

# Stanmore Coal Limited

ABN 27 131 920 968

## Notice of annual general meeting & explanatory memorandum

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Meeting information:

Date: Wednesday, 25 October 2017

Time: 10.00am (Brisbane time)

Place: Pullman & Mercure Brisbane King George Square, Corner Ann &  
Roma Streets, Brisbane Qld 4000

This document contains important information regarding the Annual General Meeting of Stanmore Coal Limited and should be read in its entirety. If you are in doubt as to how you should vote at the Annual General Meeting, you should seek advice from your accountant, solicitor or other professional adviser without delay.

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# Chairman's letter

Dear Shareholder

The Annual General Meeting (**AGM**) of Stanmore Coal Limited (**Company**) will take place on Wednesday 25 October 2017 at the Pullman & Mercure Brisbane King George Square, Corner Ann & Roma Street, Brisbane commencing at 10:00am. A copy of the notice of meeting is attached.

There are a number of items on the agenda for this year's AGM. We will consider:

- ? Our financial and statutory reports for 2017
- ? The re-election of Mr Chris McAuliffe to the Board of Directors
- ? The re-election of Mr Patrick O'Connor to the Board of Directors
- ? The election of Mr Stewart Butel to the Board of Directors
- ? The election of Mr Neal O'Connor to the Board of Directors
- ? The further approval of FY17 performance rights to be issued to the Managing Director, Mr Dan Clifford
- ? The approval of FY18 performance rights to be issued to the Managing Director, Mr Dan Clifford

You will also be asked to cast a non-binding vote in respect of the adoption of the Remuneration Report for 2017.

All resolutions are explained in more detail in the Notice of Meeting and the Explanatory Memorandum enclosed with this letter.

I look forward to welcoming you to the AGM and providing you with a progress report on the Company and particularly the Isaac Plains Complex. I would encourage you to cast your vote on these important agenda items, however if you are unable to attend in person, you are able to vote by either appointing a proxy to attend and vote on your behalf, or by lodging your vote online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). We also encourage you to submit any questions you have in advance of the meeting.

Yours sincerely

**Neville Sneddon**  
Chairman

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# Notice of Annual General Meeting

## Stanmore Coal Limited

Notice is given that the Annual General Meeting of Shareholders of Stanmore Coal Limited ABN 27 131 920 968 (**Company**) will be held at Pullman & Mercure Brisbane King George Square, Corner Ann & Roma Streets, Brisbane Qld 4000, on Wednesday 25 October 2017 commencing at 10.00am (Brisbane time).

### ORDINARY BUSINESS

#### Financial Reports

To receive and consider the Company's Annual Report comprising the Directors' report and auditors' report, Directors' declaration, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to and forming part of the financial statements for the Company and its controlled entities for the financial year ended 30 June 2017.

#### Resolution 1: Re-election of Mr Chris McAuliffe as a Non-Executive Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That Mr Chris McAuliffe, who retires in accordance with rules 38.1 and 38.6 of the Constitution and, being eligible, offers himself for re-election, be re-elected as a Non-Executive Director."*

#### Resolution 2: Re-election of Mr Patrick O'Connor as a Non-Executive Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That Mr Patrick O'Connor, who retires in accordance with rules 38.1 and 38.6 of the Constitution and, being eligible, offers himself for re-election, be re-elected as a Non-Executive Director."*

#### Resolution 3: Election of Mr Stewart Butel as a Non-Executive Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That Mr Stewart Butel, who retires as a casual director in accordance with rule 38.1 of the Constitution and, being eligible, offers himself for election, be elected as a Non-Executive Director."*

#### Resolution 4: Election of Mr Neal O'Connor as a Non-Executive Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That Mr Neal O'Connor, who retires as a casual director in accordance with rule 38.1 of the Constitution and, being eligible, offers himself for election, be elected as a Non-Executive Director."*

#### Resolution 5: Adoption of Remuneration Report

To consider and, if thought fit, pass the following advisory resolution:

*"That the Remuneration Report for the year ended 30 June 2017 (as set out in the Directors' Report) be adopted."*

**Note:** The vote on Resolution 5 is advisory only and does not bind the Directors or the Company.

## **SPECIAL BUSINESS**

### **Resolution 6: Further Approval of Grant of FY17 Rights to Mr Dan Clifford, Managing Director**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*“That, for the purposes of Listing Rule 10.14 and for all other purposes, the issue of 531,497 Rights under the SCLRP to the Managing Director, Mr Dan Clifford (which relate to FY17 and were approved by Shareholders at last year’s Annual General Meeting but, due to an administrative oversight, were not issued), on the terms and conditions described in the Explanatory Memorandum, be approved.”*

### **Resolution 7: Grant of FY18 Rights to Mr Dan Clifford, Managing Director**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*“That, for the purposes of Listing Rule 10.14 and for all other purposes, the issue of 1,105,020 Rights under the SCLRP to the Managing Director, Mr Dan Clifford (which relate to FY18) on the terms and conditions described in the Explanatory Memorandum, be approved.”*

## **VOTING EXCLUSION STATEMENT**

The resolutions above are subject to the following voting exclusions.

