

**STANMORE COAL LIMITED  
AND ITS SUBSIDIARIES**

**A.B.N. 27 131 920 968**

**CONSOLIDATED FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

## STANMORE COAL LIMITED

### CORPORATE DIRECTORY

#### DIRECTORS

Neville Sneddon  
Nicholas Jorss  
Andrew Martin  
Stephen Bizzell  
Viv Forbes

#### AUSTRALIAN BUSINESS NUMBER

27 131 920 968

#### SECRETARIES

Duncan Cornish  
Doug McAlpine (appointed 23 December 2011)

#### ADMINISTRATION AND REGISTERED OFFICE

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#### AUDITOR

BDO Audit (QLD) Pty Ltd  
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#### Competent Persons Statement

The information in this report relating to exploration results and coal resources is based on information compiled by Mr Wes Nichols who is a member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Stanmore Coal. Mr Nichols is a qualified geologist and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2004 Edition of the JORC Code. Mr Nichols consents to the inclusion in this document of the matters based on the information, in the form and context in which it appears.

The information in this report relating to coal reserves is based on information compiled by Mr Richard Hoskings who is a full time employee of Minserve Pty Ltd. Mr Hoskings is a mining engineer, a member of the Australian Institute of Mining and Metallurgy (AusIMM) and has the relevant experience (30+ years) in relation to the mineralisation being reported to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2004 Edition)". Mr Hoskings consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.

#### Note 1: Marketable Reserves Note

The Marketable Coal Reserves of 94Mt is derived from a JORC compliant run of mine (ROM) Coal Reserve of 117.5Mt based on a 14.8% ash product and predicted yield of 80%.

#### Note 2: Exploration Target Note

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

## STANMORE COAL LIMITED AND ITS SUBSIDIARIES

### DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Stanmore Coal Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2011 (referred to in this report as Stanmore Coal or the Group). All amounts are quoted in thousands of dollars unless otherwise stated.

#### Directors

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

Nicholas Jorss  
Andrew Martin  
Neville Sneddon  
Stephen Bizzell  
Viv Forbes

### Financial Results

For the half-year ended 31 December 2011, the loss for the consolidated entity after providing for income tax was \$3.7M (2010: loss of \$1M). The loss was determined after the effect of the following key factors:

- Impairment of port infrastructure development costs which are not certain of being recoverable;
- Legal fees and costs associated with financing initiatives; and
- Increase to the Group's overall cost structure as a consequence of growth in operating activities.

The Group's ongoing operations are funded from proceeds of a successful capital raising which generated gross proceeds of \$24.1M, \$10.0M of which was received post half year end.

### Safety

The Group undertook twenty-two thousand hours of drilling and exploration activity directly and through contractors, during the 6 month period and reported no injuries. Whilst an excellent safety performance, the Group continues to develop and enhance its occupational health and safety management systems to ensure it creates a culture where health and safety risks are identified and resolved in a timely manner.

### Review of Operations

Stanmore Coal currently has seven coal projects within the Bowen and Surat Basins in Central Queensland with the potential to host significant deposits of coking, PCI and thermal coal. During the six months to 31 December 2011, Stanmore Coal collated and evaluated the results of an extensive exploration drilling program during the period giving rise to an overall enhancement to the Group's reported resources and reserves<sup>1</sup>. The Group also made significant progress with the ongoing development of the Group's core project - The Range.

1 Refer Note 1 on page 2  
2 Refer Note 2 on page 2

## STANMORE COAL LIMITED AND ITS SUBSIDIARIES

### DIRECTORS' REPORT

#### The Range

The results of a Pre-Feasibility Study (PFS) at The Range were released during the period which demonstrated strong project economics and clarified preliminary operating parameters for the asset. Capital costs have remained within expectations while operating costs have fallen relative to the previous Conceptual Mining Study released in September 2010. The Range PFS reported a proposed mine life of 26 years with a project net present value of \$846 million for the owner mining case. The Range Project is located 25 kilometres south east of the Wandoan township, within the Surat Basin. It is well located relative to existing key infrastructure and the planned Surat Basin Rail line, which will provide a rail link to the coal ports at Gladstone. Production of a high quality export thermal coal is planned to commence in 2015 subject to obtaining statutory approvals and access to third party rail and port infrastructure.

