

**STANMORE COAL LIMITED
AND ITS SUBSIDIARIES**

A.B.N. 27 131 920 968

**CONSOLIDATED FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

**STANMORE COAL LIMITED
CORPORATE DIRECTORY**

**AUSTRALIAN BUSINESS NUMBER
27 131 920 968**

DIRECTORS

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

COMPANY SECRETARIES

Duncan Cornish
Doug McAlpine

ADMINISTRATION AND REGISTERED OFFICE

Level 11
10 Market Street
Brisbane Qld 4000
Phone: + 61 7 3238 1000
Fax: +61 7 3238 1098
Website: www.stanmorecoal.com.au

SHARE REGISTRY

Computershare Investor Services
117 Victoria Street
West End Qld 4101
Phone: +61 7 3237 2100
Fax: +61 7 3229 9860

SOLICITORS

Corrs Chambers Westgarth
Level 35
1 Eagle Street
Brisbane Qld 4000
Phone: + 61 7 3228 9333
Fax: +61 7 3228 9444

AUDITOR

BDO Audit Pty Ltd
Level 18
300 Queen Street
Brisbane Qld 4000
Phone: +61 7 3237 5999
Fax: +61 7 3221 9227

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%. The 94Mt Marketable Reserve is included in the 287Mt total JORC Resource (18Mt Measured, 187Mt Indicated plus 82Mt Inferred).

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 2012 (referred to in this report as Stanmore Coal or the Group). All amounts are quoted in thousands of dollars unless otherwise stated.

Directors

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

- Nicholas Jorss
- Andrew Martin
- Neville Sneddon
- Stephen Bizzell
- Viv Forbes
- Chris McAuliffe (appointed to the Board on 17 July 2012)

Financial Results

For the half-year ended 31 December 2012, the loss for the consolidated entity after providing for income tax was \$3.3M (2011: loss of \$3.7M). Key factors generating the loss for the period were:

- a mark-to-market gain on financial liabilities associated with financing arrangements provided by Credit Suisse;
- the cost of long term employee incentives and performance rights in accordance with plans approved by shareholders during the period; and
- an increase to the Group's overall cost structure in line with increased development and exploration activities.

Safety

The Group undertook seventeen thousand hours of drilling and exploration activity directly and through contractors during the 6 month period and reported no lost time injuries. Whilst an excellent safety performance, the Group continues to develop and enhance its occupational health and safety management systems to ensure it creates a culture where health and safety risks are identified and resolved in a timely manner and the potential for harm to employees and other stakeholders is minimised.

Review of Operations

During the six months to 31 December 2012, Stanmore Coal continued to enhance its portfolio of thermal and coking coal projects. The Company delivered a substantial enhancement to the Group's reported resource and reserve¹ positions.

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

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

Project		JORC Marketable Coal Reserve ⁽¹⁾⁽²⁾	JORC Recoverable Coal Reserve ⁽¹⁾⁽²⁾	JORC Measured Resource ⁽¹⁾	JORC Indicated Resource ⁽¹⁾	JORC Inferred Resource ⁽¹⁾	Total JORC Resource ⁽¹⁾	Additional Exploration Target ⁽²⁾	
								Low	High
The Range	Thermal	94.2	117.5	18.0	187.0	82.0	287.0	45	80
Mackenzie	Coking	-	-	-	25.7	117.5	143.2	-	-
Belview ⁽⁴⁾	Coking	-	-	-	-	95.0	95.0	735	1,103
Tennyson	Thermal/Coking	-	-	-	-	161.0	161.0	65	120
1274/76	Thermal	-	-	-	-	-	-	130	195
Totals		94.2	117.5	18.0	212.7	455.5	686.2	975	1,498

During the period, the Group also made significant progress with its key development projects in the Surat and Bowen Basins.

Surat Basin Open Cut Thermal Coal

Total JORC Resources for the Range Project increased by 10% to 287Mt (18Mt Measured, 187 Mt Indicated + 82Mt Inferred). The economics of the Range Project remain highly attractive and the Company expects to release the finalised Feasibility Study in 1Q2013. The public consultation process for the project's EIS was completed after 31 December 2012. The Company expects Environmental Approval for the project to be granted the 2H2013.

The company completed the acquisition of EPC 1274 and 1276 in the Surat Basin during the six month period, through exchange of tenements which required no cash or equity consideration. The new tenements significantly increase the Company's footprint and potential resource base in the Surat Basin, with EPC 1274 and 1276 covering a combined area of 1371km². The company commenced a drilling program during the period to establish an inferred resource from within the original exploration target² of 130 – 195 Mt. Stanmore Coal has targeted two particularly prospective areas within the larger tenement area with a view to identifying shallow thermal coal suitable for open cut mining.

Belview Underground Coking Coal

In July 2012, Stanmore Coal released the results of a Concept Mining Study for the Belview Underground Coking Coal Project based on a multi-shaft, single longwall operation.