### **Resolution 5 (Adoption of Remuneration Report)**

The Company will disregard any votes cast on **Resolution 5** by:

- any member of Key Management Personnel whose details are included in the Remuneration Report and any Closely Related Party of such a member; and
- any member of Key Management Personnel, and any Closely Related Party of such a member, who is appointed as an **undirected proxy** for a person who is entitled to vote.

### **Resolution 6 (Further Approval of Grant of FY17 Rights to Mr Dan Clifford, Managing Director)**

The Company will disregard any votes cast on **Resolution 6** by:

- any member of Key Management Personnel, and any Closely Related Party of such a member, who is appointed as an **undirected proxy** for a person who is entitled to vote; and
- Mr Dan Clifford (being the only Director eligible to participate in the SCLRP) and any of his associates.

### **Resolution 7 (Grant of FY18 Rights to Mr Dan Clifford, Managing Director)**

The Company will disregard any votes cast on **Resolution 7** by:

- any member of Key Management Personnel, and any Closely Related Party of such a member, who is appointed as an **undirected proxy** for a person who is entitled to vote; and
- Mr Dan Clifford (being the only Director eligible to participate in the SCLRP) and any of his associates.

### **Exceptions to voting exclusions**

However, the Company will not disregard a vote in respect of any of the above resolutions if it is:

- cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form (ie a directed proxy); or
- cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides (even if the resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel).

**Please refer below to the important information about the appointment of proxies in relation to the above resolutions.**

To consider any other business as may be lawfully put forward in accordance with the Constitution.

Specific comments relating to the resolutions are set out in the Explanatory Memorandum.

**By order of the Board**

**Ian Poole**  
Company Secretary

Date: 19 September 2017

# Voting information

## How to vote

You may vote by:

- attending the Meeting and voting in person; or
- by appointing a proxy or authorised corporate representative to vote on your behalf at the Meeting.

## Voting in person

To vote in person, attend the Meeting on the date and at the time set out in the Notice. The Meeting will commence at 10.00am (Brisbane time).

## Voting by proxy

A Shareholder who is entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy. A form of appointment of proxy is enclosed with this Notice.

The proxy need not be a Shareholder of the Company. A Shareholder who is entitled to cast two or more votes may appoint two proxies and make specified a proportion or number of votes each proxy is appointed to exercise. If the appointment does not specify a percentage or number and two proxies are appointed, each may exercise half of the votes to which that Shareholder is entitled (in which case any fractional votes will be disregarded).

All proxy forms will need to be lodged with the Company no later than 48 hours before commencement of the Meeting (ie lodged by 10.00am (Brisbane time) on 23 October 2017). Any proxy form received after the time will not be valid for the Meeting.

If you wish to appoint a proxy and are entitled to do so, then complete the enclosed proxy form in accordance with the instructions on it and return it to the Company's share registry by the deadline for lodgement as follows:

- by using a replied paid envelope enclosed with this Notice;
- by posting the proxy form to:  
**Stanmore Coal Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South, NSW 1235  
Australia**

- by hand delivery to:  
**Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes, NSW 2138**

or

**Link Market Services  
Level 12, 680 George Street  
Sydney, NSW 2000**

- by faxing the proxy form to:  
**Link Market Services  
+61 2 9287 0309**

Shareholders can also vote online at:

[www.investorcentre.linkmarketservices.com.au](http://www.investorcentre.linkmarketservices.com.au)

Shareholders can login to the Link Market Services website using the details as shown on the proxy form, select 'Voting' and follow the prompts to lodge their vote. To use the online voting facility, Shareholders will need their Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form.

Proxies given by corporate Shareholders must be executed in accordance with their constitutions, or signed by a duly authorised attorney.

A proxy may decide whether to vote on any motion, except where the proxy is required by law or the company's constitution to vote, abstained from voting, in their capacity as proxy. If a proxy is directed how to vote on a Resolution, the proxy may vote on that item only in accordance with that direction. Any directed proxies which are not voted on a poll will automatically default to the chair of the Meeting, who must vote the proxies as directed. If a proxy is not directed how to vote on a Resolution, a proxy may vote as they think fit. If a Shareholder appoints the chair of the Meeting as a Shareholder's proxy and does not specify how the chair is to vote on a Resolution, the chair will vote, as proxy for that Shareholder, in favour of the Resolution.

## Voting by corporate representatives

A corporate Shareholder wishing to appoint a person to act as its representative at the Meeting must provide that person with an authority executed in accordance with the



company's constitution and the Corporations Act authorising him or her to act as a corporate representative. The authority must be sent to the Company or its share registry in advance of the Meeting or be handed in at the Meeting when registering as a corporate representative.

### **Right to vote**

The Board has determined that, for the purposes of the Meeting, Shares will be taken to be held by the persons who were the registered holders of those Shares at 7.00pm (Sydney time) on 23 October 2017.

Accordingly, the Share transfers registered after the time will be disregarded in determining entitlements to attend and vote at the Meeting.

### **Shareholder questions and comments**

The chair of the Meeting will provide Shareholders with an opportunity at the meeting to ask questions and make comments.

# Explanatory Memorandum

## Stanmore Coal Limited

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting of the Company to be held at Pullman & Mercure Brisbane King George Square, Corner Ann & Roma Streets, Brisbane Qld 4000 on Wednesday, 25 October 2017 commencing at 10.00am (Brisbane time).