A comprehensive summary of the key findings for the PFS is reported in the Group's December 2011 quarterly activities report released on 31 January 2012.

An initial 94Mt Marketable Reserve<sup>1</sup> statement was delivered for the deposit which underpins the Group's application for 5Mtpa of capacity at the Wiggins Island Coal Export Terminal (WICET) for this project.

#### Belview

During the quarter the Group defined an initial 95Mt JORC Inferred Resource at its Belview underground coking coal project. Early coal quality tests indicate that this coal will be a high quality coking coal with a CSN of 7-8 and ash of 6-7%. Further drilling is planned to test the additional 205 - 345Mt Exploration Target<sup>2</sup>.

The Group intends to commission a scoping study to identify the potential project economics at Belview using modern underground mining methods.

#### Mackenzie

An initial 25.7Mt of JORC Indicated Resource was defined at Mackenzie along with a 45% increase in the Total JORC Indicated + Inferred Resource to 143.2Mt. The latest results of an ongoing coal quality program indicate considerable variability in yield across the deposit and optimisation work is underway to address beneficiation and metallurgical issues that have been identified. Drilling and test work will continue to investigate the most likely economic targets within the 27 kilometre long project area.

A Conceptual Mining Study is planned upon the successful completion of the optimisation program.

1 Refer Note 1 on page 2  
2 Refer Note 2 on page 2

# STANMORE COAL LIMITED AND ITS SUBSIDIARIES

## DIRECTORS' REPORT

### Project Snapshot

The table below provides a summary of the status of each of the Group's key development and exploration projects:

Project	Status
The Range	<ul style="list-style-type: none"><li>• PFS completed confirming 5Mtpa thermal coal mine with improved economics and operating parameters</li><li>• 94 Mt JORC Marketable Reserve<sup>1</sup>, 229 Mt Total JORC Resource (151 Mt Indicated + 78Mt Inferred Resource)</li><li>• Additional Exploration Target<sup>2</sup> of 60-70Mt defined</li><li>• Drilling will continue in 2012 to further define additional coal intersections to the west of the proposed pit and increase the Resource category to Measured</li><li>• Environmental Impact Study (EIS) and other regulatory approvals progressing on time and on budget</li></ul>
Belview	<ul style="list-style-type: none"><li>• 95Mt Initial JORC Inferred Resource defined</li><li>• Further drilling planned to confirm additional Exploration Target<sup>2</sup> of 205 - 345Mt</li><li>• Initial clean coal laboratory results confirm Belview has the potential to produce a high quality - coking coal (CSN of 7-8 and ash of 6.3%)</li><li>• Drilling intersected the 6m Gemini seam and up to 3.5m Aries seam at all five drill sites along the western edge of the tenement</li></ul>
Mackenzie	<ul style="list-style-type: none"><li>• 143Mt JORC Resource (25.7Mt Indicated + 117.3Mt Inferred)</li><li>• Recent results of an ongoing coal quality program indicate significant variability in yield across the full deposit - optimisation work is underway to address beneficiation and metallurgical issues identified</li><li>• Drilling and test work continues to investigate most likely economic targets within the 27 kilometre long project area</li></ul>
Tennyson	<ul style="list-style-type: none"><li>• Drilling has intersected multiple coal seams at a variety of depths however land access issues have provided some delay to additional drilling</li><li>• Drilling, coal quality testing and geological modeling continues into the new year with the aim of defining an initial JORC Inferred Resource by mid-2012</li><li>• Exploration Target<sup>2</sup> of 220 - 290Mt</li></ul>
Kerlong	<ul style="list-style-type: none"><li>• Exploration drilling and seismic program commenced</li><li>• Further expansion area (EPC 2176) granted during the quarter</li></ul>