In October 2012, Stanmore Coal acquired EPC 1186, a tenement immediately to the north and along strike of Stanmore's existing Belview Project EPC 1114. Subsequent to 31 December 2012, the Company announced the results of a Concept Mining Study which evaluated the impact of the EPC 1186 tenement on mining methods and project economics.

The acquisition of EPC 1186 has resulted in significant improvement to underground mining potential of the Belview Project by providing a larger, shallower resource base which has reduced both operating costs and capital intensity. Relocation of the underground access point to capitalise on shallower coal in the north of EPC

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

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

1186 means it is now located immediately adjacent to existing rail infrastructure on the Blackwater line. Start-up capital requirements for a single longwall operation are estimated at \$869M.

Tennyson Underground Thermal Coal

The Company announced a maiden JORC Inferred Resource of 161Mt for the Tennyson project near Emerald in the Bowen Basin. The 2012 drilling program confirmed the potential to produce a low ash, high energy export quality thermal coal utilising underground mining methods from a depth of 150m. A Concept Study is planned for 2Q2013 to evaluate the economic viability of the deposit.

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	- Geology well understood with 330 holes now drilled - Results of Feasibility Study expected to be released in quarter 1 calendar 2013 94 Mt JORC Marketable Reserve¹, 287 Mt Total JORC Resource (18Mt Measured, 187 Mt Indicated + 82Mt Inferred) - Supplementary EA grant expected in the second half of calendar 2013 - Capacity Commitment Deed executed with WICET for 5Mtpa capacity and due diligence requirements have been satisfied for both SBR and QRN Moura rail systems - Funding to satisfy the required feasibility bid bonds and early works obligations for these key infrastructure projects secured
Belview	95Mt initial JORC Inferred Resource - EPC 1186 acquisition adds substantial potential to the enlarged deposit with an Exploration Target² of 735 – 1,103Mt - Revised Concept Study incorporating impact of EPC 1186 acquisition completed in 1Q2013 - Pre-Feasibility Study to be undertaken in second half of calendar 2013 - Primary high quality coking plus secondary low vol PCI products
Clifford EPC's 1274, 1276	- Tenements are located adjacent to the 4.5 billion tonne Xstrata Wandoan coal project and close to Stanmore Coal's Range Project - Exploration Targets² of 130-195Mt defined within two key areas 12 chip hole scout drilling program commenced in December 2012 with encouraging initial drilling results
Mackenzie	143Mt Total JORC Resource (25.7Mt Indicated + 117.5Mt Inferred) - Concept Study commenced to identify most likely economic zones within the 27km long project area
Tennyson	2012 drilling and coal quality testing completed - Maiden JORC Inferred Resource of 161Mt - Additional Exploration Target² of 65 – 120Mt - Concept Study planned for 1H2013 to assess the economic viability and environmental sustainability of underground mining

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 period, shareholders approved transactions which allowed Greatgroup Limited ("Greatgroup"), an investment vehicle managed by Sprint Capital Partners ("Sprint"), to increase their relevant ownership in the Company to 25% through conversion of their convertible notes. The notes can be converted no earlier than 27 June 2014. Greatgroup currently own a 20% interest in the Group.

Sprint Capital is a Hong Kong based private equity firm that is focused on undertaking investments in the mining and resources sector. Sprint Capital has indicated its intention to provide ongoing strategic and financial support to the Company as its cornerstone shareholder. Shareholders also approved the issue of options to Credit Suisse AG as part the commitment of a \$25M senior debt facility, of which only \$4M has been drawn.

The Group is well-funded as at 31 December 2012 and continues to assess a number of potential growth opportunities available in the market

Outlook

The Board remains confident of the long term fundamentals of global thermal and coking coal markets. We continue to progress our existing portfolio of projects and selectively adding to our asset base where acquisitions are considered value accretive to Stanmore Coal. The Group will seek to introduce joint venture partners and off-take customers to our projects to assist with funding and development.

The Company is focussed on enhancing the value of its underlying assets despite difficult market conditions over the short to medium term.

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

Auditors Independence Declaration

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

Rounding of Amounts to the Nearest Thousand Dollars

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

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



Nicholas Jorss
Managing Director

Brisbane
13 March 2013



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 300 Queen St
Brisbane QLD 4000,
GPO Box 457, Brisbane QLD 4001
Australia

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

As lead auditor for the review of Stanmore Coal Limited for the half-year ended 31 December 2012, 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.