The purpose of this Explanatory Memorandum is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions set out in the Notice. The Directors recommend Shareholders read the accompanying Notice and this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

This Explanatory Memorandum forms part of and should be read in conjunction with the accompanying Notice. A number of words and terms used in this Explanatory Memorandum have defined meanings, which are set out in the glossary at the end of this document.

### ORDINARY BUSINESS

#### Financial Reports

The Corporations Act requires the financial report, the Directors' report and the auditor's report to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or in the Constitution for Shareholders to approve the financial report, the Directors' report or the auditor's report. The Company's Annual Report is placed before the Shareholders for discussion. No voting is required for this item.

Shareholders will be given a reasonable opportunity to ask questions of a representative of the Company's auditor, BDO Audit Pty Ltd, in relation to the conduct of the audit.

Shareholders may submit a written question for the auditor before the Meeting regarding the content of the auditor's report or the conduct of the audit in relation to the financial report. All questions must be sent to the Company Secretary who will then forward the questions to the auditor.

Written questions must be submitted by 5.00pm (Brisbane time) on Wednesday 18 October 2017 to:

#### By post

Mr Ian Poole  
Company Secretary  
Stanmore Coal Limited  
GPO Box 2602  
Brisbane QLD 4001

#### By email

ian.poole@stanmorecoal.com.au

#### Resolution 1: Re-election of Mr Chris McAuliffe as a Non-Executive Director

In accordance with rules 38.1 and 38.6 of the Constitution, Mr Chris McAuliffe, a Non-Executive Director, will retire at the Annual General Meeting and being eligible, has offered himself for re-election.

Mr McAuliffe commenced as a Non-Executive Director on 17 July 2012. He is a nominee director of Greatgroup Investments Limited, a shareholder of the Company. He is co-founder and Managing Director of Sprint Capital, the Hong Kong based private equity investment management group. Mr McAuliffe has more than 20 years' experience in private equity and investment banking and has significant relationships across Asia. Prior to co-founding Sprint Capital in 2008, Mr McAuliffe was a Managing Director and co-head of Asia Pacific Industrials Group at Citigroup in Hong Kong. Before this, he was a Managing Director and head of Asia Industrials and Services Group at Credit Suisse in Singapore.

During the past three years Mr McAuliffe 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.

Mr McAuliffe is a member of the Company's Remuneration & Nomination Committee and the Audit & Risk Management Committee.

The Directors have formed the view that Mr McAuliffe is not an independent Director, as a consequence of him having a business relationship with Greatgroup Limited, a substantial shareholder of the Company.

*Directors' recommendation*

The Directors (other than Mr McAuliffe) recommend that you vote in favour of Resolution 1.

**Resolution 2: Re-election of Mr Patrick O'Connor as a Non-Executive Director**

In accordance with rules 38.1 and 38.6 of the Constitution, Mr Patrick O'Connor, a Non-Executive Director, will retire at the Annual General Meeting and being eligible, has offered himself for re-election.

Mr O'Connor has served as a Non-Executive Director on the Board since 1 October 2014.

Mr O'Connor is an experienced non-executive in a wide range of industries including mining, oil & gas exploration, forestry, biotechnology, and government utility across several international jurisdictions (Australia, Africa, United Kingdom, USA and New Zealand).

During the past three years Mr Patrick O'Connor has also served as a director of the following listed companies:

- Buccaneer Energy Limited.
- Optiscan Imaging Limited
- Tech Mpire Limited
- TFS Corporation Limited

He is no longer holds these directorships.

Patrick is Chairman of the Health, Safety, Environment and Community Committee and a member of the Audit Risk & Management Committee and the Remuneration & Nomination Committee.

The Directors have formed the view that Mr O'Connor is not an independent Director, as a consequence of him having a business relationship with 3<sup>rd</sup> Wave Investments Limited, a substantial shareholder of the Company.

*Directors' recommendation*

The Directors (other than Mr Patrick O'Connor) recommend that you vote in favour of Resolution 2.

**Resolution 3: Election of Mr Stewart Butel as a Non-Executive Director**

Rule 36.2 of the Constitution requires that any Director appointed to the Board under Rule 36.1 of the Constitution, either to fill a casual vacancy or as an addition to the Board, must retire at the next Annual General Meeting following his or her appointment, but is eligible for election at the Annual General Meeting.

Mr Butel was appointed by the Directors on 18 September 2017 to fill a casual vacancy and now retires in accordance with the Constitution. Being eligible, he offers himself for election as a Director.

Mr Butel has more than 40 years of experience in operational management and board roles in the resources industry in New South Wales, Queensland and Western Australia. He joined Wesfarmers Limited in 2000 as Managing Director of the Curragh mine, and was Managing Director of Wesfarmers Resources between 2006 and 2016.

Mr Butel holds a Bachelor of Science (Geology) and qualifications in business and mining. He has completed the Breakthrough Program for Senior Executives at IMD Business School in Switzerland and the Advanced Management Program at Harvard Business School. He is a past director of a number of Wesfarmers subsidiaries, and Duet Company and Duet Investment Holdings. He is immediate past President of Queensland Resources Council and has held directorships of a number of resources industry bodies including Minerals Council of Australia, Chamber of Mines and Energy WA, Australian Coal Association and its low emissions technology fund, ACALET.