1 Refer Note 1 on page 2  
2 Refer Note 2 on page 2

## STANMORE COAL LIMITED AND ITS SUBSIDIARIES

### DIRECTORS' REPORT

#### Port Infrastructure

Stanmore Coal continues to work closely with the key third party infrastructure providers in relation to the Group's application for port and rail capacity, primarily to support the Range Project. WICET Expansion Phase 1 (WEXP1) is at the short listing phase and the Group is currently assisting WICET with their due diligence assessment on the Range project, which is a pre-condition of capacity allocation.

Stanmore Coal acquired seven million tonnes per annum (Mtpa) of priority capacity rights (FFFA) at WICET for \$1.05M. As part of this acquisition, the Group agreed to take over bank guarantees and interest payment obligations of the vendors (totalling \$5.77m) of the FFFA priority rights. With financial close of WICET Stage 1 achieved on 30<sup>th</sup> September 2011 the bank guarantees securing Stanmore's priority rights were returned and Stanmore was released from any ongoing obligations in that regard. The acquisition of these priority rights increases the likelihood of the Group securing its requested port allocation in WEXP1.

WICET is in the process of shortlisting qualifying parties for WEXP1 which will lead to successful participants signing Capacity Commitment Deeds (CCD's) which will guarantee capacity allocation by the end of first quarter 2012.

Stanmore Coal has previously entered into conditional agreements to ship up to 12 Mtpa of coal through the proposed Dudgeon Point Coal Terminal (DPCT) from 2016. The Group continues to evaluate other proposed port projects to ensure it secures infrastructure to support its later stage development projects.

#### Rail Infrastructure

The Surat Basin Rail (SBR) project linking The Range project to Gladstone ports including WICET made significant progress during the period, with the Queensland Government approval of the development scheme for the Surat Basin Infrastructure Corridor State Development Area. Granting of this approval has allowed the SBR joint venture to move to compulsory acquisition of key land along the proposed route and will allow commencement and ultimate completion of construction in time for delivery of first coal in 2015.

Stanmore Coal has applied for 5 Mtpa of capacity on the SBR to deliver high quality export thermal coal from the proposed The Range project. The SBR due diligence process is well advanced and draft Rail Access Policy was issued to Stanmore Coal in December 2011 to commence the formal negotiations for access to the rail line.

1 Refer Note 1 on page 2  
2 Refer Note 2 on page 2

## STANMORE COAL LIMITED AND ITS SUBSIDIARIES

### DIRECTORS' REPORT

#### Capital Management

During the December quarter Stanmore Coal successfully raised \$14.1 million via a placement of approximately 19.1 million ordinary shares to institutional and sophisticated investors at \$0.74 per share. The placement was oversubscribed and received strong support from existing institutional shareholders as well as a number of new investors.

Subsequent to 31 December 2011 a further \$10 million was raised as part of an underwritten Share Purchase Plan which allowed shareholders the opportunity to subscribe for up to \$15,000 of shares at \$0.74 per share.

These successful capital raising initiatives allow the Group to fund a Bankable Feasibility Study at the Range, continue its exploration program on other key projects and meet initial stage funding of port and rail infrastructure commitments during calendar year 2012.

The Group is actively evaluating strategies to fund its port and rail infrastructure obligations associated with the Range Project. Post completion of the Bankable Feasibility Study, Stanmore Coal intends to secure project finance for mine-site construction.

#### Urban Land Restrictions

The Queensland Government has proposed a ban on mining within two kilometres of urban areas. The company is working through the implications of such a ban on Tennyson and other projects should it come into force. At this preliminary stage, Stanmore Coal does not believe these proposed changes have a significant impact on project delivery or value.

#### Outlook

2012 will be an important year for Stanmore Coal and in particular The Range project. Successfully securing rail and port infrastructure will create line of sight on a key element of the Group's strategy of transitioning from an explorer to developer and ultimately miner. During the period, Stanmore Coal continued to build a team of skilled professionals who bring the operational and financial skills necessary to deliver The Range project and the Group's other assets.