D P WRIGHT
Director

BDO Audit Pty Ltd
Brisbane,
13 March 2013

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Consolidated Entity 31 December 2012 \$ '000s	31 December 2011 \$ '000s
Revenue		347	380
Other Income	2	936	-
Borrowing costs		(796)	(14)
Employee benefits expense		(1,373)	(702)
Share based payment expense		(510)	(907)
Depreciation and amortisation expenses		(24)	(14)
Legal expenses		(531)	(175)
Consulting and business development expenses		(255)	(474)
Impairment of port development costs		-	(1,164)
Other administrative expenses		(1,067)	(602)
Loss before income tax expense		(3,273)	(3,672)
Income tax expense		-	-
Loss for the half-year attributable to members of Stanmore Coal Limited		(3,273)	(3,672)
Other comprehensive income		-	-
Total comprehensive income for the half-year attributable to members of Stanmore Coal Limited		(3,273)	(3,672)
		Cents	Cents
Loss per share attributable to owners of Stanmore Coal Limited:			
Basic loss per share		(1.7)	(2.9)
Diluted loss per share		(1.7)	(2.9)

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 2012

	Note	Consolidated Entity 31 December 2012 \$ '000s	30 June 2012 \$ '000s
ASSETS			
Current Assets			
Cash and cash equivalents	3	32,397	23,957
Trade and other receivables		592	1,700
Other current assets		779	750
Total Current Assets		<u>33,768</u>	<u>26,407</u>
Non-Current Assets			
Property, plant and equipment		2,094	2,116
Exploration and evaluation assets	4	27,937	19,286
Capitalised development costs		19,064	15,200
Other non-current assets		8,420	8,785
Total Non-Current Assets		<u>57,515</u>	<u>45,387</u>
TOTAL ASSETS		<u>91,283</u>	<u>71,794</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		1,886	3,324
Other current financial liabilities	2	-	1,400
Total Current Liabilities		<u>1,886</u>	<u>4,724</u>
Non-Current Liabilities			
Non-interest bearing convertible notes	5	9,027	-
Interest bearing loans and borrowings		4,040	4,040
Total Non-Current Liabilities		<u>13,067</u>	<u>4,040</u>
TOTAL LIABILITIES		<u>14,953</u>	<u>8,764</u>
NET ASSETS		<u>76,330</u>	<u>63,030</u>
EQUITY			
Issued capital	6	88,117	72,398
Reserves		3,185	2,331
Accumulated losses		(14,972)	(11,699)
TOTAL EQUITY		<u>76,330</u>	<u>63,030</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 2012

	Issued Capital \$ '000s	Accumulated Losses \$ '000s	Option Reserve \$ '000s	Total Equity \$ '000s
At 1 July 2011	34,770	(4,017)	1,249	32,002
Total comprehensive income for the half-year				
Loss for the half-year	-	(3,672)	-	(3,672)
	-	(3,672)	-	(3,672)
Transactions with owners in their capacity as owners				
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
At 31 December 2011	49,599	(7,689)	2,105	44,015
At 1 July 2012	72,398	(11,699)	2,331	63,030
Total comprehensive income for the half-year				
Loss for the half-year	-	(3,273)	-	(3,273)
	-	(3,273)	-	(3,273)
Transactions with owners in their capacity as owners				
Issue of share capital	15,657	-	436	16,093
Costs associated with issue of share capital	(30)	-	-	(30)
Share-based payments	92	-	418	510
	15,719	-	854	16,573
At 31 December 2012	88,117	(14,972)	3,185	76,330

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 2012**

	Note	Consolidated Entity	
		31 December 2012 \$ '000s	31 December 2011 \$ '000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (including payments of Goods & Services Tax)		(1,850)	(1,649)
Interest received		93	535
Interest paid		(166)	-
Net cash outflow from operating activities		<u>(1,923)</u>	<u>(1,114)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for security and other deposits		(1)	(663)
Payments for property plant & equipment		(2)	(55)
Payments for exploration, evaluation and development assets		(12,978)	(11,672)
Net cash outflow from investing activities		<u>(12,981)</u>	<u>(12,390)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		14,343	14,118
Proceeds from issue of convertible notes		9,027	-
Payments for share issue expenses		(26)	(788)
Net cash inflow from financing activities		<u>23,344</u>	<u>13,330</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		8,440	(174)
Cash and cash equivalents at beginning of period		23,957	18,182
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3	<u>32,397</u>	<u>18,008</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 2012

1. BASIS OF PREPARATION

These general purpose financial statements for the half-year reporting period ended 31 December 2012 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 2012 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 a mark-to-market, non-cash gain on financial liabilities of \$936 thousand. This gain relates to a tranche of options granted to Credit Suisse, AG in June 2012 that was classified as a financial liability as at the time it was only able to be cash settled. In the 2012 financial year \$1.4 million was expensed upon initial recognition of the liability. Pursuant to obtaining shareholder approval to allow the company to equity settle the options the instruments are now classified as equity at 31 December 2012.

As a result of the downward movement of the share price between 30 June 2012 and the October 2012 shareholder meeting, the fair value of the liability reduced. This movement resulted in the non-cash gain recognised and presented in the Consolidated Statement of Comprehensive Income for the half year.

3. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents of \$32.397 million at 31 December 2012, includes \$23 million held on term deposit with various financial institutions. The treasury strategy employed by the group seeks to optimise fixed income earnings for funds which are deemed to be surplus to short term requirements. At all times these funds on term deposit are immediately callable and accessible by the group. The balance of \$9.397 million in cash and cash equivalents is held in several operating accounts for day to day working capital and other short term requirements.

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

4. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets of \$27.937 million at 31 December 2012, includes an amount of \$6.414 million which was paid to the vendors of EPC 1186 on completion of the acquisition adjacent to the group's Belview Project. \$5.1 million was paid in cash and the balance through the issue of 5.7 million ordinary shares.

5. NON INTEREST BEARING CONVERTIBLE NOTES

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

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

	Consolidated Entity		Consolidated Entity	
	2012	2011	2012	2011
	No.	No.	\$ '000s	\$ '000s
6. EQUITY SECURITIES ISSUED				
(a) Ordinary shares				
At 1 July	179,409,108	125,676,177	72,398	34,770
Shares issued during the half-year				
- 20 July 2011 (1)		25,000		29
- 11 August 2011 (2)		1,495,664		1,500
- 14 December 2011 (3)		19,079,526		14,118
- 19 December 2011 (4)		97,606		22
- 12 October 2012 (5)	292,553		87	
- 26 October 2012 (6)	20,791,143		14,034	
- 12 November 2012 (7)	5,714,286		1,314	
- 12 November 2012 (8)	20,000		5	
- 26 November 2012 (9)	1,000,000		193	
- 29 November 2012 (9)	300,000		58	
- 7 December 2012 (9)	300,000		58	
Share issue costs	-	-	(30)	(840)
At 31 December	207,827,090	146,373,973	88,117	49,599

(1) On 20 July 2011 25,000 ordinary shares (value \$29 thousand) were issued pursuant to the terms of an employment contract.

STANMORE COAL LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

- (2) On 11 August 2011 1,495,664 ordinary shares (value \$1,500 thousand) 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).
- (3) On 14 December 2011 19,079,526 ordinary shares were issued pursuant to an institutional placement, raising \$14,118 thousand million before issue costs.
- (4) On 19 December 2011 97,606 ordinary shares were issued pursuant to terms of employment contracts.
- (5) On 12 October 2012 292,553 ordinary shares (value \$87 thousand) were issued to employees of the company as part of terms of employment contracts.
- (6) On 26 October 2012 20,791,143 ordinary shares were issued to Greatgroup Investments Limited pursuant to Shareholder approval obtained at the EGM October 2012. The shares were priced at \$0.675 per security.
- (7) On 12 November 2012 5,714,286 ordinary shares (value \$1,314 thousand) were issued to the vendor as consideration for the acquisition of EPC 1186
- (8) On 12 November 2012 20,000 ordinary shares (value \$5 thousand) were issued pursuant to terms of employment contracts
- (9) On 26 November, 29 November and 7 December 2012 a total of 1,600,000 employee options were exercised with a strike price of 19.3 cents, resulting in 1,600,000 ordinary shares being issued. 4,750,000 options (with strike price of 19.3 cents) not exercised expired on 9 December 2012.

(b) Options

During the half-year ended 31 December 2012 and pursuant to shareholder approval obtained on 10 October 2012, the Company issued the following options to employees:

- 1,356,000 unlisted options at \$0.48 expiring 30 June 2014 (vesting 30 June 2013)
- 2,350,000 unlisted performance rights - 50% vesting upon grant of The Range Project mining lease with the remaining 50% upon The Range Project achieving annualised production of 5 million tonnes for 1 month

The company also issued 11,670,000 unlisted options at \$0.518 (vested) to Credit Suisse, AG (as part of the debt facility to provide funding for early works infrastructure) pursuant to Shareholder approval at the EGM 10 October 2012.

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.

STANMORE COAL LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

7. CONTINGENT LIABILITIES

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

8. EVENTS SUBSEQUENT TO REPORTING DATE

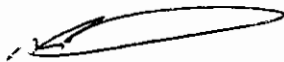
There have been no events since 31 December 2012 that impact upon the financial report as at 31 December 2012.

STANMORE COAL LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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 2012 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
13 March 2013

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Stanmore Coal Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Stanmore Coal Limited, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated entity's financial position as at 31 December 2012 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.



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

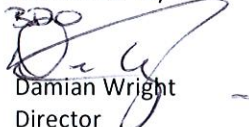
Level 18, 300 Queen St
Brisbane QLD 4000.
GPO Box 457, Brisbane QLD 4001
Australia

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 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

BDO Audit Pty Ltd


Damian Wright
Director
Brisbane,
13 March 2013

