

A wide-angle photograph of a dirt road stretching into the distance. The road is flanked by dry, yellowish-brown grass and some sparse trees. The sky is a hazy, light brown color. The text 'ANNUAL REPORT 2014' is overlaid in large, white, sans-serif capital letters.

ANNUAL REPORT 2014

stanmorecoal

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

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

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

Corporate Information

DIRECTORS

Neville Sneddon
Nicholas Jorss
Stephen Bizzell
Viv Forbes
Chris McAuliffe

JOINT COMPANY SECRETARIES

Duncan Cornish and Andrew Roach

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Australian Securities Exchange Ltd
ASX Code: SMR

INTERNET ADDRESS

www.stanmorecoal.com.au

AUSTRALIAN BUSINESS NUMBER

ABN 27 131 920 968

Chairman's Letter to Shareholders

Dear Shareholders

The last twelve months have seen a continuation of the recent difficult trading conditions for coal companies. Coal prices remain unsustainably weak, largely as a result of short term global oversupply. However the company continues to make good progress in developing its high quality projects despite this being largely unrecognised by the market.

Commodity markets are inherently cyclical in nature and the Board believes that the fundamental value in the Company's portfolio of quality projects and its large resource base puts it in a strong position to recover as coal markets conditions improve. The Company is well positioned to manage short term market volatility as it has substantial cash reserves, a relatively low overhead cost structure and no take or pay liabilities.

Globally, high quality, low cost coal projects are becoming increasingly difficult to identify and develop. Stanmore Coal is in the fortuitous position to own two such projects in Belview and the Range. These projects continue to attract genuine investment interest from investors and off-takers. The Company will engage with these parties when the Board is confident that appropriate value can be realised for the Company's shareholders.

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

The Company is driven by the need to deliver its projects with competitive cost structures that will be profitable during periods of volatility in commodity prices. The development plans for all of Stanmore Coal's projects are formulated with this in mind.

The Company operates with a small, highly skilled group of employees who are focussed on developing the Company's assets and moving toward production. A recent reduction in head count ensures the team is appropriately resourced to deliver on the business strategy. The Board thanks the management team and staff for their loyalty and hard work over the last twelve months.

Our exploration and development activities were completed within a safe working environment for the Company's employees and other stakeholders and I am pleased to report the Company's reported no lost time injuries.

We also thank the shareholders of Stanmore Coal, for their ongoing support and encourage them to stay with the Company as it pursues its goal of becoming a significant independent coal producer.

Neville Sneddon
Chairman



Neville Sneddon
Chairman

Directors' Report

Your Directors present their report for the year ended 30 June 2014.

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

Nicholas Jorss

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

Managing Director

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

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

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

Neville Sneddon

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

Non-Executive Chairman

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

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

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

Neville is Chairman of the Remuneration Committee.

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

Andrew Martin**B.Ec (Hons)****Non-Executive Director (resigned 10 March 2014)**

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

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

Andrew was a member of the Audit and Risk Management and Remuneration Committees up until his resignation. Andrew has been appointed as an Alternate Director for Mr Viv Forbes.

Andrew also serves as a Director of Renascor Resources Limited.

Stephen Bizzell**BCom MAICD****Non-Executive Director**

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

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

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

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

- Apollo Gas Ltd (until takeover in 2011)
- Armour Energy Limited*
- Bow Energy Ltd (until takeover in 2012)
- Dart Energy Ltd (until 26 November 2013)
- Diversa Ltd*
- Hot Rock Ltd (until 1 August 2014)
- Renascor Resources Limited *(formerly Renaissance Uranium Limited)
- Laneway Resources Limited (formerly Renison Consolidated Mines NL)*
- Titan Energy Services Limited*

* denotes current ASX listed directorship.

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

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

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

Chris McAuliffe
LLB (Hons), MBA
Non-Executive Director

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

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

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

* denotes current directorship.

Chris is a member of the Remuneration Committee and the Audit & Risk Committee.

Doug McAlpine
B.Comm, CA
CFO, Joint Company Secretary (resigned 4 August 2014)

Doug McAlpine joined the Company as Chief Financial Officer on 19 September 2011. On 19 December 2011 Doug was appointed joint company secretary.

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

Mr McAlpine resigned as Chief Financial Officer and Company Secretary on 4 August 2014.

Andrew Roach**B.Comm, B Econ, CA, GDip App Fin****Joint Company Secretary (Appointed 6 May 2014)**

Andrew Roach was appointed as joint company secretary of Stanmore Coal Limited on 6 May 2014. Andrew has held the position of Financial Controller for 2 years and was appointed as Chief Financial Officer on 4 August 2014.

Andrew has 10 years of experience in accounting, finance and mergers & acquisitions. Prior to joining Stanmore Coal in 2012, Andrew worked for PricewaterhouseCoopers within the corporate finance and financial assurance divisions. Andrew holds a Bachelor Degree in Economics and Commerce, a Graduate Diploma in Applied Finance and is a Member of the Institute of Chartered Accountants.

Duncan Cornish**B.Bus (Acc), CA****Joint Company Secretary (Appointed 4 August 2014)**

Duncan Cornish held the position of joint company secretary up to 31 December 2013. He was reappointed as joint company secretary of Stanmore Coal Limited on 8 August 2014. Duncan was previously the Chief Financial Officer and Company Secretary for a number of years after the initial public offering of the Company.

Duncan is an accomplished and highly efficient corporate administrator and manager. Duncan has more than 20 years' experience in the accountancy profession both in England and Australia, mainly with the accountancy firms Ernst & Young and PricewaterhouseCoopers. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities, and serves as corporate secretary and chief financial officer of several Australian and Canadian public companies. Duncan holds a Bachelor of Business (Accounting) and is a member of the Australian Institute of Chartered Accountants

DIRECTORS' MEETINGS

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

	Board		Audit & Risk Management Committee		Remuneration Committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Neville Sneddon	9	9	n/a	n/a	1	1
Nicholas Jorss	9	9	n/a	n/a	n/a	n/a
Andrew Martin*	6	6	1	1	1	1
Stephen Bizzell	9	9	2	2	1	1
Viv Forbes	9	9	-	-	1	1
Chris McAuliffe	9	9	2	2	1	1

* Andrew Martin resigned from the Board on 10 March 2014 and was appointed as Mr Forbes alternate.

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
Neville Sneddon	300,000	-
Nicholas Jorss	32,163,375*	-
Stephen Bizzell	7,372,514	-
Viv Forbes	2,613,270	-
Chris McAuliffe	-	-

* 31,700,270 shares are held by St Lucia Resources International Pty Ltd of which Nicholas Jorss has an interest which owns > 20% and is a Director.

PRINCIPAL ACTIVITIES

During the financial year ended 30 June 2014, Stanmore Coal Limited and its subsidiaries ("the Company", "the Group" or "the Consolidated Entity") continued to deliver its strategy of exploring and developing export quality thermal and metallurgical coal deposits within the prime coal bearing regions of Eastern Australia.

OPERATING AND FINANCIAL REVIEW

The Board of Directors and management of Stanmore Coal have worked consistently during the year toward the goal of building a substantial coal company. Highlights for the year include:

- increasing the Belview Project's resource base to 342 million tonnes;
- coal quality analysis confirming that the Belview Project will produce two high value metallurgical coal products at high total yields;
- identification of a highly prospective new metallurgical coal opportunity in the Lilyvale project; and
- further strengthening of relationships with strategic Japanese counterparties through exploration funding at both the Belview and Clifford Projects.

The company focussed its activities during the year on investment in exploration and development activities which will improve the intrinsic value of its key metallurgical coal projects - Belview and Lilyvale. No further material expenditure is required on the Company's main thermal coal asset, The Range, until there is certainty around the timing for delivery of rail infrastructure for the Surat Basin. Exploration activities were conducted on the Clifford Project (located in close proximity to the Range Project in the Surat Basin) through joint venture funded by the Japan Oil, Gas and Metals National Corporation ("JOGMEC").

The company reduced its overhead cost structure and employee head count in response to market conditions. The company also generated cash inflows from a variety of sources during the year which significantly offset the company's overhead cost base.

Stanmore Coal remains positive about the long term supply/demand fundamentals of both the metallurgical and thermal coal markets. The Company's diversified portfolio of development and exploration projects put it in a strong position to benefit from long term demand for high quality coal in emerging economies including India, China and South East Asia.

Fundamental long term value in Stanmore Coal's is underpinned by:

- its diversified portfolio of high quality metallurgical and export thermal coal projects moving towards production;
- a large and valuable resource and reserve base;
- a strong closing cash position at 30 June 2014 of \$17.8 million; and
- no take or pay liabilities for rail or port access or other material financial commitment.

Safety

The Group undertook approximately 2,500 hours of drilling and exploration activity directly and through its contractors during the twelve month period and reported no lost time injuries.

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

Resources, reserves and exploration targets

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

Project		JORC Marketable Coal Reserve ^{1, 2}	JORC Recoverable Coal Reserve ^{1,2}	JORC Measured Resource ²	JORC Indicated Resource ²	JORC Inferred Resource ²	Total JORC Resource ²
The Range	Thermal	94.2	117.5	18.0	187.0	82.0	287.0
Mackenzie	Coking	-	-	-	25.7	117.5	143.2
Belview	Coking	-	-	-	-	342.0	342.0
Tennyson	Thermal/Coking	-	-	-	-	161.0	161.0
Totals		94.2	117.5	18.0	212.7	702.5	933.2

Financial Performance and Financial Position

The Company reports an operating loss after the recognition of income tax incentives received and the provision for future income tax liabilities of \$11.1 million (2013: loss of \$5.0 million). The loss includes employee and other overhead costs, which are necessary to support the ongoing development of the company's projects and satisfy the Company's regulatory and other compliance obligations. The current year loss also includes a one-off accounting adjustment to the carrying value of the company's investment in the Wiggins Island Coal Terminal ("WICET") Expansion Project ("WEXP1") which is unlikely to proceed in the short term. Whilst the Company retains contractual rights to recover the value of its \$7.5 million investment in WEXP1, the timing of that recovery is inherently uncertain. The Company has adopted a conservative accounting approach and recognised an impairment provision against the cost of that investment and disclosed its rights to future recovery as a contingent asset.

	2014 \$ mill	2013 \$ mill
Revenue and other income	0.7	1.7
Employee benefits expenses	(2.7)	(3.4)
Finance costs	(0.5)	(1.3)
Legal expenses	(0.1)	(0.7)
Administration and consulting expenses	(0.7)	(1.4)
Other expenses	(1.3)	(1.3)
Impairment adjustments	(7.3)	(0.8)
Profit/(loss) before income tax benefit/(expense)	(11.9)	(7.2)
Income tax benefit/(expense)	0.8	2.2

1 Refer Marketable Reserves Note, page 1

2 Refer Competent Persons Statement, page 1

Profit/(loss) after income tax expense	(11.1)	(5.0)
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When compared against the prior year, the group's cost structure has been substantially reduced reflecting down-sizing to the management team and generally lower activity levels. After adjusting for non-cash items and movements in net working capital, the Company delivered a cash operating loss of \$3.2 million, a slight decrease on the prior year.

	2014	2013
	\$ mill	\$ mill
Accounting profit/(loss) after income tax expense	(11.1)	(5.0)
Mark to market gain on financial instruments	-	(1.0)
Amortisation of share based payments	0.6	0.9
Asset impairment adjustments	7.3	0.8
Net working capital adjustments	-	1.5
Operating cash-flow	(3.2)	(2.8)

Approximately \$2.6M of loans and security deposits were refunded to the company by WICET as a consequence of the deferral of WEXP1. These funds were used to fund a significant portion of exploration activity conducted during the year. The Company repaid loans to Credit Suisse AG of \$3.2 million on the expectation that WEXP1 would be delayed and the company's full infrastructure commitments would not be called upon.

	2014	2013
	\$ mill	\$ mill
Net cash at beginning of year	24.4	24.0
Net cash from operating activities	(3.2)	(2.8)
Net cash from investing activities	(0.2)	(20.1)
Net cash from financing activities	(3.2)	23.3
Net increase/(decrease) in cash held	(6.6)	0.4
Net cash at end of year	17.8	24.4

The Group ended the year in a strong financial position with gross assets of \$74.2 million including \$17.8 million of available cash. The Group has a strong current ratio and total net assets of \$73.7 million at 30 June 2014. Other than operating trade payables, at 30 June 2014 the Group has no other liabilities. Convertible notes held by the company's major shareholder Greatgroup Limited can be repaid or converted into ordinary equity at the Company's election and consequently have been classified as equity.

