
50 km
KEY
Coal mine
Town
Highway
Rail
Coal Export Port
Granted tenement
Primary applicant
Competing application
Secondary application
Other coal tenements
Coal Mining Lease

stanmorecoal

annual report
2010

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