*Directors' recommendation*

The Directors consider that Mr Butel will, if elected, qualify as an Independent Non-Executive Director.

The Directors (other than Mr Butel) recommend that you vote in favour of Resolution 3.

**Resolution 4: Election of Mr Neal O'Connor as a Non-Executive Director**

As outlined above, rule 36.2 of the Constitution requires that any Director appointed to the Board under Rule 36.1 of the Constitution, either to fill a casual vacancy or as an addition to the Board, must retire at the next Annual General Meeting following his or her appointment, but is eligible for re-election at the Annual General Meeting.

Mr O'Connor was appointed by the Directors on 18 September 2017 to fill a casual vacancy and now retires in accordance with the Constitution. Being eligible, he offers himself for election as a Director.

Mr O'Connor has 30 years of legal experience in private practice in Australia and the United Kingdom, and within the resources industry. He was Company Secretary and General Counsel of the global copper business unit of Xstrata plc between 2003 and 2013, prior to which he was the General Manager Legal at MIM Holdings. He is currently a non-executive director of Mitchell Services (ASX: MSV) and Dingo Software.

Mr O'Connor holds Bachelor of Laws and Diploma of Legal Practice from Queensland University of Technology. He is admitted to practice as a solicitor in Queensland and England and Wales. He is also a Member of the Australian Institute of Company Directors.

*Directors' recommendation*

The Directors consider that Mr O'Connor will, if re-elected, qualify as an Independent Non-Executive Director.

The remaining Directors (other than Mr Neal O'Connor) recommend that you vote in favour of Resolution 4.

**Resolution 5: Adoption of Remuneration Report**

*The Remuneration Report*

The Remuneration Report is set out in the Directors' Report section of the Annual Report. The Annual Report is available for download on the Company's website, [www.stanmorecoal.com.au](http://www.stanmorecoal.com.au).

In summary the Remuneration Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and other Key Management Personnel;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the other most highly remunerated Key Management Personnel; and
- details and explains any performance conditions applicable to the remuneration of executive Directors and other Key Management Personnel.

The Company's business strategy of managing an operating coal business 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. The Board regularly reviews the appropriateness of employees' fixed compensation considering the Company's cost structure and the practices of its peers.

#### *Directors' recommendation*

Noting that each current Director has a personal interest in their own remuneration from the Company as set out in the Remuneration Report, and that each of them (and their Closely Related Parties) would be excluded from voting on the Resolution, the Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report.

In accordance with section 250R(3) of the Corporations Act, the vote is advisory only and does not bind the Directors or the Company.

## **SPECIAL BUSINESS**

### **Resolution 6: Further Approval of Grant of FY17 Rights to Mr Dan Clifford, Managing Director**

At the 2016 Annual General Meeting (**2016 AGM**) shareholder approval under Listing Rule 10.14 was sought and obtained to make an invitation to Mr Dan Clifford, Managing Director to apply for up to 531,497 Rights under the SCLRP (**FY17 Rights**). The FY17 Rights constituted Mr Clifford's long term incentive for the 2017 financial year and were to be issued on the terms and conditions outlined in the notice of meeting for the 2016 AGM (available on the Company's website).

The Explanatory Memorandum for the approval resolution in the 2016 AGM stated that the FY17 Rights would be granted within one month of the resolution being approved. Due to an administrative oversight, the FY17 Rights were not granted within that time period.

Accordingly, the Company again seeks further Shareholder approval to permit the grant of the FY17 Rights to Mr Clifford.

The target number of Rights was calculated by first multiplying Mr Clifford's base salary from the date of commencement for FY17 (ie the pro-rata base salary paid in FY17) by the target long term incentive percentage (50%) and then dividing that figure by \$0.47246, being the 10 day VWAP of Shares in the 24 hours following the release of the Company's 2016 annual financial results (**Target Rights**). The 531,497 Rights proposed to be issued to Mr Clifford are double the number of Target Rights, recognising that at maximum performance, the stretch award (and therefore the maximum number of Rights that may vest) is double that of the target (see table below).

The type of Rights proposed to be issued to Mr Clifford are Performance Rights (see **Annexure A** for further information).

The measurement period for the vesting of Mr Clifford's Rights is three years, commencing on 1 July 2016 and ending on 30 June 2019.

#### *Vesting Condition*

In order for Rights to vest, Mr Clifford must remain employed by the Company during the measurement period (except in the case of death, disablement etc. – see **Annexure A** for further details) and the Vesting Condition must be satisfied.

The Vesting Condition in relation to this proposed grant of Rights is performance relative to a scale of outcomes related to Absolute Total Shareholder Return (**ATSR**) with the vesting percentages (of the grant) to be determined by the following scale:

Performance Level	ATSR of Company Compound Annual Growth Rate (CAGR)	% of Rights vesting
Stretch	58.74%	100%
Between Target and Stretch	>44.22%, < 58.74%	Pro-rata
Target	44.22%	50%
Between Threshold and Target	>25.99%, < 44.22%	Pro-rata
Threshold	25.99%	0%
Below Threshold	<25.99%	0%

ATSR is the change in the Share price over the measurement period plus any dividends paid during the measurement period, assumed to be re-invested in Shares.