Operational Highlights

Belview Underground Coking Coal Project

The Company increased the Belview Project's JORC Inferred Resource estimate to 342 million tonnes during the year based on results of two additional cored holes. Coal quality analysis conducted on samples from those holes confirmed that the deposit can produce two high value metallurgical products at a high total washing yield. The coking coal (primary product) is classified as a high rank coking coal of low ash with a high CSN value (typically 7 - 8.5). The secondary product will be a readily saleable low volatile PCI coal as the product displays high carbon content, calorific value and coke replacement ratio and would be attractive to most blast furnace operators. Together these products will be produced at a high overall washed yield (average laboratory yield of 73-83%) and will be comparable to those produced in neighbouring mines and sold into established markets including Japan, South Korea, Taiwan, China, India, and Europe. These exploration activities were funded under an Exploration Support Agreement with Taiheiyo Kouhatsu Inc. (supported by JOGMEC) which provides \$680,000 of funding for resource drilling and associated coal quality analysis in exchange for a small future coal offtake entitlement.

Clifford Thermal Coal Project

Stanmore Coal further strengthened its ties with Japan during the year by introducing JOGMEC as its joint venture partner for the Clifford Project. Stanmore Coal and JOGMEC will jointly explore this prospective area in the Surat Basin, a major source of high energy, low emission thermal coal which the Company believes will become increasingly sought after in Asia. JOGMEC have committed \$4.5 million of exploration funding over three years in exchange for a 40% interest in the project.

Lilyvale - Establishment of early stage coking coal opportunity

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

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

Rail and port infrastructure

In light of weak coal market conditions the early works expenditure program for WEXP1 was decelerated and the target date for achieving financial close for that expansion stage was not satisfied. WICET has elected not to extend the capacity commitment entitlements held by WEXP1 participants and the WEXP1 process was terminated on 31 August 2014. The Company retains rights to recover its existing investment in WEXP1 under the scenario that financial close for an expansion is reached prior to 2020. The Company may also apply for capacity at any time in accordance with the terms of WICET's access policy. The company is comfortable that in the current market, rail and port availability will not hinder the development of its Bowen Basin coal projects.

The Range Project is one of the most advanced projects in the northern Surat Basin. The Company continues to work with infrastructure providers to support the delivery of the Surat Basin Rail Line necessary to support commercialisation of The Range Project.

Key Project Overview

Project	Status
<u>Belview</u> Underground Coking Coal	• 342Mt JORC Inferred Resource³ • Mining Lease application lodged in September 2013 • Coal quality analysis confirms the project can produce a high quality coking coal plus a secondary PCI product • Exploration funding support provided by Taiheiyo Kouhatsu and JOGMEC • Studies planned for 2015 with a focus on reducing capital costs and developing initial mining options • Located adjacent to Blackwater rail line which connects to the coal ports of Gladstone
<u>Lilyvale</u> Underground Coking Coal	• Historical geological data indicates the Project area hosts the German Creek seam at a typical coal thickness of 2.2-2.5m • The region is not expected to be geologically complex and the German Creek seam is mined as a high quality coking coal in adjoining underground mines • Located close to an existing rail line that connects to an existing coal port
<u>The Surat Basin</u> The Range - Open Cut Thermal Coal And Clifford - Open Cut Thermal Coal	• Substantial resource position established at The Range - 94 Mt JORC Marketable Reserve⁴, 287 Mt total JORC Resource³ (18Mt Measured, 187 Mt Indicated + 82Mt Inferred) • Substantial exploration opportunities within the 1,161km² Clifford Project Area with the potential to host a substantial thermal coal deposit suitable for open cut mining • Fully funded scout drilling program at Clifford completed in March 2014; planning for the next phase is underway with our project funding partners JOGMEC. Approximately \$1.5 million (of \$4.5m in total) has been allocated for the next phase of exploration in FY2015. • The Range EIS approved by the State and being progressed through Commonwealth approvals. • No material level of expenditure required on the Range prior to development of rail infrastructure and decision to proceed. JOGMEC sole funding allows for substantial exploration activity at Clifford

³ Refer Competent Persons Statement, page 1

⁴ Refer Marketable Reserves Note, page 1

Project Snapshots

Belview Coking Coal Project

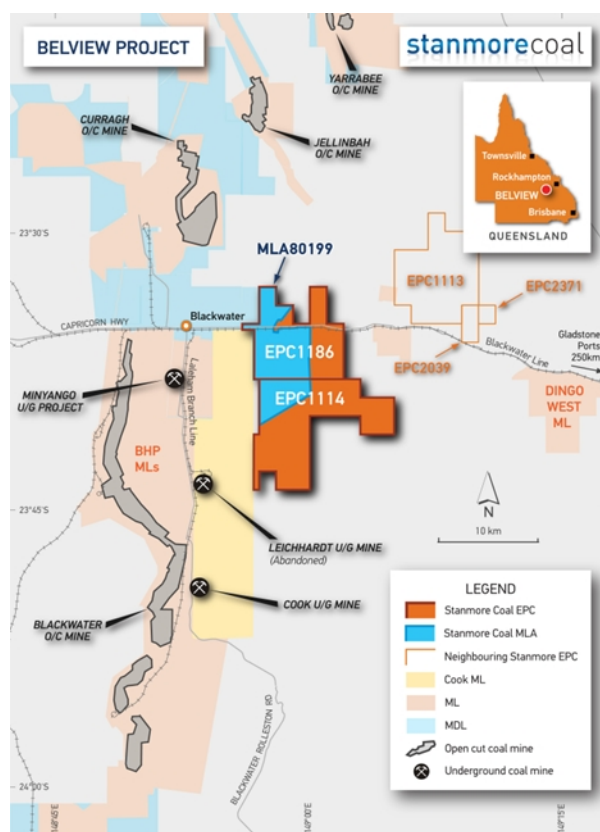
MLA80199, EPC 1114 & 1186

Stanmore Coal 100% ownership

Location: 10km south-east of Blackwater

Area: 170km²

JORC Inferred Resource⁵: 342Mt



The Belview Project is a large scale, metallurgical coal project located in the heart of Queensland's Bowen Basin. Belview currently hosts a 342 Mt JORC Inferred Resource⁵ and further drilling and studies are planned in 2015 with a focus on reducing capital costs and evaluating initial mining options. The Company has submitted a Mining Lease Application and is targeting first coal production in 2018.

Based on quality results from two part-cored holes completed during the year, the Company upgraded the project's JORC Inferred Resource from 322Mt to 342Mt and reported updated coal quality analysis. Coal quality testing was carried out using samples of coal collected from cores within representative areas from within the Castor and Pollux seams within the project area. The samples were washed to produce a 7.5% ash⁶ HCC product and a 9.0% ash⁶ PCI product.

Quality results indicate that the HCC product will be a low volatile, low ash, low sulphur coking coal from the Rangal coal measures that is similar in quality to other nearby Rangal coking coals are well established and accepted in the international

coking coal market, such as Curragh and South Blackwater. Such coals are noted for their consistent quality, low coke oven wall pressure, high mechanical coke strengths and excellent coke yields. Consequently, it is anticipated that the Belview HCC product can be sold in established markets including Japan, South Korea, Taiwan, China, India, Europe and South America.

Quality results indicate that the PCI product will be a low sulphur, low volatile, high calorific value PCI which has a well-established market in Asia and is supplied by a number of neighbouring mines. The low volatile matter content, combined with the high calorific value of the Belview PCI product are its key features and indicate that it will exhibit a high coke replacement ratio. All other coal characteristics fall within the expected range for low volatile PCI coals. Other Bowen Basin PCI brands that fit into the low-volatile category include Moorvale, Curragh and Lake Vermont.

⁵ Refer Competent Person Statement, page 1

⁶ Air dried basis

Estimated Coal Quality - Belview

Parameter ¹		Primary HCC Product	Secondary PCI Product
Product Split	%	62	38
Inherent Moisture	%	1.5	1.5
Ash	%	7.5 - 8.0	9.5
Volatile Matter	%	19.5	18.0
Fixed Carbon	%	71.0 – 71.5	71.0
Total Sulphur	%	0.40	0.40
Phosphorus	%	0.07-0.1	0.07
Calorific Value	kcal/kg	7,750	7,500
Crucible Swell Number (CSN)		6 – 8	n/a
Maximum Fluidity	ddpm	20 - 70	n/a
Vitrinite Reflectance (RoMax)	%	1.45	1.45

1. Air dried basis unless otherwise noted

Lilyvale Underground Coking Coal Project

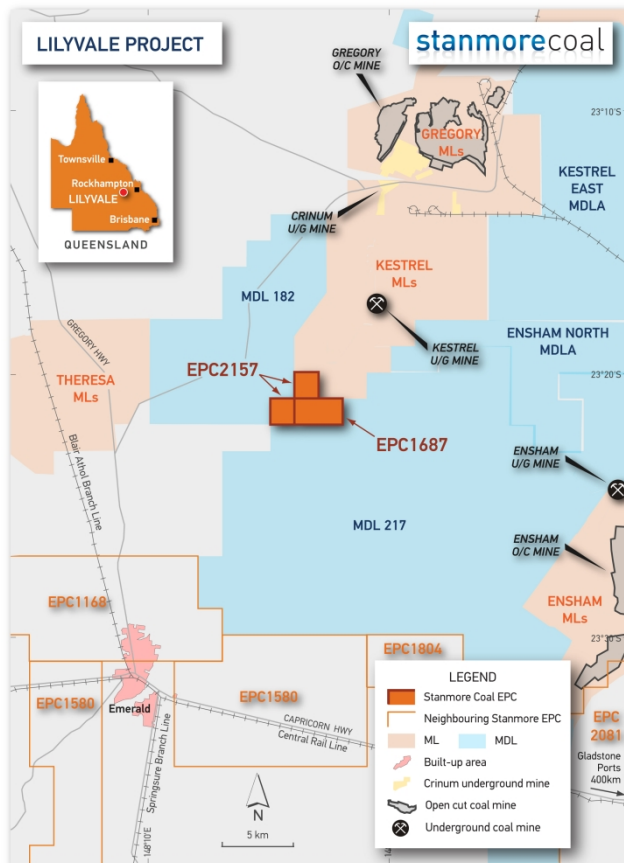
EPCs 1687 and 2157

Stanmore Coal 85% ownership/Cape Coal 15% ownership

Location: 25km north east of Emerald

Area: 13km²

JORC Resource: N/A



The Lilyvale project is located 25km north east of Emerald and is in close proximity to the operating Kestrel South and Gregory - Crinum coking coal mines.

Based on analysis of historical geophysical logs and bore holes in the surrounding region (including two cored holes with quality data within the project area) the Company estimates that the Lilyvale project hosts the German Creek seam from 336m in depth with a typical thickness across the project area of 2.2-2.5m. The geology of the project and surrounding areas is well understood and not expected to be geologically complex. Adjacent underground mines at Kestrel (Rio Tinto) and Gregory - Crinum (BHP Mitsubishi Alliance) produce a low ash, high quality coking coal from the German Creek seam.

The Company is assessing several natural expansion options to the project footprint which may provide the catalyst to undertake an exploration program in order to define the resource and perform detailed coal quality analysis. The Company will continue to evaluate these opportunities and may consider

introducing suitable funding partners at the appropriate time.

The Range Project

EPC 1112, 2030 / MLA 55001, 55009, 55010

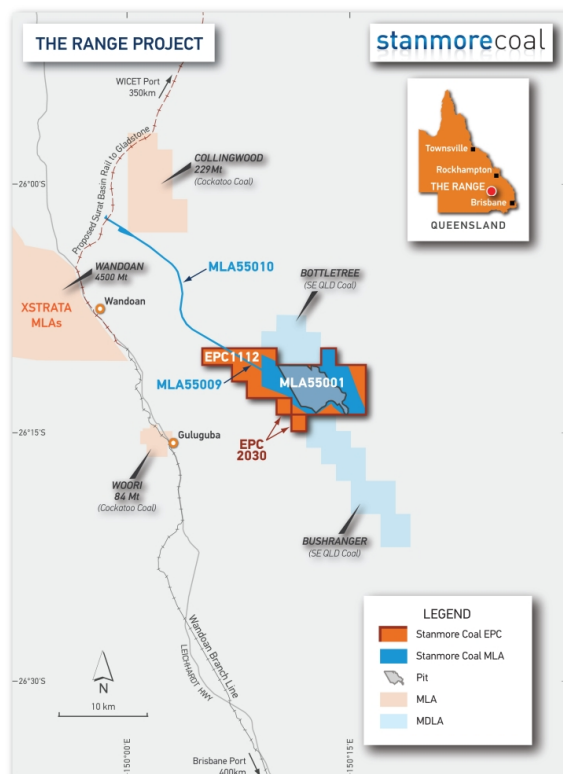
Stanmore Coal 100% ownership

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

Area: 92km²

JORC Resource⁷: Total of 287 Mt high quality open pit thermal coal (18Mt Measured + 187Mt Indicated + 82 Inferred Resource)

JORC Marketable Reserve⁸: 94 Mt (included in the 287Mt, Measured, Indicated and Inferred Resource noted above)



A definitive feasibility study has been completed for The Range covering geology, mining and cost structures which confirms that it is an attractive 5Mtpa high quality, export grade, thermal coal project ready for execution upon the delivery of the Surat Basin Rail linking the basin to the existing Moura network via a 190km rail link. The Project demonstrates attractive economics under both owner-operator and contractor cases.