Whilst the international economic environment and the domestic regulatory environment continue to present challenges for smaller organisations attempting to bring assets into production, the Board remains confident of the long term fundamentals of global thermal and coking coal markets and the company remains well positioned to develop its first class portfolio of next generation export coal projects.

#### Auditors Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on page 9 to these half-year financial statements.

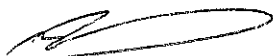
**STANMORE COAL LIMITED AND ITS SUBSIDIARIES**

**DIRECTORS' REPORT**

**Rounding of Amounts to the Nearest Thousand Dollars**

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

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



Nicholas Jorss  
Managing Director


Brisbane  
12 March 2012

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

As auditor for the review of Stanmore Coal Limited for the half-year ended 31 December 2011, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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



**Damian Wright**  
Director

**BDO Audit (QLD) Pty Ltd**

Brisbane, 12 March 2012

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	Consolidated Entity	
		31 December 2011 \$ '000s	31 December 2010 \$ '000s
Revenue		380	264
Borrowing costs		(14)	(70)
Employee benefits expense		(702)	(141)
Share based payment expense		(907)	(160)
Depreciation and amortisation expenses		(14)	(5)
Legal expenses		(175)	(79)
Consulting and business development expenses		(474)	(253)
Impairment of port development costs	2	(1,164)	(150)
Other administrative expenses		(602)	(394)
<b>Loss before income tax expense</b>		<b>(3,672)</b>	<b>(988)</b>
Income tax expense		-	-
<b>Loss for the half-year attributable to members of Stanmore Coal Limited</b>		<b>(3,672)</b>	<b>(988)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the half-year attributable to members of Stanmore Coal Limited</b>		<b>(3,672)</b>	<b>(988)</b>
		Cents	Cents
Loss per share attributable to owners of Stanmore Coal Limited:			
Basic loss per share		(2.9)	(0.9)
Diluted loss per share		(2.9)	(0.9)

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

**STANMORE COAL LIMITED AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2011**

	Note	Consolidated Entity	
		31 December 2011 \$ '000s	30 June 2011 \$ '000s
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		18,008	18,182
Trade and other receivables		614	722
Other current assets	3	750	21
<b>Total Current Assets</b>		<u>19,372</u>	<u>18,925</u>
<b>Non-Current Assets</b>			
Plant and equipment		2,080	2,039
Exploration and evaluation assets		22,964	14,698
Capitalised development costs		1,603	-
Other non-current assets		98	82
<b>Total Non-Current Assets</b>		<u>26,745</u>	<u>16,819</u>
<b>TOTAL ASSETS</b>		<u>46,117</u>	<u>35,744</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	4	2,102	3,742
<b>Total Current Liabilities</b>		<u>2,102</u>	<u>3,742</u>
<b>TOTAL LIABILITIES</b>		<u>2,102</u>	<u>3,742</u>
<b>NET ASSETS</b>		<u>44,015</u>	<u>32,002</u>
<b>EQUITY</b>			
Issued capital	5	49,599	34,770
Reserves		2,105	1,249
Accumulated losses		(7,689)	(4,017)
<b>TOTAL EQUITY</b>		<u>44,015</u>	<u>32,002</u>