In considering the performance levels, the Board has adopted a nominated Share price at 1 July 2016 of \$0.30 per Share and a threshold Share price of \$0.60, a target Share price of \$0.90 and a stretch Share price of \$1.20 to determine the ATSR of the Company Compound Annual Growth Rate (CAGR) shown in the above table. Given the measurement of the performance level will be the 10 day VWAP of Shares at 30 June 2019, the Non-Executive Directors believe the Vesting Condition to be appropriate.

The Board retains a discretion to modify vesting in the case that the circumstances that prevailed over the measurement period materially differed from those expected at the time the vesting scale was determined, which is intended to be used when the application of the vesting scale would lead to an outcome that may be viewed as inappropriate.

The other key features of the proposed FY17 grant of Rights to Mr Clifford are summarised in **Annexure B**.

#### *Information required by Listing Rules*

Listing Rule 10.14 requires the Company to obtain Shareholder approval for the issue of securities to a Director under an employee incentive scheme. Accordingly, the Company is seeking Shareholder approval for the proposed grant of Rights to Mr Clifford, as set out below.

Listing Rule 10.15 requires certain information to be given to Shareholders. This information is supplied in the table below.

Name of Director	Dan Clifford.
<b>Details of proposed issue</b>	
Maximum number of Rights to be approved under Resolution 6	531,497 Rights.
Date by which the Rights will be granted	Within twelve months of the Resolution being approved.
Names of any persons referred to in Listing Rule 10.14 entitled to participate in the SCLRP	Dan Clifford.
Issue price	Nil.
<b>Details of previous issues</b>	
Number of Rights issued under SCLRP	No Rights have been issued to Mr Clifford or any other Directors under the SCLRP.
Securities issued to persons under Listing Rule 10.14 since the last Shareholder approval on 30 November 2016	381,732* *286,747 Forfeited due to resignation

The current Directors (with Mr Clifford abstaining) unanimously recommend that you vote in favour of Resolution 6.

## Resolution 7: Grant of FY18 Rights to Mr Dan Clifford, Managing Director

Mr Clifford's Executive Services Agreement with the Company, the material terms of which were disclosed in the ASX announcement of 4 October 2016, contains a provision for his remuneration to include an annual component of long term incentive opportunity which is the subject matter of this Resolution and Resolution 6 above.

It is proposed that a total of 1,105,020 Rights will be offered to Mr Clifford in FY18. The target number of Rights have been calculated by first multiplying his base salary for FY18 by the target long term incentive percentage (50%) and then dividing that figure by \$0.3685, being the 10 day VWAP of Shares in the 24 hours following the release of the Company's 2017 annual financial results (**Target Rights**). The 1,105,020 Rights proposed to be issued to Mr Clifford is double the number of Target Rights, recognising that at maximum performance, the stretch award (and therefore the maximum number of Rights that may vest) is double that of the target (see table below).

The type of Rights proposed to be issued to Mr Clifford are Performance Rights (see **Annexure A**).

The measurement period for the vesting of Mr Clifford's Rights is three years, commencing on 1 July 2017 and ending on 30 June 2020.

### *Vesting Condition*

In order for Rights to vest, Mr Clifford must remain employed by the Company during the measurement period (except in the case of death, disablement etc. – see **Annexure C** for further details) and the Vesting Condition must be satisfied.

The Vesting Condition in relation to this proposed grant of Rights is performance relative to a scale of outcomes related to Absolute Total Shareholder Return (**ATSR**) with the vesting percentages (of the grant) to be determined by the following scale:

Performance Level	ATSR of Company Compound Annual Growth Rate (CAGR)	% of Rights vesting
Stretch	52.86%	100%
Between Target and Stretch	>39.49%, < 52.86%	Pro-rata
Target	39.49%	50%
Between Threshold and Target	>22.92%, < 39.49%	Pro-rata
Threshold	22.92%	0%
Below Threshold	<22.92%	0%

ATSR is the change in the Share price over the measurement period plus any dividends paid during the measurement period, assumed to be re-invested in Shares.

In considering the performance levels, the Board has adopted a nominated Share price at 1 July 2017 of \$0.35 per Share and a threshold Share price of \$0.65, a target Share price of \$0.95 and a stretch Share price of \$1.25 to determine the ATSR of the Company Compound Annual Growth Rate (**CAGR**) shown in the above table. Given the measurement of the performance level will be the 10 day VWAP of Shares at 30 June 2020, the Non-Executive Directors believe the Vesting Condition to be appropriate.

The Board retains a discretion to modify vesting in the case that the circumstances that prevailed over the measurement period materially differed from those expected at the time the vesting scale was determined, which is intended to be used when the application of the vesting scale would lead to an outcome that may be viewed as inappropriate.

The other key features of the proposed FY18 grant of Rights to Mr Clifford are summarised in **Annexure C**.

### *Information required by Listing Rules*

Listing Rule 10.14 requires the Company to obtain Shareholder approval for the issue of securities to a Director under an employee incentive scheme. Accordingly, the Company is seeking Shareholder approval for the proposed grant of Rights to Mr Clifford, as set out below.