The Environmental Impact Statement ("EIS") and supplementary EIS have been completed and assessed by the Department of Environment and Heritage Protection ("DEHP"). The EIS was approved by the DEHP on 18 February 2013 and the Company is now addressing a small number of questions arising from the Federal approval process. It is expected that the Mining Lease will be ready for grant in 2015.

The focus of the Company in relation to The Range project is on supporting the delivery of rail and port infrastructure and as such it is not expected that further material expenditure will be required prior to the infrastructure solution being finalised. When the

timetable to a final investment is understood, the Company will undertake a further project review with a focus on optimising project capital costs in light of current market conditions.

Extensive geological evaluation and testing has been completed as part of the feasibility study with 330 boreholes drilled within the project area. The project is a geologically benign, low strip ratio, open cut mining operation. The Range coal measures feature high energy content and low ash levels, and the ability to produce a high quality product that contains low levels of trace element impurities by international standards, low sulphur and nitrogen contents and excellent burnout characteristics.

The Company has reduced ongoing costs at The Range to a minimum until there is certainty as to the timing of the rail solution. The Company will continue with ongoing environmental monitoring and other minor on-site activities to maintain compliance with approvals. The project is strongly positioned to progress once a clear path to production can be realised and the Company continues to work with infrastructure providers to support the delivery of essential rail infrastructure necessary to support commercialisation of the Surat Basin.

⁷ Refer Competent Persons Statement, page 1

⁸ Refer Marketable Reserves Note, page 1

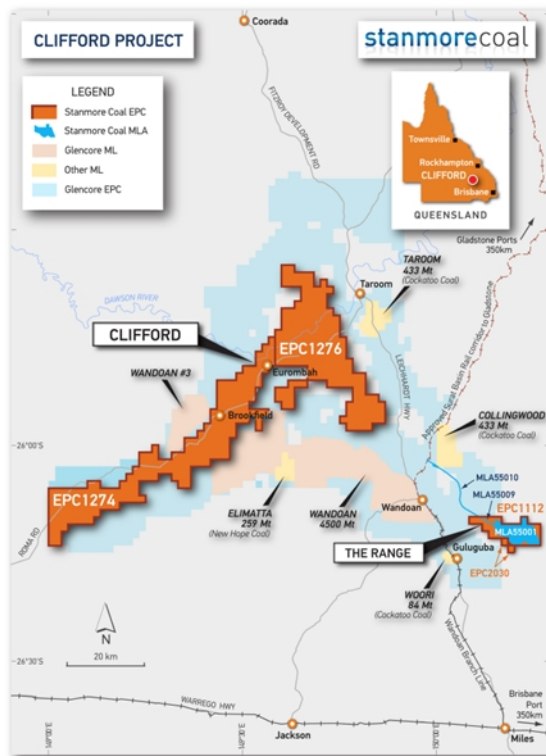
The Clifford Project

EPC 1274, 1276

Stanmore Coal 100% ownership (JOGMEC can earn up to 40% through provision of exploration funding)

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

Area: 1,161km²



The Clifford Project (EPC 1274 and EPC 1276) is an 1161 km² area within Queensland's highly prospective Surat Basin. The Surat Basin is an extensive coal basin featuring high energy, low emission thermal coal which is well suited for clean and efficient electricity generation in Asia. Surat Basin thermal coals feature excellent environmental performance with a low emissions profile relative to other traded coals. There is a proven track record of Surat Basin coals being used for efficient power generation in Queensland and also for export to the Japanese market.

The Clifford Project is in close proximity to Stanmore Coal's The Range, a 5Mtpa open cut export grade thermal coal project. The Clifford Project adjoins Glencore's Wandoan Project and is targeting thermal coal deposits at depths amenable to open cut mining.

Through a joint exploration initiative with Stanmore Coal, JOGMEC will provide up to \$4.5 million of funding for all of the planned exploration expenditure over three years including drilling, associated coal quality analysis and feasibility studies within the Clifford Project area.

Under this arrangement, JOGMEC can up to a 40% economic interest in the project. JOGMEC plays a key role in the identification and development of new, long term sources of high quality thermal coal highly suitable for Japanese electricity generators. Funding provided under this arrangement will also allow Stanmore to build a comprehensive geological model of the area utilising historical data within and immediately surrounding the tenement area.

Results of the recent scout drilling activities have been collated identifying a number of shallow and significant seam thicknesses worthy of further investigation. The next phase of exploration will focus on improving the geological understanding of the prospective areas and following encouraging initial coal intersections further up-dip in order to establish coal resources suitable for open pit extraction.

Outlook

The current cyclical lows in the coal market are driven by oversupply while demand growth remains relatively robust. We believe the long term fundamentals of both the coking and thermal coal markets are very strong, based on increasing demand for high quality coal in fast growing regional economies including India, China, Taiwan and South East Asia as well as the traditional markets of Japan and Korea. Current coal producers have continued to aggressively pursue cost reduction programs and increase supply which serves to exacerbate oversupply. A recovery in coal prices is expected to follow the market deterioration which has been experienced in the last few years.

The environmental focus of various governments places greater emphasis on those projects with high quality, low impurity coal, the key characteristics which Queensland deposits host in abundance. As countries around the world choose to restructure the composition of their energy mix towards coal as a cheaper and more reliable supply, it will continue to play a significant role as a demand-driven commodity.

The Company is currently planning a drilling program for the second half of the 2014 calendar year which aims to delineate a portion of the Belview Project's JORC Resource to an Indicated classification. Amongst other things this will provide an increased geological understanding of the deposit and additional information to support the planned Pre-Feasibility Study.

Exploration activities at Clifford continue to be fully funded by JOGMEC. The Company is delivering a \$1.5 million program over the remainder of calendar 2014 with the objective of defining an initial JORC Inferred Resource and undertaking further scout drilling. At the completion of this years' program approximately \$2 million of the total \$4.5 million JOGMEC funding will have been invested in the Clifford project.

The Company continues to evaluate opportunities which are consistent with our strategy of selectively pursuing low capital, high value expansion opportunities and deploying capital judiciously to create long term shareholder value. The Company remains well funded relative to its peers and has no material financial commitments or take or pay obligations with respect to rail or port access. Stanmore Coal has significant flexibility in respect of the timing of delivering its Projects and the introduction of strategic project partners. As market conditions continue to remain volatile, the Company will maintain a disciplined approach in order to protect shareholder value and best position itself to emerge strongly from the current downturn.

Managing Risk

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

Safety

The Board views safety as a critical element for the Company to be able to deliver on its strategy. Safety is of the highest importance in the planning, organisation and execution of Stanmore Coal's exploration and development activities.

Stanmore Coal remains committed to providing and maintaining a working environment in which its employees are not exposed to hazards that will jeopardise their health, safety or the health and safety of others associated with our business. Safety is both an individual and shared responsibility of all employees, contractors and other persons involved with the operation of the organisation.

The Company has a comprehensive Safety and Health Management system which is designed to minimise the risk of an uncontrolled safety and health event and to continuously improving safety culture within the organisation.

Regulatory risk

The Company has limited influence over the direction and development of government policy. Successive changes to the Australian resources policy, including taxation policy, have impacted Australia's global competitiveness and reduced the attractiveness of Australian coal projects to foreign investors. The Company's view is that whilst there is currently a negative perception of the benefits, coal will continue to play an important role in the global energy mix as part of sustaining global growth, particularly in developing regions, through efficient electricity generation and steel production.

Forecasting coal prices and foreign exchange rates

Stanmore Coal's possible future revenues streams are likely to be linked to export coal prices which are typically denominated in US\$. As the Company is in the exploration and development phase, assumptions regarding future commodity prices and foreign exchange rates have a significant influence on the economic viability of proposed mining operations. During the year ended 30 June 2014, contract prices and spot prices of all coal specifications continued declined as a result of increased global supply, particularly from Australian exporters. The demand for both metallurgical and thermal coal continued to grow steadily over the same period. Whilst it is inherently difficult to reliably predict future coal prices, Stanmore Coal believes that the long term supply and demand outlook will balance and consequently coal prices will recover. The Company is also of the view that the recent trading of the Australian dollar with the US dollar will not persist over the long term and future Australian dollar revenues will be positively impacted as the currency reverts to levels aligned with the long term historical trend.

Identifying and estimating Resources and Reserves

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

Access to capital

At 30 June 2014, the Company remains well funded with cash reserves expected to be sufficient to meet the businesses operating costs for at least the next two years. The Company has no material financial commitments or take or pay obligations with respect to rail or port access. Stanmore Coal's ability to effectively implement its business strategy may be dependent on the ability to raise additional capital to finance exploration and development activities beyond existing cash reserves. There can be no assurance that any such equity or debt funding will be available to the Company on acceptable terms. If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities or progress the development of its existing assets.

Minimising Regulatory and Land Access Risk

The Company's operations and Projects are subject to State and Federal laws and regulation regarding environmental hazards. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. The ability to secure and undertake exploration and development activities

within prospective areas is also reliant upon satisfactory resolution of native title and management of overlapping tenure.

To address these risks, the Company develops strong, long term effective relationships with landholders, with a focus on developing mutually acceptable access arrangements as well as appropriate legal and technical advice to ensure it manages its compliance obligations appropriately. The Company minimises these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage. In addition the Company engages experienced consultants and other technical advisors to provide expert advice where necessary.

REMUNERATION REPORT (AUDITED)

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

Details of Key Management Personnel

(i) Directors

Neville Sneddon	Non-Executive Chairman
Nicholas Jorss	Managing Director
Andrew Martin	Non-Executive Director (resigned 10 March 2014)
Stephen Bizzell	Non-Executive Director
Viv Forbes	Non-Executive Director
Chris McAuliffe	Non-Executive Director

(ii) Senior Management

Doug McAlpine	Chief Financial Officer and Joint Company Secretary (resigned 4 August 2014)
Michael McKee	Chief Operating Officer

Response to vote Against 2013 Remuneration Report

At the 2013 Annual General Meeting, the Company received votes against its Remuneration Report representing greater than 25% of the votes cast by persons entitled to vote. In other words, the Company received a "First Strike" against its 2013 Remuneration Report.

In these circumstances, the Corporations Act 2001 requires that the Company include in this year's Remuneration Report, an explanation of the Board's proposed action in response to that First Strike or, alternatively, if the Board does not propose any action, the Board's reason for such inaction.

It should be noted that due to the high concentration of ownership in the Company's share register, a significant number of shares held by directors, management and their associates were excluded from voting on the remuneration report. The First Strike arose from votes against the remuneration report cast by a relatively small number of shareholders. The Company's response to the First Strike was to meet with those investors to discuss and to understand the main reasons why the Company received the vote against the 2013 Remuneration Report.

A common theme identified through those discussions was the need for a reduction in total overhead costs to reflect the subdued coal market outlook and poor performance of the company's share price.

In response to the First Strike, the Company provides the following commentary:

- There has been no increase to base remuneration levels in 2014 for Directors or key management personnel;
- The Board suspended operation of the Company's short term and long term incentive schemes which had previously been approved by shareholders, resulting in no further shares or options being issued to employees in respect of the current financial year;
- Board fees have remained fixed since the IPO in 2009; and
- Overheads have been reduced materially as a result of a reduction in staff numbers and substantial savings in other areas

The Board deems the above outcomes to be an appropriate response to the First Strike whilst enabling the Company to retain a small, highly skilled team, able to respond to opportunities when coal markets inevitably recover.

REMUNERATION REPORT (AUDITED) (continued)

Remuneration policy overview

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

The Board regularly reviews the appropriateness of employees' fixed compensation in light of the Company's cost structure and the practices of its peers. On a comparative basis to the previous financial year, base remuneration for FY14 decreased as a result of certain employees not working for a full year and changes to base remuneration arrangements which were agreed with employees on a case by case basis in order to partially alleviate costs to the business during the difficult trading conditions experienced during the year.

In the prior year, the Board implemented a comprehensive, structured and transparent review of employee remuneration. The non-executive Directors took advice from an independent remuneration consultant regarding the structure of remuneration plans and the terms on which incentives are offered to improve the alignment between company performance and executive remuneration outcomes. This advice assisted the Board in developing a remuneration framework which satisfies market practice around remuneration governance for public companies and strikes an appropriate balance between fixed and at-risk compensation for its employees. Shareholders approved the new scheme at the EGM held on 10 October 2012, which provided that the maximum entitlement an employee can earn is determined by reference to their seniority and strategic contribution to the business. As noted above, in response to difficult market conditions and feedback from shareholders (particularly those who voted against the previous year's remuneration report) these incentive plans were suspended during the year ended 30 June 2014 until further notice.

REMUNERATION REPORT (AUDITED) (continued)

The following describes the Company's remuneration arrangements for Directors and Employees. The Short Term Incentive ("STI") and Long Term Incentive ("LTI") schemes are currently suspended.