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

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Issued Capital \$ '000s	Accumulated Losses \$ '000s	Option Reserve \$ '000s	Total Equity \$ '000s
<b>At 1 July 2010</b>	<b>8,955</b>	<b>(1,930)</b>	<b>940</b>	<b>7,965</b>
<b>Total comprehensive income for the half-year</b>				
Loss for the half-year	-	(988)	-	(988)
	-	(988)	-	(988)
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	25,863	-	-	25,863
Costs associated with issue of share capital	(1,562)	-	-	(1,562)
Share-based payments	-	-	160	160
	24,301	-	160	24,461
<b>At 31 December 2010</b>	<b>33,256</b>	<b>(2,918)</b>	<b>1,100</b>	<b>31,438</b>
<b>At 1 July 2011</b>	<b>34,770</b>	<b>(4,017)</b>	<b>1,249</b>	<b>32,002</b>
<b>Total comprehensive income for the half-year</b>				
Loss for the half-year	-	(3,672)	-	(3,672)
	-	(3,672)	-	(3,672)
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	15,618	-	-	15,618
Costs associated with issue of share capital	(840)	-	-	(840)
Share-based payments	51	-	856	907
	14,829	-	856	15,685
<b>At 31 December 2011</b>	<b>49,599</b>	<b>(7,689)</b>	<b>2,105</b>	<b>44,015</b>

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

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	Consolidated Entity	
		31 December 2011	31 December 2010
		\$ '000s	\$ '000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees (including payments of Goods & Services Tax)		(1,649)	(922)
Interest received		535	111
Interest paid		-	(1)
<b>Net cash outflow from operating activities</b>		<u>(1,114)</u>	<u>(812)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for security and other deposits	3	(663)	(35)
Payments for property plant & equipment		(55)	(55)
Payments for exploration, evaluation and development assets		(11,672)	(1,929)
<b>Net cash outflow from investing activities</b>		<u>(12,390)</u>	<u>(2,019)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		14,118	25,864
Payments for share issue expenses		(788)	(1,559)
<b>Net cash inflow from financing activities</b>		<u>13,330</u>	<u>24,304</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS HELD</b>		(174)	21,473
Cash and cash equivalents at beginning of period		18,182	3,011
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<u>18,008</u>	<u>24,484</u>

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

**STANMORE COAL LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**1. BASIS OF PREPARATION**

These general purpose financial statements for the half-year reporting period ended 31 December 2011 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2011 and any public announcements made by Stanmore Coal Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

**(a) Going concern**

The half-year financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. Whilst the Directors believe sufficient funds are held for commitments over the next 12 months, the ability of the consolidated entity beyond that period, to maintain continuity of normal business activities and to pay its debts as and when they fall due, is dependent on the ability of the consolidated entity to successfully raise additional funding through debt, equity or farmout and/or the successful exploration and subsequent exploitation of areas of interest.

**(b) Comparatives**

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

**2. INDIVIDUALLY SIGNIFICANT ITEMS**

The loss for the half-year includes impairment adjustment to port infrastructure development expenditure of \$1.16 million. These costs relate to early stage feasibility study costs for the Wiggins Island Coal Export Terminal (WICET) Expansion Stage 1 and payments made to a third party to acquire priority capacity rights in that terminal. At 31 December 2011 final port capacity allocations had not been made and consequently it was unclear whether the \$1.16 million of development costs is recoverable.

**3. OTHER CURRENT ASSETS**

Other current assets of \$750 thousand at 31 December 2011, includes a term deposit of \$661 thousand which relates to a bank guarantee lodged in support of Stanmore's feasibility funding obligations for WICET Expansion Stage 1.

**STANMORE COAL LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**4. TRADE AND OTHER PAYABLES**

Trade and other payables of \$3.7 million at 30 June 2011, included an amount of \$1.5 million which represented the liability payable to the vendors of Comet Coal & Coke Pty Ltd (as further explained in Note 23 of the 2011 Annual Report). The amount was settled through issue of Stanmore shares during the 6 months ended 31 December 2011.