Listing Rule 10.15 requires certain information to be given to Shareholders. This information is supplied in the table below.

Name of Director	Dan Clifford.
<b>Details of proposed issue</b>	
Maximum number of Rights to be approved under Resolution 7	1,105,020 Rights.
Date by which the Rights will be granted	Within twelve months of the Resolution being approved.
Names of any persons referred to in Listing Rule 10.14 entitled to participate in the SCLRP	Dan Clifford.
Issue price	Nil.
<b>Details of previous issues</b>	
Number of Rights issued under SCLRP	No Rights have been issued to Mr Clifford or any other Directors under the SCLRP. If Resolution 7 above is approved, the FY17 Rights will be issued to Mr Clifford under the SCLRP.
Securities issued to persons under Listing Rule 10.14 since the last Shareholder approval on 30 November 2016	381,732* *286,747 Forfeited due to resignation

### *Directors' recommendation*

The current Directors (with Mr Clifford abstaining) unanimously recommend that you vote in favour of Resolution 7.



# Glossary of terms

In the Notice and Explanatory Memorandum, the words and expressions set out in the table below have the meanings given to them. In addition, certain capitalised terms used in the annexures have the meaning given to them in those annexures.

<b>Annual General Meeting or Meeting</b>	the annual general meeting of the Shareholders convened pursuant to the Notice for the purposes of considering the resolutions set out in the Notice.
<b>Annual Report</b>	the annual report of the Company for the year ended 30 June 2017.
<b>ASX</b>	ASX Limited or the securities exchange it operates, as the context requires.
<b>ATSR</b>	Absolute Total Shareholder Return, being the change in Share price over a measurement period plus any dividends paid during the measurement period, assumed to be re-invested in Shares.
<b>Board</b>	the board of Directors of the Company.
<b>Closely Related Party</b>	in respect of a member of Key Management Personnel: <ul style="list-style-type: none"> <li>(a) a spouse or child of the member;</li> <li>(b) a child of the member's spouse;</li> <li>(c) a dependent of the member or of the member's spouse;</li> <li>(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;</li> <li>(e) a company that the member controls; or</li> <li>(f) a person prescribed by the <i>Corporations Regulations 2001</i> (Cth).</li> </ul>
<b>Company</b>	Stanmore Coal Limited ACN 131 920 968.
<b>Constitution</b>	the Constitution of the Company, as amended from time to time.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Directors</b>	the directors of the Company from time to time (each a <b>Director</b> ).
<b>Explanatory Memorandum</b>	the explanatory memorandum that accompanies the Notice.
<b>Key Management Personnel</b>	a person having authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiaries, directly or indirectly, including any Director (whether executive or otherwise) of the Company or any of its subsidiaries.
<b>Listing Rules</b>	the Listing Rules of the ASX.
<b>Notice or Notice of Meeting</b>	this notice of meeting of Shareholders.
<b>Performance Right</b>	the meaning given to that term in <b>Annexure A</b> .
<b>Remuneration Report</b>	the section of the Directors' report contained in the Annual Report entitled "Remuneration Report" which starts on page 34 of the Annual Report.
<b>Resolution</b>	a resolution to be proposed at the Annual General Meeting.
<b>Right</b>	a right issued under the SCLRP that entitles the holder, on vesting, to one Share (or an equivalent cash value). A Right can be a Performance Right, a Service Right or a Deferred Right as defined in <b>Annexure A</b> .

<b>SCLRP</b>	the Stanmore Coal Limited Rights Plan adopted by the Board on 30 October 2016, the terms and conditions of which are summarised in the Explanatory Memorandum and in <b>Annexure A</b> .
<b>Shares</b>	fully paid ordinary shares in the capital of the Company (each a <b>Share</b> ).
<b>Shareholder</b>	a registered holder of Shares.
<b>TRP</b>	total remuneration package.
<b>Vesting Conditions</b>	the conditions that must be satisfied for a Right to vest and entitle the holder to the value of a Share (which may be satisfied either in cash and/or in Shares).
<b>VWAP</b>	volume weighted average price.