Fixed Remuneration

Managing Director and senior management remuneration

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

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

There was no increase to fixed remuneration for the Managing Director or senior management in FY14. The Remuneration Committee and the Board deemed this an appropriate response given the current economic climate and recent share price performance of the entity.

Non-executive Director fixed remuneration

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

The Constitution of Stanmore Coal Limited and the ASX Listing Rules specify that the non-executive Directors are entitled to remuneration as determined by the Consolidated Entity in a general meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The maximum aggregate remuneration currently determined by Stanmore Coal Limited is \$350,000 per annum. Additionally, non-executive Directors are also entitled to be reimbursed for indirect expenses associated with execution of their responsibilities (for example travel costs). Total non-executive Director remuneration for FY14 was \$203,000.

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. No such payments were made this year. A non-executive Director is entitled to be paid travel and other expenses properly incurred by them in attending Directors' or general meetings of Stanmore Coal Limited or otherwise in connection with the business of the Consolidated Entity.

The fixed remuneration of non-executive Directors for the year ending 30 June 2014 is detailed in this Remuneration Report.

REMUNERATION REPORT (AUDITED) (continued)

Short term and long term incentive plan structures

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

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

The tiered structure for remunerating employees through the shareholder approved STI and LTI and the relevant remuneration outcomes for the year ended 30 June 2014 are illustrated in the following tables:

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

REMUNERATION REPORT (AUDITED) (continued)

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

REMUNERATION REPORT (AUDITED) (continued)

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

Incentive Outcomes for FY13 and FY14

The below table illustrates the remuneration outcomes for both the STI and LTI schemes.

Incentive	Award Outcome	Discussion
Calendar 2013 – STI	The STI scheme was suspended for the 2013 year. There was no issuance of shares or payment of cash to any employee or Director of the Company.	Given the current market environment and share price performance, the Remuneration Committee and the Board elected to suspend the STI scheme in 2013.

REMUNERATION REPORT (AUDITED) (continued)

Incentive	Award Outcome	Discussion								
FY 2014 – LTI	2,766,000 options were issued to 7 employees with an exercise price of \$0.22, vesting 4 September 2015 and expiring 4 September 2017.	No LTIs were issued to Directors or the Managing Director for the FY2014 period								
	<table><tr><th>Tier</th><th>Average % award of maximum</th></tr><tr><td>Senior management</td><td>89%</td></tr><tr><td>Managers</td><td>89%</td></tr><tr><td>Staff</td><td>89%</td></tr></table>	Tier	Average % award of maximum	Senior management	89%	Managers	89%	Staff	89%	
Tier	Average % award of maximum									
Senior management	89%									
Managers	89%									
Staff	89%									

The Company does not intend to issue more than an aggregate of 5% of its share capital, from time to time, under the plans. The Share Plan and Incentive Plan each aim to more closely align rewards for performance with the achievement of the Company's growth and strategic objectives for financial year 2014 and beyond.

Fees were paid to an independent remuneration consultant in the 2012 year in respect of scheme design and implementation. No amounts were paid to remuneration consultants in the year ended 30 June 2014.

Relationship between remuneration and Consolidated Entity performance

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

On 9 December 2009, official quotation of the Stanmore Coal Limited's shares on the ASX commenced at a price of \$0.20. The share price at the end of the financial year ended 30 June 2014 was \$0.105 (2013: \$0.115). Given the poor performance of the share price there was no award made under the STI scheme with respect to total shareholder returns for the year ended 30 June 2014.

There were no dividends paid during the year ended 30 June 2014.

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

REMUNERATION REPORT (AUDITED) (continued)

Employment contracts and consultancy agreements

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

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

The current consultancy agreement with the Joint Company Secretary has a three month notice period. All other employment contracts or consultancy agreements have three month (or lower) notice periods. No current employment contracts contain early termination clauses. All Non-Executive Directors have received letters outlining the key terms of their appointment. The contracts have no specified duration.

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

Managing Director

Stanmore Coal Limited has an Employment Contract with Mr Nick Jorss for the position of Managing Director which commenced on 1 January 2012. Mr Jorss' base remuneration is \$380,000 per annum. Mr Jorss is eligible to participate in the STI/LTI scheme which commenced in 2012 during the year pursuant to shareholder approval. Detail of instruments issued under the schemes is provided on page 29 of this report. These include the following unlisted securities which were held at the date of this report:

- On 26 October 2012 500,000 performance rights were granted following shareholder approval at the EGM 10 October 2012. 50% of these rights vest upon the grant of the Mining Lease for The Range Project and the balance of 50% vest upon achieving an annualised production rate of 5Mtpa of product coal at The Range Project. At the date of this report none of these rights have vested.

Senior Management

Chief Financial Officer

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

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

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

Mr McAlpine is eligible to participate in the STI/LTI scheme which commenced in 2012 pursuant to shareholder approval. Detail of instruments issued under the schemes is provided on page 29 of this report. These include the following unlisted securities which were held at the date of this report:

REMUNERATION REPORT (AUDITED) (continued)

- On 26 October, 2012 450,000 performance rights were granted. 50% of these rights vest upon the grant of the Mining Lease for The Range Project and the balance of 50% vest upon achieving an annualised production rate of 5Mtpa of product coal at The Range Project. At the date of this report none of these rights have vested.

Mr McAlpine resigned as Chief Financial Officer and Joint Company Secretary after balance date, effective 4 August 2014, ending his entitlement to unexercised securities.

Chief Operations Officer

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

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

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

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

Mr McKee held the following unlisted securities at the date of this report:

- On 26 October 2012, 500,000 performance rights were granted to Mr McKee. 50% of these rights vest upon the grant of the Mining Lease for The Range Project and the balance of 50% vest upon achieving an annualised production rate of 5Mtpa of product coal at The Range Project. At the date of this report none of these rights have vested.

REMUNERATION REPORT (AUDITED) (continued)

Remuneration details

The following table details the components of remuneration for each key management person of the Company, in respect of the financial years ending 30 June 2013 and 30 June 2014.

2014	Short-term benefits			Post-Employment	Termination Benefits	Share-based payments		Total	% Remuneration as share-based payments	% Performance-related remuneration	
	Salary & Fees	Cash Bonus	Other short-term benefits			Superannuation	Equity-settled (options)				Equity-settled (shares)
	\$	\$	\$			\$	\$				\$
Directors											
Neville Sneddon	55,000	-	-	-	-	-	-	55,000	0%	0%	
Nicholas Jorss	363,923	-	-	17,788	-	-	58,093	439,804	13%	0%	
Andrew Martin*	27,692	-	-	-	-	-	-	27,692	0%	0%	
Stephen Bizzell	40,000	-	-	-	-	-	-	40,000	0%	0%	
Viv Forbes	40,000	-	-	-	-	-	-	40,000	0%	0%	
Chris McAuliffe	40,000	-	-	-	-	-	-	40,000	0%	0%	
Total	566,615	-	-	17,788	-	-	58,093	642,496			
Senior Management											
Doug McAlpine	303,692	-	-	17,788	-	70,900	49,347	441,727	27%	0%	
Michael McKee	394,717	-	-	23,788	-	133,609	58,093	610,207	31%	0%	
Total	698,409	-	-	41,576	-	204,509	107,440	1,051,934			

* Andrew Martin resigned on 10 March 2014

Note: Vaughan Wishart's involvement in the management of the Company was scaled back from 1 July 2013. As such he is not considered to be key management personnel following that date

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

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

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

REMUNERATION REPORT (AUDITED) (continued)

Remuneration details (continued)

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

Under the Director and Employee Share Plan and Director and Employee Incentive Plan approved by shareholders at the 12 October 2012 Extraordinary General Meeting, employees and Executive Directors of the Company may be eligible to receive a combination of cash, shares and long term options or performance rights to more closely align rewards for performance with the achievement of Company objectives. Pursuant to shareholder approval, the Share Plan and Incentive plan were first applied in the financial year ending 30 June 2013.

Details of cash and share-based payments made to key management personnel and other executives during the year ended 30 June 2014, but in respect of the financial year ended 30 June 2013 are detailed in the table below. Premium-priced options were issued in September 2013 in respect of long term incentives for employees based on their level of seniority and strategic contribution. There was no issuance of shares or payment of cash in relation to the short term incentive during the year.

	Remuneration type	Number	Grant date	Vesting date	Exercise Price	Grant value (per instrument) \$ #	% vested / paid during year	% Expired during year	% Forfeited during year	% remaining as unvested	Expiry date
Consolidated Entity key management personnel											
D McAlpine	Options	693,000	4/9/2013	4/9/2015	0.22	0.060	0%	0%	0%	100%	4/9/2017
M McKee	Options	730,000	4/9/2013	4/9/2015	0.22	0.060	0%	0%	0%	100%	4/9/2017

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.

REMUNERATION REPORT (AUDITED) (continued)

Remuneration details (continued)

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

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

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

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

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

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

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

All options granted as part of remuneration for the years ended 30 June 2014 and 2013 were granted for nil consideration. Once vested, options can be exercised at any time up to the expiry date. There is no market or performance based vesting criteria in respect of these options.

REMUNERATION REPORT (AUDITED) (continued)

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 2013	Granted as Remuneration	On Exercise of Options or Rights	Net Change Other	Balance 30 June 2014
Directors					
Neville Sneddon	300,000	-	-	-	300,000
Nicholas Jorss *	32,163,375	-	-	-	32,163,375
Andrew Martin *	31,700,270	-	-	-	31,700,270
Stephen Bizzell	7,372,514	-	-	-	7,372,514
Viv Forbes	2,088,270	-	525,000	-	2,613,270
Chris McAuliffe	-	-	-	-	-
Senior Management					
Doug McAlpine	144,892	-	-	-	144,892
Vaughan Wishart * ^	32,853,517	-	-	(32,853,517)	-
Michael McKee	694,466	-	-	-	694,466

* 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%.

^ Mr Vaughan Wishart ceased to be a member of key management personnel on 1 July 2013, resulting in a nil balance key management personnel holding at 30 June 2014. The net change does not reflect a disposal of shares during the period.

There were no shares held nominally at 30 June 2014.

Options holdings

	Balance 1 July 2013	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2014	Total vested at 30 June 2014	Total vested and exercisable at 30 June 2014	Total vested and not exercisable at 30 June 2014
Directors								
Neville Sneddon	-	-	-	-	-	-	-	-
Nicholas Jorss	-	-	-	-	-	-	-	-
Andrew Martin	-	-	-	-	-	-	-	-
Stephen Bizzell	2,000,000	-	-	(2,000,000)	-	-	-	-
Viv Forbes	525,000	-	(525,000)	-	-	-	-	-
Chris McAuliffe	-	-	-	-	-	-	-	-
Senior Management								
Doug McAlpine	1,800,000	693,000	-	-	2,493,000	900,000	900,000	-
Vaughan Wishart*	-	-	-	-	-	-	-	-
Michael McKee	2,000,000	720,000	-	-	2,720,000	1,000,000	1,000,000	-

* Mr Vaughan Wishart ceased to be a member of key management personnel on 1 July 2013, resulting in a nil balance key management personnel holding at 30 June 2014.

REMUNERATION REPORT (AUDITED) (continued)

Performance Rights

	Balance 1 July 2013	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2014	Total vested at 30 June 2013	Total vested and exercisable at 30 June 2014	Total vested and not exercisable at 30 June 2014
Directors								
Neville Sneddon	-	-	-	-	-	-	-	-
Nicholas Jorss	500,000	-	-	-	500,000	-	-	-
Andrew Martin	-	-	-	-	-	-	-	-
Stephen Bizzell	-	-	-	-	-	-	-	-
Viv Forbes	-	-	-	-	-	-	-	-
Chris McAuliffe	-	-	-	-	-	-	-	-
Senior Management								
Doug McAlpine	450,000	-	-	-	450,000	-	-	-
Vaughan Wishart*	400,000	-	-	(400,000)	-	-	-	-
Michael McKee	500,000	-	-	-	500,000	-	-	-

* Mr Vaughan Wishart is not considered to be key management personnel from 1 July 2013, resulting in a nil balance key management personnel performance rights position at 30 June 2014. The net reduction of 400,000 performance rights during the year is not a result of Mr Wishart exercising or forfeiting his performance rights in the Company.

Transactions with Directors and Director-related entities

During the financial year ended 30 June 2014, Bizzell Capital Partners Pty Ltd provided investor relations services to the Consolidated Entity. The services were based on normal commercial terms and conditions. Bizzell Capital Partners Pty Ltd received \$30,271 (GST inclusive) (2013: \$209,941) for these services during the financial year. As at 30 June 2014 the Consolidated Entity had an accounts payable amount of nil (2013: \$10,106) owing to Bizzell Capital Partners Pty Ltd in relation to these services.

There were no other transactions with Directors or Director-related entities during the year ending 30 June 2014.

Loans to Key Management Personnel

There were no loans to Key Management Personnel during the year (2013: none).