	Consolidated Entity		Consolidated Entity	
	2011	2010	2011	2010
	No.	No.	\$ '000s	\$ '000s
<b>5. EQUITY SECURITIES ISSUED</b>				
<b>(a) Ordinary shares</b>				
At 1 July	125,676,177	93,213,159	34,770	8,955
Shares issued during the half-year				
- 14 September 2010 (1)	-	500,000	-	120
- 7 October 2010 (2)	-	13,888,889	-	12,500
- 9 November 2010 (3)	-	16,554,129	-	13,243
- 20 July 2011 (4)	25,000	-	29	-
- 11 August 2011 (5)	1,495,664	-	1,500	-
- 14 December 2011 (6)	19,079,526	-	14,118	-
- 19 December 2011 (7)	97,606	-	22	-
Share issue costs	-	-	(840)	(1,562)
At 31 December	146,373,973	124,156,177	49,599	33,256

- (1) On 14 September 2010 500,000 unlisted \$0.24 options were exercised into ordinary shares.
- (2) On 7 October 2010 13,888,889 ordinary shares were issued pursuant to an institutional placement, raising \$12.5 million before issue costs.
- (3) On 9 November 2010 16,554,129 ordinary shares were issued, pursuant to a renounceable entitlement offer, raising \$13.2 million before issue costs.
- (4) On 20 July 2011 25,000 ordinary shares were issued pursuant to the terms of an employment contract.
- (5) On 11 August 2011 1,495,664 ordinary shares were issued in final settlement of obligations to the vendors of Comet Coal & Coke Pty Ltd (as explained in Note 23 of the 30 June 2011 Annual Report).
- (6) On 14 December 2011 19,079,526 ordinary shares were issued pursuant to an institutional placement, raising \$14.1 million before issue costs.
- (7) On 19 December 2011 97,606 ordinary shares were issued pursuant to terms of employment contracts.

## STANMORE COAL LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

#### (b) Options

During the half-year ended 31 December 2011, the Company issued the following options to employees:

- 3,000,000 unlisted options expiring 31 March 2016 exercisable as follows:

- o 400,000 at \$1.75 (vesting 4 July 2012)
- o 450,000 at \$1.75 (vesting 30 September 2012)
- o 400,000 at \$2.00 (vesting 4 July 2013)
- o 450,000 at \$2.00 (vesting 30 September 2013)
- o 400,000 at \$2.25 (vesting 4 July 2014)
- o 450,000 at \$2.25 (vesting 30 September 2014)
- o 450,000 at \$2.50 (vesting 30 September 2015)

#### 6. SEGMENT INFORMATION

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

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

#### 7. CONTINGENT LIABILITIES

During the half-year the consolidated entity arranged a bank guarantee of \$661 thousand in support of its obligations to fund the feasibility study for the WICET Expansion Stage 1.

There has been no other change in contingent liabilities since the last annual reporting date.

#### 8. EVENTS SUBSEQUENT TO REPORTING DATE

The following events occurred post 31 December 2011:

- 13,493,039 ordinary shares were issued pursuant to the terms of the Share Purchase Plan distributed to shareholders on 13 December 2011, raising \$10 million before issue costs;
- 106,406 ordinary shares were issued pursuant to the terms of an employment contract; and
- Stanmore Coal entered into an agreement to fund \$1.5 million of WICET Expansion Phase 1 early works costs.

There have been no other events since 31 December 2011 that impact upon the financial report as at 31 December 2011.

**STANMORE COAL LIMITED AND ITS SUBSIDIARIES**

**DIRECTORS' DECLARATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

The directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (a) Complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**Nicholas Jorss  
Managing Director**

**Brisbane  
12 March 2011**

## INDEPENDENT AUDITOR'S REPORT

To the members of Stanmore Coal Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Stanmore Coal Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Stanmore Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

## **Conclusion**

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

## **Material Uncertainty on Going Concern**

Without modifying our conclusion, we draw attention to matters set out in Note 1 in the half-year financial report. The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the consolidated entity to maintain continuity of normal business activities and to pay its debts as and when they fall due, is dependent upon the successful raising in the future of necessary funding and/or the successful exploration and subsequent exploitation of its areas of interest through sale or development.

No adjustments have been made to the carrying value of assets or recorded amounts of liabilities should the consolidated entity plans not eventuate.

**BDO Audit (QLD) Pty Ltd**

  
D P WRIGHT

Director

Brisbane, 12 March 2012