## Annexure A – Summary of key features of the SCLRP

Aspect	Details
Instrument	<p>The SCLRP uses Rights which are entitlements to the value of Shares which may be satisfied either in cash and/or in Shares. Generally it is expected that vested Rights will be satisfied in Shares. The price to exercise the Rights is nil, however vesting is performance tested. The value that will be realised is then a function of performance against indicators (<b>Vesting Conditions</b>) and the Share price at the time of vesting.</p> <p>The SCLRP allows for the Board to issue up to three types of Rights which may be appropriate forms of remuneration under various circumstances, being:</p> <ul style="list-style-type: none"> <li>• <b>Performance Rights</b> which vest when performance conditions have been satisfied;</li> <li>• <b>Service Rights</b> which vest after the completion of a period of service; and</li> <li>• <b>Deferred Rights</b> which relate to amounts of deferred payments already earned and which are not subject to vesting conditions.</li> </ul> <p>It is not currently anticipated that Deferred Rights or Service Rights would be used, and the majority of grants under the SCLRP are intended to be Performance Rights.</p>
Eligibility	<p>Selected senior executives as nominated by the Board are eligible to participate. Participants would need to be employees, however, it is possible to include contractors. Non-Executive Directors are not eligible so as to ensure their independence with regards to the oversight of the SCLRP.</p>
Terms & Conditions	<p>The Board has the discretion to set the terms and conditions on which it will offer Rights under the SCLRP, including the Vesting Conditions and modification of the terms and conditions as appropriate to ensuring the plan operates as intended. All Performance and Service Rights offered will be subject to Vesting Conditions and, in the case of Performance Rights, the conditions are intended to be challenging and linked to growth in Shareholder value. The terms and conditions of the SCLRP include those aspects legally required as well as a method for calculating the appropriate number to vest in the circumstances of a change of control, a major return of capital to Shareholders and the treatment of Rights in the circumstances of various forms of termination.</p>
Number of Rights	<p>The number of Rights to be offered will be at the discretion of the Board. It is intended that the number of Rights to be granted will be determined annually with regard to the participant's base package, relevant market practices and the relevant policies of the Company regarding their remuneration.</p>
Vesting	<p>Performance Rights will be the main form of Right that will be used and they will vest based on the Company's performance. Service Rights and Deferred Rights may also be used from time to time to retain key talent, or defer short-term incentives. Upon the satisfaction of the Vesting Conditions, the value of Rights that vest will be evaluated and will either be paid in cash, converted into Shares based on the then Share price, or a combination of cash and Shares. No exercise price is required to convert the Rights into Shares. Generally it is expected that vested Rights will be converted into Shares. In the case of Deferred Rights, exercise will be automatic 90 days following grant.</p>
Measurement Period	<p>The measurement period may be determined by the Board as part of each offer, but is intended to be three years (starting from the beginning of the financial year in which a grant is made) with no vesting prior to performance being tested at the end of the three years between the start of the financial year in which the grant is made, and</p>

	the end of the third financial year. Different measurement periods may be applied when warranted. The life of the Rights may differ from the measurement period and be shorter when shareholder approval for grants cannot be obtained until after the beginning of the measurement period.
Vesting Conditions	Vesting Conditions are to be determined by the Board as part of each offer, however the conditions selected are intended to create alignment with the experiences and expectations of shareholders over the measurement period. Initially, Vesting Conditions will be performance relative to a scale of outcomes related to Absolute Total Shareholder Return ( <b>ATSR</b> ) in respect of the Shares.
Retesting	The SCLRP rules allow for a single retest to apply 12 months following the first test, only if the executive is still employed, and nil vesting occurred at the first test. The start of the measurement period would not be affected by retesting, and retests should only apply to vesting scales that are expressed on an annualised basis, which ensures the retest does not make vesting easier. The purpose of retesting is to address short-term anomalies that arise at the relevant calculation points, and to motivate management to strive for improvement if the Rights fail to vest at the first instance.
Exercise Price	Nil.
Cessation of Employment	<p>The SCLRP contains provisions concerning the treatment of vested and unvested Rights in the event that a participant ceases employment.</p> <p>Unless the Board determines otherwise, if an SCLRP participant ceases employment by reason of resignation, termination for poor performance or termination for cause, all unvested Rights held by the participant will lapse.</p> <p>Unless the Board determines otherwise, if a Participant ceases employment for any other reason, including by reason of death, disability, redundancy, retirement or by agreement, Rights that were granted to the participant during the financial year in which the termination occurred will be forfeited in the same proportion as the remainder of the financial year bears to the full year. All remaining Rights for which Vesting Conditions have not been satisfied as at the date of cessation of employment will then remain “on foot”, subject to the original Vesting Conditions.</p>
Change of Control of the Company	In the event of a change of control unvested Rights would vest in the same proportion as the Share price has increased since the beginning of the measurement period. Remaining Rights would either lapse or some or all may vest at the Board's discretion. In relation to Shares that have resulted from the vesting of Rights, dealing restrictions, if any, specified in the invitation would also be lifted, though the Company's securities trading policy would continue to apply.
Major Return of Capital	The SCLRP contains provisions that provide for vesting in the proportion of capital returned to Shareholders, or in the proportion that the Share price increased over the measurement period, with Board discretion regarding the remainder.
Voting and Dividend Rights	Rights do not carry voting or dividend entitlements. Shares issued when Rights vest carry all entitlements of Shares, including voting and dividend rights.
No Transfer of Rights	Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered, except by force of law.
Quotation	Rights will not be quoted on the ASX. The Company will apply for quotation of any Shares issued upon the vesting of Rights in accordance with the Listing Rules.
Variation of Term and Conditions	To the extent permitted by the Listing Rules, the Board retains the discretion to vary the terms and conditions of the SCLRP. This includes varying the number of Rights to which a participant is entitled upon a reorganisation of the capital of the Company.
Issue or Acquisition of Shares	Shares allocated to a participant when Rights vest under the SCLRP may be issued by the Company or acquired on or off market by the

	Company or its nominee. The nominee may be a trust, the purpose of which is to facilitate the operation of the SCLRP.
Cost and Administration	The Company will pay all costs of issuing and acquiring Shares for the purposes of satisfying exercised Rights, as well as any brokerage on acquisitions of Shares for this purpose and all costs of administering the SCLRP.
Other Terms of the SCLRP	The SCLRP also contains customary and usual terms having regard to Australian law for dealing with winding up, administration, variation, suspension and termination of the SCLRP.
Hedging	The Company prohibits the hedging of Rights or Shares subject to dealing restrictions by participants.
Lapse and Forfeiture of Rights	Rights will lapse if the prescribed Vesting Conditions are not satisfied within the prescribed measurement period, subject to retesting.