End of Remuneration Report

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

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

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

Stanmore Coal Limited has not indemnified or insured its auditor.

OPTIONS & PERFORMANCE RIGHTS

At the date of this report there were 19,511,000 unissued ordinary shares under options, 2,150,000 unissued ordinary shares under performance rights and 13,373,377 unissued ordinary shares under convertibles notes as follows:

- 900,000 unlisted options exercisable at \$1.75, on or before 31 December 2015
- 900,000 unlisted options exercisable at \$2.00, on or before 31 December 2015
- 900,000 unlisted options exercisable at \$2.25, on or before 31 December 2015
- 500,000 unlisted options exercisable at \$2.50, on or before 31 December 2015
- 450,000 unlisted options exercisable at \$1.75, on or before 31 March 2016
- 450,000 unlisted options exercisable at \$2.00, on or before 31 March 2016
- 450,000 unlisted options exercisable at \$2.25, on or before 31 March 2016
- 450,000 unlisted options exercisable at \$2.50, on or before 31 March 2016
- 75,000 unlisted options exercisable at \$0.25 on or before 2 April 2015
- 2,766,000 unlisted options exercisable at \$0.22 on or before 4 September 2015
- 11,670,000 unlisted options exercisable at \$0.518 on or before 27 June 2015
- 13,373,377 unlisted convertible notes which can be converted to ordinary shares not before 27 June 2014
- 2,150,000 unlisted performance rights which vest upon achieving development and production milestones at The Range Project. There is no consideration payable upon vesting.

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

During the year ended 30 June 2014 there were 525,000 fully paid ordinary shares in Stanmore Coal Limited issued as a result of the exercise of options and nil fully paid ordinary shares issued as a result of vesting performance rights.

CHANGES TO CAPITAL STRUCTURE

On 15 August 2013, 50,000 ordinary shares (value \$9,000) were issued to an employee of the Company as part of terms of their employment contract.

On 20 November 2013, 100,000 ordinary shares (value \$16,000) were issued to a landholder as an option payment to extend a land contract entered with the Company in 2011.

On 16 January 2014, 525,000 ordinary shares (value \$79,000) were issued to a Director of the Company as a result of the Director exercising 525,000 options. The options had been provided to the Director during the IPO of the Company in 2009.

On 18 June 2014, 29,806 ordinary shares (value \$2,000) were issued to a consultant pursuant to terms of a consulting contract

At the date of this report, the Consolidated Entity had 209,124,058 ordinary shares, 19,511,000 unlisted options, 13,373,377 convertible notes and 2,150,000 performance rights on issue.

AFTER BALANCE DATE EVENTS

Research & Development Scheme

The Company received a cash refund of \$803k in July 2014. The refund related research and development activities carried out in the financial year ending 30 June 2013 in accordance with the self-assessment scheme administered by Innovation Australia. The amount was recorded as a receivable at balance date.

There have been no other events since 30 June 2014 that impact upon the financial report as at 30 June 2014.

DIVIDENDS PAID OR RECOMMENDED

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

ENVIRONMENTAL ISSUES

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

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

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

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

NON-AUDIT SERVICES

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

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

Tax services	\$13,953
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AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 35.

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 40.

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



Nicholas Jorss
Managing Director

Brisbane
Date: 9 September 2014



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

As lead auditor of Stanmore Coal Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

A handwritten signature in black ink that reads 'Tim Kendall'.

Timothy Kendall

Director

BDO Audit Pty Ltd

Brisbane, 9 September 2014

Shareholder Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 July 2014.

(a) Distribution of equity securities

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

	Ordinary shares		Unlisted options (\$1.75 @ 31/12/15)		Unlisted options (\$2.00 @ 31/12/15)		Unlisted options (\$2.25 @ 31/12/15)	
	Number of holders	Number of shares	Number of holders	Number of holders	Number of holders	Number of options	Number of holders	Number of options
1 – 1,000	152	53,224	-	-	-	-	-	-
1,001 – 5,000	320	975,771	-	-	-	-	-	-
5,001 – 10,000	206	1,609,656	-	-	-	-	-	-
10,001 – 100,000	730	25,886,589	-	-	-	-	-	-
100,001 and over	157	180,598,818	2	900,000	2	900,000	2	900,000
Total	1,565	209,124,058	2	900,000	2	900,000	2	900,000

	Unlisted options (\$2.50 @ 31/12/15)		Unlisted options (\$1.75 @ 31/03/16)		Unlisted options (\$2.00 @ 31/03/16)		Unlisted options (\$2.25 @ 31/03/16)	
	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	-	-	-	-	-	-	-	-
100,001 and over	1	500,000	1	450,000	1	450,000	1	450,000
Total	1	500,000	1	450,000	1	450,000	1	450,000

	Unlisted options (\$2.50 @ 31/03/16)		Unlisted options (\$0.48 @ 30/06/14)		Unlisted options (\$0.25 @ 02/04/15)		Unlisted options (\$0.518 @ 30/06/15)	
	Number of holders	Number of options	Number of holders	Number of holders	Number of holders	Number of holders	Number of holders	Number of options
1 – 1,000	-	-	-	-	-	-	-	-
1,001 – 5,000	-	-	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-	-	-
10,001 – 100,000	-	-	-	-	1	75,000	-	-
100,001 and over	1	450,000	10	1,216,000	-	-	1	11,670,000
Total	1	450,000	10	1,216,000	1	75,000	1	11,670,000

	Convertible Note (\$0.675 @ 27/06/15)		Unlisted Performance Rights	
	Number of holders	Number of notes	Number of holders	Number of rights
1 – 1,000	-	-	-	-
1,001 – 5,000	-	-	-	-
5,001 – 10,000	-	-	-	-
10,001 – 100,000	-	-	-	-
100,001 and over	1	13,373,377	5	2,150,000
Total	1	13,373,377	5	2,150,000

The number of shareholders holding less than a marketable parcel (3,847 ordinary shares) is 374 (580,967 ordinary shares).

(b) Twenty largest holders

The names of the twenty largest holders as at 31 July 2014, in each class of quoted security are:

Ordinary shares:

		Number of shares	% of total shares
1	GREATGROUP INVESTMENTS LTD	40,020,030	19.14
2	ST LUCIA RESOURCES	31,700,270	15.16
3	3RD WAVE INVESTORS LTD	10,739,709	5.14
4	NATIONAL NOMINEES LIMITED	8,729,221	4.17
5	3RD WAVE INVESTORS LTD	6,021,939	2.88
6	BT PORTFOLIO SERVICES LTD <WARRELL HOLDINGS S/F A/C>	3,500,000	1.67
7	NORFOLK ENCHANTS PTY LTD <TROJAN RETIREMENT FUND A/C>	3,000,000	1.43
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,810,771	1.34
9	JH NOMINEES AUSTRALIA PTY LTD <HARRY FAMILY SUPER FUND A/C>	2,768,124	1.32
10	MR VIVIAN FORBES	2,088,270	1.00
11	BIZZELL NOMINEES PTY LTD <BIZZELL FAMILY A/C>	2,003,950	0.96
12	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,909,958	0.91
13	ROOKHARP PTY LTD	1,879,588	0.90
14	KABILA INVESTMENTS PTY LTD	1,768,502	0.85
15	CPS INTERNATIONAL HOLDINGS PTY LTD	1,571,207	0.75
16	GREATGROUP INVESTMENTS LIMITED	1,545,388	0.74
17	CITICORP NOMINEES PTY LIMITED	1,541,974	0.74
18	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,455,420	0.70
19	MRS ELIZABETH ANNE FOGARTY + MISS CAITLYN ELIZABETH FOGARTY <THE FOGARTY FOUNDATION A/C>	1,450,000	0.69
20	CAYTHORPE PTY LTD <STRAUSS FAMILY A/C>	1,300,000	0.62
Total of twenty largest holders		127,804,321	61.11
Total ordinary shares		209,124,058	100.00

Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by Stanmore Coal Limited at 31 July 2014 are:

Name of Shareholder:	Ordinary Shares:
Greatgroup Investments Limited	41,565,418
St Lucia Resources International Pty Ltd	31,700,270
VW & AC Pty Ltd*	31,700,270
Olross Investments Pty Ltd*	31,700,270
Raplon Pty Ltd*	31,700,270
3 rd Wave Investors Limited	21,000,000
Kinetic Investment Partners Pty Ltd	12,887,368

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

(c) Voting rights

All ordinary shares carry one vote per share without restriction.

Options do not carry voting rights.

(d) Restricted securities

There are no restricted securities on issue at 31 July 2014.

Interests in Tenements

Stanmore Coal Limited held the following interests in tenements as at 31 July 2014. All tenements are located in the State of Queensland, Australia.

Tenement	% Interest	Grant Date	Expiry Date
EPC 1112	100	23/03/2007	22/03/2017
EPC 1113	100	23/03/2007	22/03/2017
EPC 1114	100	28/02/2008	27/02/2018
EPC 1168	100	24/10/2007	23/10/2015
EPC 1186	100	12/03/2013	11/03/2018
EPC 1274	100	10/09/2008	09/09/2018
EPC 1276	100	10/09/2008	09/09/2018
EPC 1545*	100	20/05/2009	19/05/2014
EPC 1552	100	20/05/2009	19/05/2017
EPC 1567	100	27/06/2011	26/06/2016
EPC 1580*	100	03/07/2009	02/07/2014
EPC 1627	100	12/08/2011	11/08/2016
EPC 1687	85	28/07/2011	27/07/2016
EPC 1769	100	31/05/2011	30/05/2016
EPC 1804	100	27/06/2011	26/06/2016
EPC 2030	100	12/10/2010	11/10/2015
EPC 2039	100	12/10/2010	11/10/2015
EPC 2081	95	15/10/2010	14/10/2015
EPC 2157	85	21/05/2013	20/05/2018
EPC 2176	100	22/11/2011	21/11/2016
EPC 2371	100	28/07/2011	27/07/2016
MLA 55001	Application	-	-
MLA 55009	Application	-	-
MLA 55010	Application	-	-
MLA 80199	Application	-	-

* renewal application submitted

Corporate Governance Statement

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

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

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

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

Structure of the Board and Director Independence

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

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

Stanmore Coal Limited considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board members. The Directors noted above have been appointed to the Board of Stanmore Coal Limited due to their considerable industry and corporate experience. The Company conducts comprehensive background checks prior to the appointment of any new Director. Formal letters of appointment are in place for all Directors.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Consolidated Entity's expense. Based on the size and complexity of the Company, the Company Secretary has close working relationships with the Board of Directors and the Senior Management Group. In respect of matters relating to the proper functioning of the Board and Corporate Governance, the Company Secretary has direct access to the Chairman.

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

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

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

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

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

Name	Term in office
Neville Sneddon	4 year 11 months
Nicholas Jorss	6 years 3 months
Stephen Bizzell	4 year 11 months
Viv Forbes	4 year 11 months
Chris McAuliffe	2 year 2 months

ASX Principles and Recommendations

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

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

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

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

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

Messrs Bizzell, McAuliffe and Martin (resigned 10 March 2014) are not considered independent Directors and consequently the Committee does not consist of a majority of independent Directors. Whilst the Consolidated Entity does not presently comply with this Recommendation 4.2, it may consider appointing further independent Directors in the future. The Consolidated Entity believes that given the size and scale of its operations, non-compliance by the Consolidated Entity with this Recommendation 4.2 will not be detrimental to the Consolidated Entity.

Audit and Risk Management Committee

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

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

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

- Stephen Bizzell (Chairman)
- Chris McAuliffe

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

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

Remuneration Committee

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

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

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

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

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

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

Nomination Committee

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

Risk Management

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

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

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

In respect of the Company's financial statements and systems of accounting control, the Company's external auditor attends the Company's Annual General Meeting to address questions from shareholders.

Performance Evaluation

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

No formal performance evaluation of the Directors was undertaken during the year ended 30 June 2014.

Remuneration

The Company's remuneration strategy and the details of compensation paid to Directors and Key Management Personnel of the Company for the year ended 30 June 2014 are set out in the Company's Remuneration Report on page 19 to 32.

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

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

Continuous Disclosure

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

Trading Policy

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

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

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

Gender Diversity

At 30 June 2014 the Company has 33% female employees. There are currently no females in the Executive Management Team. No member of the five person Board of Directors is female. Based on the current scale and complexity of the Company's operations there is no set objective to achieve a certain percentage of female employees in the workforce, as the Board does not currently believe that such an initiative would significantly improve the functions currently performed by the Board and Executive Management Team, nor enhance the ability of the Company to deliver on its stated objectives.

Stakeholder Communications

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

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

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$ '000
Revenue and other income	2	749	1,732
Employee benefits expenses		(2,683)	(3,441)
Depreciation and amortisation expenses		(81)	(46)
Finance costs		(524)	(1,284)
Legal expenses		(75)	(701)
Impairment expense	3,15	(7,273)	(787)
Administration and consulting expenses		(730)	(1,359)
Other expenses		(1,247)	(1,317)
Profit/(loss) before income tax expense		(11,864)	(7,203)
Income tax benefit	4	803	2,192
Net profit/(loss) for the year		(11,061)	(5,011)
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss</i>		-	-
<i>Items that may be reclassified to profit or loss</i>		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(11,061)	(5,011)
Profit/(Loss) for the year is attributable to:			
Owners of Stanmore Coal Ltd		(11,061)	(5,011)
Total comprehensive income for the year is attributable to:			
Owners of Stanmore Coal Ltd		(11,061)	(5,011)
Earnings/(loss) per share attributable to the owners of Stanmore Coal Ltd:			
			Cents
Basic earnings/(loss) per share (cents per share)	8	(5.3)	(2.5)
Diluted earnings/(loss) per share (cents per share)	8	(5.3)	(2.5)

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

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	2014 \$ '000	2013 \$ '000
Current Assets			
Cash and cash equivalents	9	17,830	24,360
Restricted Cash	10	333	1,500
Trade and other receivables	11	1,066	500
Other current assets	15	16	1,356
Total Current Assets		19,245	27,716
Non-Current Assets			
Property, plant and equipment	13	2,010	2,073
Exploration and evaluation assets	14a	31,756	30,517
Capitalised development costs	14b	20,974	20,831
Other non-current assets	15	284	8,921
Total Non-Current Assets		55,024	62,342
TOTAL ASSETS		74,269	90,058
Current Liabilities			
Trade and other payables	16	556	1,905
Interest bearing loans and borrowings	17	-	4,040
Total Current Liabilities		556	5,945
Non-Current Liabilities			
Non-interest bearing convertible notes	18	-	9,027
Total Non-Current Liabilities		-	9,027
TOTAL LIABILITIES		556	14,972
NET ASSETS		73,713	75,086
Equity			
Issued capital	19	88,359	88,253
Convertible Note Reserve	22	9,027	-
Option Reserve	20	4,098	3,543
Accumulated Losses	21	(27,771)	(16,710)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF STANMORE COAL LIMITED		73,713	75,086

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 2014

	Issued Capital \$ '000	Convertible Note Reserve \$ '000	Accumulated Losses \$ '000	Option Reserve \$ '000	Total \$ '000
At 1 July 2012	72,398	-	(11,699)	2,331	63,030
Total comprehensive income for the financial year					
Profit/(loss) for the year	-	-	(5,011)	-	(5,011)
Other comprehensive income	-	-	-	-	-
	-	-	(5,011)	-	(5,011)
Transactions with owners in their capacity as owners					
Issue of share capital	15,870	-	-	-	15,870
Costs associated with issue of share capital	(15)	-	-	-	(15)
Share based payments	-	-	-	1,212	1,212
	15,855	-	-	1,212	17,067
At 30 June 2013	88,253	-	(16,710)	3,543	75,086
Total comprehensive income for the financial year					
Profit/(loss) for the year	-	-	(11,061)	-	(11,061)
Other comprehensive income	-	-	-	-	-
	-	-	(11,061)	-	(11,061)
Transactions with owners in their capacity as owners					
Issue of share capital	106	-	-	-	106
Costs associated with issue of share capital	-	-	-	-	-
Reclassification of convertible notes previously disclosed as liabilities	-	9,027	-	-	9,027
Share based payments	-	-	-	555	555
At 30 June 2014	88,359	9,027	(27,771)	4,098	73,713

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 2014

	Note	2014 \$ '000	2013 \$ '000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of GST)		789	1,468
Payments to suppliers and employees (inclusive of GST)		(4,700)	(6,983)
Interest received		672	578
Interest and other finance costs paid		(3)	(99)
Income taxes (paid) / refunded		-	2,192
Net cash (outflow)/inflow from operating activities	27	(3,242)	(2,844)
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(2)	(3)
Payments for exploration, evaluation and development assets		(2,669)	(15,901)
Loans for finance port infrastructure		1,322	(3,146)
Security deposit (payments) / refunds		1,209	(1,057)
Net cash (outflow)/inflow from investing activities		(140)	(20,107)
Cash Flows from Financing Activities			
Proceeds from issue of shares		78	14,342
Proceeds from issue of convertible notes		-	9,027
Capital raising & IPO expenses		-	(15)
Net proceeds from/(repayment of) borrowings		(3,226)	-
Net cash (outflow)/inflow from financing activities		(3,148)	23,354
Net increase/(decrease) in cash held		(6,530)	403
Net cash at beginning of year		24,360	23,957
Net cash at end of year	9	17,830	24,360

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 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Stanmore Coal Limited for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 9 September 2014 and covers the Consolidated Entity consisting of Stanmore Coal Limited and its subsidiaries ("the Group") as required by the Corporations Act 2001.

The financial statements are presented in the Australian currency.

Stanmore Coal Limited is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

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

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

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

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

Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the Consolidated Entity to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding through debt, equity or farm-out, or the successful exploration and subsequent exploitation of the Consolidated Entity's tenements. Should these avenues be delayed or fail to materialise, the Group expects to have the ability to scale back its activities to allow the Group to continue as a going concern and meet its debts as and when they fall due.

Comparatives

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

(a) Principles of Consolidation

The consolidated financial statements comprise the financial statements of Stanmore Coal Limited and its subsidiaries at 30 June each year (the Company or the Group). Subsidiaries are all those entities (including special purpose entities) over which the Group has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed, or has the rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively. Total comprehensive income is attributable to owners of Stanmore Coal Limited and non-controlling interests even if this results in the non-controlling interests having a debit balance.

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

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

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

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

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

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

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

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

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

(c) Revenue Recognition

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

Interest

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

(d) Grants Received

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

(e) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

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

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

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

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

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

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

Tax consolidation

Stanmore Coal Limited and its wholly-owned subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. Stanmore Coal Limited is the head entity in the tax consolidated group. These entities are taxed as a single entity. The stand-alone taxpayer/separate taxpayer within a group approach has been used to allocate current income tax expense and deferred tax expense to wholly-owned subsidiaries that form part of the tax consolidated group. Stanmore Coal Limited has assumed all the current tax liabilities and the deferred tax assets arising from unused tax losses for the tax consolidated group via intercompany receivables and payables because a tax funding arrangement has been in place for the whole financial year. The amounts receivable/payable under tax funding arrangements are due upon notification by the head entity, which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly-owned subsidiaries in order for the head entity to be able to pay tax instalments. These amounts are recognised as current intercompany receivables or payables.

(f) Impairment of Assets

At the end of each reporting period the Consolidated Entity assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(h) Restricted Cash

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

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

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

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

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

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

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

(k) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint venture are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduces the carrying amount of the investment.

(l) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations of the liabilities, relating to the arrangement. The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

(m) Investments and Other Financial Assets

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

Held for Trading

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

Held-to-maturity investments

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(m) Investments and Other Financial Assets***Available-for-sale financial assets*

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

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

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

Loans Receivable

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

Loans & Borrowings

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

Fair Values

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

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

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

(n) Plant and Equipment

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

The cost of fixed assets constructed within the Consolidated Entity includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(n) Plant and Equipment (continued)**

The depreciation rates used for each class of assets are:

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

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

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

(o) Derivative Financial Liabilities

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

(p) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leases assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability

Lease assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating leases payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(q) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

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

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

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

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

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

(r) Intangible Assets / Development Costs

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

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

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

(s) Trade and Other Payables

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

(t) 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.

(u) 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.

(v) Issued Capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

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

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

The fair value of share or options granted to employees and consultants are recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees or consultants become unconditionally entitled to the instruments. For options, fair value is determined by an independent valuer using a Black-Scholes option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Stanmore Coal Limited (market conditions). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the Directors' best estimate of the number of instruments that will ultimately vest because of internal conditions of the instruments, such as the employees having to remain with the Consolidated Entity until vesting date, or such that employees are required to meet internal sales targets. No expense is recognised for instruments that do not ultimately vest because internal conditions were not met. An expense is still recognised for instruments that do not ultimately vest because a market condition was not met.

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

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

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

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

Diluted earnings per share

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

(y) GST

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

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

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

(z) Operating Segments

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

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

A number of new standards, amendments and interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and interpretations, most relevant to the consolidated entity, are set out below:

(i) *AASB 9 Financial Instruments and its consequential amendments*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017. The standard introduces new classification and measurement models for financial assets, using a single approach to determining whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Consolidated Entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

In addition to the above, new and amended standards dealing with Offsetting Financial Assets and Financial Liabilities, Investment Entities and Novation of Derivatives and Continuation of Hedge Accounting have recently been released. These standards are effective from 1 January 2015. The Consolidated Entity does not plan to adopt these standards early nor has the extent of their impact been determined.

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

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

(i) Key estimates – share-based payments

The Consolidated Entity uses estimates to determine the fair value of equity instruments issued to Directors, executives and employees. Further detail of estimates used in determining the value of share-based payments is included in Note 28.

(ii) Key estimates – impairment

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. At the end of the reporting period the Consolidated Entity held several loan receivable amounts with the port developer Wiggins Island Coal Export Terminal. Given the uncertainty around the proposed development of the port and associated participation rights of the Consolidated Entity, the full balance of the loan was assessed as impaired at balance date. The Consolidated Entity holds certain rights which may see a portion of these loans repaid. Further information in relation to these loans is disclosed within Note 25 Contingent Assets.

(iii) Key judgements – exploration & evaluation assets

The Consolidated Entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$31,756k (2012: \$30,517k).

(iv) Key judgements – fair value of development costs

Development costs are capitalised in accordance with the accounting policy in note 1(o). Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a PFS has been completed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generating potential of the Project, discount rates to be applied and the expected period of which cashflows are expected to be received. As at 30 June 2014, the carrying amount of capitalised developments costs was \$20,974k (2013: \$20,831k). This amount relates wholly to The Range Project located in the Surat Basin.

(cc) Parent entity financial information

The financial information for the parent entity, Stanmore Coal Limited, included in note 23, has been prepared on the same basis as the consolidated financial statements, except as follows:

Investments in subsidiaries

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

	Note	2014 \$ '000	2013 \$ '000
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NOTE 2 REVENUE AND OTHER INCOME

Revenue from continuing operations

Interest received

- other persons		721	764
Other income		28	968
Total revenue and other income		749	1,732

NOTE 3 PROFIT/(LOSS)

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

Depreciation

Plant & equipment		81	46
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Finance costs

Interest paid

- external parties		17	305
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Borrowing costs

		507	979
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Provision against carrying value of loan investments in port infrastructure

15		7,273	787
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Share-based payments (shares)	28	53	214
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Share-based payments (options)	28	513	776
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Superannuation expense		128	125
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Minimum lease payments made under operating leases		184	79
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	2014 \$ '000	2013 \$ '000
NOTE 4 INCOME TAX EXPENSE		
Reconciliation		
Current income tax expense	(1,262)	(6,090)
Deferred income tax expense	1,262	5,791
Deferred income tax through equity		119
R&D refund	(803)	(2,192)
Income tax expense/(benefit)	(803)	(2,192)
The prima facie income tax on the loss is reconciled to the income tax expense as follows:		
Prima facie tax benefit (30%) on loss before income tax	(3,559)	(2,160)
Add tax effect of:		
- Permanent differences	157	14
- Deferred tax asset not recognised	3,402	2,146
- R&D refund	(803)	(2,192)
Income tax expense/(benefit)	(803)	(2,192)
Recognised deferred tax assets and liabilities		
Deferred tax assets		
Unused tax losses	15,337	14,826
Deductible temporary differences	486	578
	15,823	15,404
Deferred tax liabilities		
Assessable temporary differences	(15,823)	(15,404)
Deferred tax	-	-
Unrecognised deferred tax assets		
Unused tax losses	20,720	11,817
Deferred tax assets not taken up at 30% (2013: 30%)	6,217	3,545

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test (SBT) must be passed. There is approximately \$6,272k in SBT losses and \$65,571k in COT losses carried forward at 30 June 2014.

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) Total key management personnel compensation**

	2014 \$'000	2013 \$'000
Short-term employee benefits	1,265	1,873
Post-employment benefits	59	66
Termination benefits	-	27
Share-based payments	370	886
	1,694	2,852

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 19 to 32 of this annual report.

NOTE 6 DIVIDENDS & FRANKING CREDITS

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

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

	2014 \$	2013 \$
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NOTE 7 AUDITORS' REMUNERATION**Audit services**

Amounts paid/payable to BDO Audit Pty Ltd for audit or review of the financial statements for the entity or any entity in the Consolidated Entity	49,500	74,500
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Taxation services

Amounts paid/payable to BDO Audit Pty Ltd for non-audit taxation services performed for the entity or any entity in the Consolidated Entity:	21,263	18,625
- Preparation of income tax return		
	70,763	93,125

	2014 \$ '000	2013 \$ '000
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NOTE 8 EARNINGS PER SHARE**Earnings**

Loss attributable to owners of Stanmore Coal Limited used to calculate basic and diluted earnings per share	(11,061)	(5,011)
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	2014 Number '000	2013 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	208,191	197,925
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	208,191	197,925

* options are considered anti-dilutive as the Consolidated Entity is loss making. Options could potentially dilute earnings per share in the future. Refer to the Directors' Report for details of options granted as at 30 June 2014.