## Annexure B – Summary of key features of the proposed grant of FY17 Rights to the Managing Director

Aspect	Details
Number of Performance Rights	A total of 531,497 Performance Rights are proposed to be granted to the Managing Director, Mr Dan Clifford, in FY17. The number of Performance Rights has been calculated as described in the Explanatory Memorandum.
Amount payable for Performance Rights	No amount will be payable by the Managing Director for the Performance Rights as they are part of the intended total remuneration package for FY17.
Vesting of Performance Rights	Upon the satisfaction of the Vesting Conditions, the value of Rights that vest will be evaluated and will be paid in Shares, cash or a combination of cash and Shares based on the then Share price. No exercise price is required to exercise vested Rights.
Measurement Period	The <b>Measurement Period</b> will be the three financial years from 1 July 2016 to 30 June 2019.
Vesting Condition	See Explanatory Memorandum.
Exercise Price	No amount will be payable by the Managing Director to exercise a Right that has vested.
Cessation of Employment	<p>Unless the Board determines otherwise, if the Managing Director ceases employment by reason of resignation, termination for poor performance or termination for cause, all unvested Rights held by the Managing Director will lapse.</p> <p>Unless the Board determines otherwise, if the Managing Director ceases employment for any other reason, including by reason of death, disability, redundancy, retirement or by agreement, Rights that were granted to the Managing Director during the financial year in which the termination occurred will be forfeited in the same proportion as the remainder of the financial year bears to the full year. All remaining Rights for which Vesting Conditions have not been satisfied as at the date of cessation of employment will then remain “on foot”, subject to the original Vesting Conditions.</p>
Change of Control of the Company	In the event of a change of control unvested Rights would vest in the same proportion as the share price has increased since the beginning of the Measurement Period. Remaining Rights would either lapse or some or all may vest at the Board’s discretion. In relation to Shares that have resulted from the vesting of Rights, dealing restrictions, if any, specified in the letter of grant would also be lifted, though the Company’s securities trading policy would continue to apply.
Voting and Dividend Rights	See Annexure A.
No Transfer of Performance Rights	See Annexure A.
Quotation	See Annexure A.
Variation of Terms and Conditions	See Annexure A.
Issue or Acquisition of Shares	See Annexure A.
Cost and Administration	See Annexure A.
Other Terms of the SCLRP	See Annexure A.
Hedging	See Annexure A.
Lapse and Forfeiture of Performance Rights	See Annexure A.

## Annexure C – Summary of key features of the proposed grant of FY18 Rights to the Managing Director

Aspect	Details
Number of Performance Rights	A total of 1,105,020 Performance Rights are proposed to be granted to the Managing Director, Mr Dan Clifford, in FY18. The number of Performance Rights has been calculated as described in the Explanatory Memorandum.
Amount payable for Performance Rights	No amount will be payable by the Managing Director for the Performance Rights as they are part of the intended total remuneration package for FY18.
Vesting of Performance Rights	Upon the satisfaction of the Vesting Conditions, the value of Rights that vest will be evaluated and will be paid in Shares, cash or a combination of cash and Shares based on the then Share price. No exercise price is required to exercise vested Rights.
Measurement Period	The <b>Measurement Period</b> will be the three financial years from 1 July 2017 to 30 June 2020.
Vesting Condition	See Explanatory Memorandum.
Exercise Price	No amount will be payable by the Managing Director to exercise a Right that has vested.
Cessation of Employment	<p>Unless the Board determines otherwise, if the Managing Director ceases employment by reason of resignation, termination for poor performance or termination for cause, all unvested Rights held by the Managing Director will lapse.</p> <p>Unless the Board determines otherwise, if the Managing Director ceases employment for any other reason, including by reason of death, disability, redundancy, retirement or by agreement, Rights that were granted to the Managing Director during the financial year in which the termination occurred will be forfeited in the same proportion as the remainder of the financial year bears to the full year. All remaining Rights for which Vesting Conditions have not been satisfied as at the date of cessation of employment will then remain “on foot”, subject to the original Vesting Conditions.</p>
Change of Control of the Company	In the event of a change of control unvested Rights would vest in the same proportion as the share price has increased since the beginning of the Measurement Period. Remaining Rights would either lapse or some or all may vest at the Board’s discretion. In relation to Shares that have resulted from the vesting of Rights, dealing restrictions, if any, specified in the letter of grant would also be lifted, though the Company’s securities trading policy would continue to apply.
Voting and Dividend Rights	See Annexure A.
No Transfer of Performance Rights	See Annexure A.
Quotation	See Annexure A.
Variation of Terms and Conditions	See Annexure A.
Issue or Acquisition of Shares	See Annexure A.
Cost and Administration	See Annexure A.
Other Terms of the SCLRP	See Annexure A.
Hedging	See Annexure A.
Lapse and Forfeiture of Performance Rights	See Annexure A.