	2014	2013
	\$ '000	\$ '000

NOTE 9 CASH & CASH EQUIVALENTS

Cash at bank and in hand	17,830	24,360
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Cash at bank bear floating and fixed interest rates between 1% and 3.75% (2013: 1% and 4.45%).

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	17,830	24,360
Balances per statement of cash flows	17,830	24,360

Cash and cash equivalents of \$17.83 million held at 30 June 2014, includes term deposits of \$13.00 million (2013: 22.00 million). These term deposits are at-call and readily available to be converted to cash without restriction.

NOTE 10 RESTRICTED CASH

Restricted cash	333	1,500
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Restricted cash of \$333k held at 30 June 2014 is an amount held on term deposit to cash-back a bank guarantee. The bank guarantee is provided by National Australia Bank and relates to the Company's commitment to WEXP1 which is expected to be released in September 2014.

NOTE 11 TRADE & OTHER RECEIVABLES**Current**

GST receivable	52	338
Sundry receivables	211	162
R&D tax receivable	803	-
	1,066	500

No receivables balances are past due or impaired at the end of the reporting period. Sundry receivables reflect interest receivable in relation to \$13 million of term deposits held as at 30 June 2014 with various financial institutions. R&D tax receivable reflects the self-assessment refund amount lodged with respect to eligible R&D activities from FY13. The refund was received shortly after year end.

NOTE 12 SUBSIDIARIES

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

Name of entity	Principle Activities	Country of Incorporation	Class of Shares	Percentage Owned (%) [*]	
				2014	2013
Mackenzie Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Comet Coal & Coke Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Belview Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Belview Expansion Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Brown River Project Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Emerald Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
New Cambria Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Kerlong Coking Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Stanmore Surat Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%
Theresa Creek Coal Pty Ltd	Coal exploration	Australia	Ordinary	100%	100%

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

	2014	2013
	\$ '000	\$ '000

NOTE 13 PROPERTY, PLANT & EQUIPMENT**Land**

At cost	1,946	1,930
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Plant and equipment

At cost	14	14
Accumulated depreciation	(6)	(4)
	8	10

Computer equipment

At cost	91	91
Accumulated depreciation	(82)	(62)
	9	29

Furniture and office equipment

At cost	139	137
Accumulated depreciation	(92)	(33)
	47	104

Total plant and equipment	2,010	2,073
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NOTE 13 PROPERTY, PLANT & EQUIPMENT (continued)**Movements in carrying amounts**

2014	Land Deposit	Plant and equipment	Computer equipment	Furniture and office equipment	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance at the beginning of the year	1,930	10	29	104	2,073
Additions	16	-	-	2	18
Depreciation expense	-	(2)	(20)	(59)	(81)
Carrying amount at the end of the year	1,946	8	9	47	2,010

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

	2014 \$ '000	2013 \$ '000
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NOTE 14 (a) EXPLORATION AND EVALUATION EXPENDITURE**Non-Current**

Exploration and evaluation expenditure capitalised

- exploration and evaluation phases	31,756	30,517
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Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation of coal, or alternatively, sale of the respective areas of interest.

Movements in carrying amounts

Balance at the beginning of the year	30,517	19,286
Additions	1,239	11,231
Written-off	-	-
Carrying amount at the end of the year	31,756	30,517

Commitments for exploration and evaluation expenditure are disclosed in Note 22.

	2014 \$ '000	2013 \$ '000
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NOTE 14 (b) CAPITALISED DEVELOPMENT COSTS**Non-Current**

Capitalised development costs	20,974	20,831
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Recoverability of the carrying amount of development assets is dependent on the successful completion of development activities, or alternatively, sale of the respective areas of interest.

Movements in carrying amounts

Balance at the beginning of the year	20,831	15,200
Other additions	143	5,631
Written-off	-	-
Carrying amount at the end of the year	20,974	20,831

NOTE 15 OTHER ASSETS**Current**

Prepaid Insurance	16	11
Prepaid Borrowing Costs	-	492
Debt Service Reserve Account#	-	853
	16	1,356

Non-Current

Loans Receivable ^	-	8,595
Security deposits	284	326
	284	8,921

Movements in carrying amount – Loan Receivable ^

Opening balance	8,595	6,213
Loan payments made / (repayments received)	(1,322)	2,382
Impairment of loan	(7,273)	-
Closing Balance	-	8,595

^ Loans Receivable reflects amounts due from third parties in respect of funding provided for port infrastructure development. During the year the Company impaired the net loan amount based on uncertainty around timing of this potential expansion. The Company has adopted a conservative position and fully impaired the net loan balance (\$7,273k) until there is further clarity around delivery of the future expansion. The Company continues to hold certain rights in relation to potential expansions – refer to Note 25 Contingent Assets.

The Debt Service Reserve account related to the Credit Suisse facility which was prepaid during the year. Refer to Note 17.

NOTE 16 TRADE & OTHER PAYABLES**Current**

Trade and other payables	311	1,084
Sundry payables and accrued expenses	163	785
Employee benefits	82	36
	556	1,905

NOTE 17 INTEREST BEARING LOANS & BORROWINGS

	2014	2013
	\$ '000	\$ '000
Current		
Interest Bearing Loan	-	4,040

On 28 June 2012 the Company entered into a facility with Credit Suisse AG to provide funding support for part of an infrastructure related financing commitments. The facility was repaid in July 2013 and Credit Suisse AG has fully released their secured charge against the assets and undertakings of the Company and its subsidiaries. The amount standing in the Debt Service Reserve Account at the prior period balance date (\$0.8 million) was returned to the Company such that the net cash outflow to prepay the facility was \$3.2 million.

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

Non-Interest Bearing Convertible Notes	-	9,027
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On 27 June 2012 the Company signed a Subscription and Co-Operation Agreement with Greatgroup which included the issuance of 13,373,377 convertible notes at a price of 67.5 cents per note (value \$9,027,029). Consideration for issuance of these notes was received from Greatgroup in October 2012 pursuant to shareholder approval for the conversion features of the notes obtained on 10 October 2012.

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, at balance date the notes are able to be converted into ordinary shares by both the Consolidated Entity and Greatgroup. Although the notes are not yet converted, as both parties are able to enforce conversion prior to maturity 27 June 2015 the notes are likely to be settled as equity and not repaid in cash and consequently have been classified within the Convertible Note Reserve. Refer note 22.

	2014 \$ '000	2013 \$ '000
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NOTE 19 ISSUED CAPITAL

209,124,058 fully paid ordinary shares (2013: 208,419,252)	92,219	92,113
Share issue costs	(3,860)	(3,860)
	88,359	88,253

	2014 Number	2013 Number	2014 \$ '000	2013 \$ '000
(a) Ordinary shares				
At the beginning of the year	208,419,252	179,409,108	88,253	72,398
- 12 October 2012 (1)		292,553		87
- 26 October 2012 (2)		20,791,143		14,034
- 12 November 2012 (3)		5,714,286		1,314
- 12 November 2012 (4)		20,000		5
- 26 November 2012 (5)		1,600,000		309
- 11 March 2013 (6)		592,162		121
- 15 August 2013 (7)	50,000		9	
- 20 November 2013 (8)	100,000		16	
- 16 January 2014 (9)	525,000		79	
- 18 June 2014 (10)	29,806		2	
Share issue costs	-	-	-	(15)
At reporting date	209,124,058	208,419,252	88,359	88,253

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

- (1) On 12 October 2012, 292,553 ordinary shares (value \$87,000) were issued to employees of the Company as part of terms of employment contracts.
- (2) On 26 October 2012, 20,791,143 ordinary shares were issued to Greatgroup Investments Limited pursuant to Shareholder approval obtained at the EGM October 2012. The shares were priced at \$0.675 per security (value \$14,034,021).
- (3) On 12 November 2012, 5,714,286 ordinary shares (value \$1,314,000) were issued to the vendor as consideration for the acquisition of EPC 1186.
- (4) On 12 November 2012, 20,000 ordinary shares (value \$5,000) were issued pursuant to terms of employment contracts.
- (5) On 26 November, 29 November and 7 December 2012, a total of 1,600,000 employee options were exercised (value \$308,800 with a strike price of 19.3 cents, resulting in 1,600,000 ordinary shares being issued. 4,750,000 options (with strike price of 19.3 cents) not exercised expired on 9 December 2012.
- (6) On 11 March 2013, 592,162 ordinary shares (value \$121,000) were issued to employees of the Company as part of the STI payment for the year ending 31 December 2012 and pursuant to Shareholder approval obtained at the EGM October 2012.
- (7) On 15 August 2013, 50,000 ordinary shares (value \$9,000) were issued to an employee of the Company as part of terms of their employment contract.
- (8) On 20 November 2013, 100,000 ordinary shares (value \$16,000) were issued to a landholder as an option payment to extend a land contract entered with the Company in 2011.
- (9) On 16 January 2014, 525,000 ordinary shares (value \$79,000) were issued to a Director of the Company as a result of the Director exercising 525,000 options. The options had been provided to the Director during the IPO of the Company in 2009.
- (10) On 18 June 2014, 29,806 ordinary shares (value \$2,000) were issued to a consultant pursuant to terms of a consulting contract

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

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

(b) Options & Performance Rights

For information relating to the Stanmore Coal Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end refer to the Remuneration Report which is contained within the Directors' Report.

For information relating to the Stanmore Coal Limited performance rights, including details of rights issued, exercised and lapsed during the financial year and the performance rights outstanding at year-end refer to the Remuneration Report which is contained within the Directors' Report.

NOTE 19 ISSUED CAPITAL (continued)

All options on issue at 30 June 2014 were as follows:

Number of options	Exercise price	Expiry date
75,000	\$0.25	2 April 2015
900,000	\$1.75	31 December 2015
900,000	\$2.00	31 December 2015
900,000	\$2.25	31 December 2015
500,000	\$2.50	31 December 2015
450,000	\$1.75	31 March 2016
450,000	\$2.00	31 March 2016
450,000	\$2.25	31 March 2016
450,000	\$2.50	31 March 2016
11,670,000	\$0.518	27 June 2015
2,766,000	\$0.22	4 September 2017
19,511,000		

(c) Capital Management

The capital of the Consolidated Entity is managed in order to provide capital growth to shareholders and ensure the Consolidated Entity can fund its operations and continue as a going concern.

The Consolidated Entity's capital comprises equity as shown in the Statement of Financial Position. There are no externally imposed capital requirements.

Management manages the Consolidated Entity's capital by assessing the Consolidated Entity's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of share issues and debt.

There have been no changes in the strategy adopted by management to control the capital of the Consolidated Entity since the prior year other than the need to limit dilution arising from our issuances of capital at low share prices.

	2014 \$ '000	2013 \$ '000
NOTE 20 RESERVES		
Option Reserve – capital raising	286	286
Option Reserve – Director, executive and employee options	3,376	2,821
Option Reserve – other options	436	436
	4,098	3,543

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.

	2014	2013
	\$ '000	\$ '000

NOTE 21 ACCUMULATED LOSSES

Accumulated losses attributable to members of Stanmore Coal Limited at beginning of the financial year	(16,710)	(11,699)
Losses after income tax	(11,061)	(5,011)
Accumulated losses attributable to members of Stanmore Coal Limited at the end of the financial year	(27,771)	(16,710)

NOTE 22 CONVERTIBLE NOTE RESERVE

Convertible Note		
Greatgroup Investments	9,027	-

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. The notes are mandatorily redeemable in cash should neither party trigger conversion prior to 27 June 2015. Consequently, at balance date the notes are able to be converted into ordinary shares by both the Consolidated Entity and Greatgroup. Although the notes are not yet converted, the notes are considered to be equity given the Consolidated Entity has an unconditional right to avoid delivering cash to settle the contractual obligation.

NOTE 23 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	2014 \$ '000	2013 \$ '000
Current assets	49,656	66,009
Non-current assets	24,682	23,412
Total assets	74,338	89,421
Current liabilities	473	5,338
Non-current liabilities	83	9,027
Total liabilities	556	14,365
Net assets	73,782	75,056
Issued capital	88,360	88,253
Convertible Note Reserve	9,027	88,253
Reserves	4,098	3,539
Accumulated losses	(27,703)	(16,736)
Total shareholder's equity	73,782	75,056
Profit / (loss) for the year	(11,061)	(5,196)
Total comprehensive income for the year	(11,061)	(5,196)

Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries (2013: \$nil).

Contingent liabilities

The parent entity has no contingent liabilities.

Capital Commitments

The parent entity has no capital commitments.

	2014	2013
	\$ '000	\$ '000

NOTE 24 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	5,250	2,322
- between 12 months and 5 years	5,587	7,829
- greater than 5 years	-	-
	10,837	10,151

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

(b) Operating leases

The commitments to be undertaken are as follows:

Payable

- not later than 12 months	143	26
- between 12 months and 5 years	371	-
- greater than 5 years	-	-
	514	26

The Consolidated Entity has an operating lease commitment in relation to the lease of commercial office premises. The lease commenced on 1 December 2013 for a term of 4 years. The economic entity has provided a bank guarantee of \$68,153 as a security bond on the premises.

(c) Capital commitments

The commitments to be undertaken are as follows:

Payable

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

Land Acquisitions

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

A completion payment of \$3,100,000 in cash is due the earlier of 30 days after the Mining Lease is granted by the Department of Mines and Energy or 29 November 2014. The Company is in the process of negotiating an extension to the completion payment date.

NOTE 25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS*Contingent Asset – WICET Loan*

During the financial year the Company impaired the full balance of the loan provided to third party infrastructure providers. The loan related to the WEXP1 project in Gladstone and the Company's participation in the Capacity Commitment Deed (CCD) which provided certain future access rights in return for a funding commitment from the Company. The Company provided \$8 million in loans which were used to fund studies and complete initial dredging activities in respect of a future expansion to the port site. The CCD expired after balance date on 31 August 2014. The Company retains only those rights which relate to recoupment of loaned amounts as a result of a future port expansion, which may or may not occur. Based on a range of factors, a new expansion proponent who achieves financial close prior to 31 December 2020 will be required to reimburse the Company for a portion of the loaned amount which, in the opinion of an expert, provides a benefit to the proponents of that expansion. Until the timing of that future financing event is known, it is difficult to reliably estimate what portion of the Company's \$8 million loan would be repaid.

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

NOTE 26 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.

	2014 \$ '000	2013 \$ '000
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NOTE 27 CASH FLOW INFORMATION**(a) Reconciliation of profit/(loss) after income tax to net cash flow from operating activities**

Loss for the year	(11,061)	(5,011)
Depreciation	81	46
Revaluation of derivatives	-	(964)
Impairment of loans to secure infrastructure capacity	7,273	787
Borrowing Costs	-	979
Share-based payments expense	566	990
Change in operating assets and liabilities:		
- (Increase)/Decrease in trade and other receivables	(566)	300
- (Increase)/Decrease in other assets	526	44
- Increase/(Decrease) in trade and other payables	(61)	(15)
Net cash flow from operating activities	(3,242)	(2,844)

(b) Non-cash investing activities

During the year ended 30 June 2014, 100,000 shares (value \$16,000) were issued as an option payment to extend an agreement to purchase land acquisition at The Range (2013: 5,714,286 ordinary shares (value \$1,314,000) were issued to the vendor as consideration for the acquisition of EPC 1186).

NOTE 28 SHARE-BASED PAYMENTS

The following share based payment arrangements existed at 30 June 2014.

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

During the year ended 30 June 2014 the following options were issued to employees and consultants of the Consolidated Entity:

- 2,766,000 unlisted options exercisable at \$0.22, on or before 4 September 2015 (vesting 4 September 2017)

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

	2014		2013	
	No. of options	Weighted average exercise price \$	No. of options	Weighted average exercise price \$
Outstanding at beginning of year	8,116,000	1.43	13,400,000	0.94
Granted	2,766,000	0.22	1,431,000	0.47
Forfeited	-	-	(365,000)	1.20
Exercised	(525,000)	0.15	(1,600,000)	0.19
Expired	(1,516,000)	0.56	(4,750,000)	0.19
Outstanding at year-end	8,841,000	1.42	8,116,000	1.43
Exercisable at year-end	3,275,000	1.89	3,675,000	1.06

NOTE 28 SHARE-BASED PAYMENTS (continued)**(a) Share-based payments to Directors, executives and employees (continued)**

The options exercisable at 30 June 2014 had a weighted average exercise price of \$1.89 (2013: \$1.06) and weighted average remaining contractual life of 1.55 years (2013: 1.5 years). Exercise prices range from \$0.24 to \$2.50 in respect of options outstanding at 30 June 2014 (2013: \$0.15 to \$2.50).

In the year ending 30 June 2014, 525,000 options were exercised at a price of \$0.15, with a weighted average exercise price of options exercised of \$0.15. (2012: 1,600,000 options exercised at a price of \$0.19)

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

The weighted average fair value of the options granted during the year ended 30 June 2014 was \$0.07 (2013: \$0.10). This price was calculated by using a Black-Scholes options pricing model applying the following inputs:

	2014	2013
Weighted average exercise price	\$0.22	\$0.47
Weighted average life of the option	4.00 years	1.73 years
Weighted average share price	\$0.18	\$0.29
Weighted average expected share price volatility	58.36%	58.36%
Weighted average risk free interest rate	3.81%	3.81%

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 2014, 525,000 ordinary shares (2013: 1,600,000) in Stanmore Coal Limited were issued as a result of the exercise of options. The amount paid for the exercise of options into shares was \$78,750 (2013: \$308,800).

During the year ended 30 June 2014, no shares were granted to key management personnel as share-based payments due to the suspension of the STI scheme.

During the year ended 30 June 2014, no performance rights were granted to key management personnel as share-based payments.

During the year ended 30 June 2014, 50,000 shares (value \$9,000) were issued to an employee as part of terms of their employment contract.

NOTE 28 SHARE-BASED PAYMENTS (continued)**(a) Share-based payments to Directors, executives and employees (continued)**

The amount included in the statement of Profit or Loss and Comprehensive Income is as follows:

	2014 \$ '000	2013 \$ '000
Employee benefits expense	513	956
Administration and consulting expense	53	34
	566	990

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

	2014 \$ '000	2013 \$ '000
Property plant & equipment	16	-
Share capital	(27)	(214)
Option reserve	(555)	(776)
	(566)	(990)

(b) Other share-based payments

During the year ended 30 June 2014, \$16k was recognised as a share based payment expense in relation to shares issued to a landholder as compensation. Another amount for \$2k was recognised as a share based payment expense in relation to shares issued to an adviser to the Company as compensation. There were no other share based payments made by the Company (2013:\$436k expense on recognition of the value of options issued to Credit Suisse, AG).

NOTE 29 EVENTS AFTER BALANCE DATE**Research & Development Scheme**

The Company received a cash refund of \$803k in July 2014. The refund related research and development activities carried out in the financial year ending 30 June 2013 in accordance with the self-assessment scheme administered by Innovation Australia. The amount was recorded as a receivable at balance date.

There have been no other events since 30 June 2014 that impact upon the financial report as at 30 June 2014.

NOTE 30 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Parent entity

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

(b) Subsidiaries

Interests in subsidiaries are disclosed in Note 12.

(c) Key management personnel

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

NOTE 31 FINANCIAL RISK MANAGEMENT**(a) General objectives, policies and processes**

In common with all other businesses, the Consolidated Entity is exposed to risks that arise from its use of financial instruments. This note describes the Consolidated Entity's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Consolidated Entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

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

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

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

(b) Credit Risk

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

NOTE 31 FINANCIAL RISK MANAGEMENT (continued)**(b) Credit Risk (continued)**

The Consolidated Entity's maximum exposure to credit risk at the end of the reporting period, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset at reporting date, is as follows:

Note	2014 \$ '000	2013 \$ '000
Cash and cash equivalents	17,830	24,360
Restricted cash	333	1,500
Receivables	1,066	500
Security deposits and debt service reserve	284	1,682
Loans receivable	-	8,595
	19,513	36,637

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

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

(c) Liquidity Risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due. The object of managing liquidity risk is to ensure, as far as possible, that the Consolidated Entity will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions. Liquidity risk is reviewed regularly by the Board and the audit committee.

NOTE 31 FINANCIAL RISK MANAGEMENT (continued)**(c) Liquidity Risk (continued)**

The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The Consolidated Entity's working capital, being current assets less current liabilities has decreased from \$21.771 million in 2013 to \$18.773 million in 2014. As outlined Note 1, the ability for the Company to deliver on its strategic objectives is dependent upon the ability to secure necessary funding through debt, equity or farm-out, or the successful exploration and subsequent exploitation of the Consolidated Entity's tenements. Should these avenues be delayed or fail to materialize, the Group has the ability to scale back its activities to allow the Group to continue as a going concern and meet its debts as and when they fall due.

	Carrying Amount \$ '000	Contractual Cash flows \$ '000	<6 months \$ '000	6 – 12 months \$ '000	1 – 3 years \$ '000	>3 years \$ '000
MATURITY ANALYSIS – CONSOLIDATED – 2014						
Financial Liabilities						
- Trade payables	311	311	311	-	-	-
- Other payables	163	163	163	-	-	-
- Interest Bearing Loan	-	-	-	-	-	-
- Non-interest bearing convertible notes	-	-	-	-	-	-
	474	474	474	-	-	-

	Carrying Amount \$ '000	Contractual Cash flows \$ '000	<6 months \$ '000	6 – 12 months \$ '000	1 – 3 years \$ '000	>3 years \$ '000
MATURITY ANALYSIS – CONSOLIDATED – 2013						
Financial Liabilities						
- Trade payables	1,084	1,084	1,084	-	-	-
- Other payables	821	821	821	-	-	-
- Interest Bearing Loan	4,040	4,040	4,040	-	-	-
- Non-interest bearing convertible notes	9,027	-	-	-	-	-
	14,972	5,945	5,945	-	-	-

Further information regarding commitments is included in Note 24.

(d) Market Risk

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

Interest rate risk

Interest rate risk arises principally from cash and cash equivalents. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

NOTE 31 FINANCIAL RISK MANAGEMENT (continued)**(d) Market Risk (continued)**

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
	2014 \$ '000	2014 \$ '000	2014 \$ '000	2014 \$ '000	2014 %
<i>Financial assets</i>					
Cash and cash equivalents	3,663	14,167	-	17,830	3.98
Restricted cash	-	333	-	333	3.93
Receivables	-	-	1,066	1,066	-
Security deposits, debt service reserve and prepayment	-	-	284	284	-
Loan receivables	-	-	-	-	-
Total financial assets	3,663	14,500	1,350	19,513	
<i>Financial liabilities</i>					
Trade payables	-	-	311	311	-
Other payables	-	-	163	163	-
Interest bearing loan	-	-	-	-	-
Total financial liabilities	-	-	474	474	

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

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

At 30 June 2014 the effect on profit and equity as a result of changes in the interest rate would be as follows:

	Carrying Amount	Increase in interest rate by 1%		Decrease in interest rate by 1%	
		Profit	Other comprehensive income	Profit	Other comprehensive income
	\$ '000	\$ '000	\$ '000	\$ '000	\$
2014					
Cash and cash equivalents	17,830	178	-	(178)	-
Restricted cash	333	3	-	(3)	-
Security deposits	284	3	-	(3)	-
Loans receivable	-	-	-	-	-
Interest bearing loan	-	-	-	-	-
Tax charge of 30%		-	-	-	-
After tax increase/ (decrease)		184	-	(184)	-

The above analysis assumes all other variables remain constant.

2013

Cash and cash equivalents	24,360	240	-	(240)	-
Restricted cash	1,500	15	-	(15)	-
Security deposits	853	9	-	(9)	-
Loans receivable	8,595	86	-	(86)	-
Interest bearing loan	(4,040)	(40)	-	40	-
Tax charge of 30%	-	-	-	-	-
After tax increase/ (decrease)	-	310	-	(310)	-

The above analysis assumes all other variables remain constant.

(e) Fair Values

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

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

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

NOTE 31 FINANCIAL RISK MANAGEMENT (continued)**(e) Market Risk (continued)***Fair value (continued)*

There were no assets or liabilities measured and recognised at fair value at 30 June 2013 and 2014.

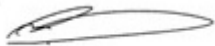
The fair values of all remaining financial assets and financial liabilities approximate their carrying value.

Declaration by Directors

The Directors of the Consolidated Entity declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the year ended on that date.
2. The Consolidated Entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in pages 19 to 32 of the Directors' report (as part of audited Remuneration Report) for the year ended 30 June 2014, comply with section 300A of the *Corporations Act 2001*.
5. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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



Nicholas Jorss
Managing Director

Brisbane
Date: 9 September 2014



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INDEPENDENT AUDITOR'S REPORT

To the members of Stanmore Coal Limited

Report on the Financial Report

We have audited the accompanying financial report of Stanmore Coal Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

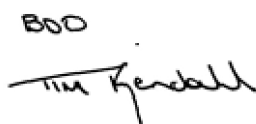
- (a) the financial report of Stanmore Coal Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 32 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Stanmore Coal Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty LtdThe image shows a handwritten signature in black ink. Above the signature, the letters 'BDO' are written in a simple, blocky font. The signature itself is a cursive-style name that appears to read 'Tim Kendall'.**Timothy Kendall**

Director

Brisbane, 9 September 2014