



THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

You should read all of the document. If you are in doubt as to what you should do, you should consult your investment, financial, taxation or other professional adviser.

TARGET'S STATEMENT

This Target's Statement has been issued in response to the off-market conditional takeover bid made by Golden Investments (Australia) Pte. Ltd, a company owned by Golden Energy and Resources Limited and Ascend Global Investment Fund SPC, for all the ordinary shares in Stanmore Coal Limited.

Your Stanmore Coal Directors unanimously recommend that you

REJECT THE OFFER

Golden Investments' conditional offer significantly undervalues your shares.

TO REJECT GOLDEN INVESTMENTS' OFFER
DO NOTHING

If you have any questions, please contact the Shareholder Information Line on 1300 970 086 (within Australia) or +61 1300 970 086 (outside Australia) between 8:30am and 5:30pm (AEDT) Monday to Friday.

stanmorecoal

citi
Financial Adviser

Allens & Linklaters
Legal Adviser

Important notes

Nature of this Document

This document is a Target's Statement issued by Stanmore Coal Limited ABN 27 131 920 968 (**Stanmore**) dated 12 December 2018 under Part 6.5 Division 3 of the Corporations Act in response to the off-market conditional takeover bid made by Golden Investments (Australia) Pte. Ltd (**Golden Investments** or the **Bidder**) for all the ordinary shares in Stanmore.

Stanmore Shareholder Information Line

Stanmore has established the Shareholder Information Line, which Shareholders may call if they have any queries in relation to the Bidder's Offer. The telephone number for the Shareholder Information Line is 1300 970 086 (within Australia) or +61 1300 970 086 (outside Australia) and will be available between 8:30am and 5:30pm (AEDT) Monday to Friday.

Further information relating to the Bidder's Offer can be obtained from the Bidder's Statement and Stanmore's website at www.stanmorecoal.com.au.

ASIC and ASX Disclaimer

A copy of this Target's Statement has been lodged with ASIC and given to ASX. None of ASIC, ASX or any of their respective officers takes any responsibility for the contents of this Target's Statement.

Defined Terms and Interpretation

Capitalised terms used in this Target's Statement are defined in section 9. Section 9 also sets out some rules of interpretation which apply to this Target's Statement.

No Account of Personal Circumstances

This Target's Statement and the recommendations and other information contained in it do not constitute financial product advice. The recommendations and other information contained in this Target's Statement should not be taken as personal financial or taxation advice, as each Shareholder's deliberations and decision will depend upon their own financial situation, tax position, investment objectives and particular needs.

It is important that you read this Target's Statement in its entirety before making any investment decision and any decision relating to the Offer. Your Directors encourage you to obtain independent advice from your investment, financial, taxation or other professional adviser before making a decision whether or not to accept the Offer.

Disclaimer as to Forward Looking Statements

Some of the statements appearing in this Target's Statement (including in the Independent Expert's Report and the Independent Technical Specialist's Report) are forward looking statements. All statements other than statements of historical fact are forward looking statements and generally may be identified by the use of forward looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Shareholders should note that those forward looking statements are only predictions and are inherently subject to uncertainties, in that they may be affected by a variety of known and unknown risks, variables and other important factors, many of which are beyond the control of Stanmore. Actual values or results, performance or achievements may differ materially from those expressed or implied by such statements. The risks, variables and other factors that may affect the forward looking statements include matters specific to the industry in which Stanmore operates as well as economic and financial market conditions; legislative, fiscal or regulatory developments; the price performance of Stanmore Shares, commodity price fluctuations, input price fluctuations, currency fluctuations, actual demand, geotechnical factors, political conditions in various countries, approvals and cost estimates, coal reserve estimates, operating results including the risk of possible price decline in the absence of the Offer or other takeover or merger speculation; and risks associated with the business and operations of Stanmore. Further information can be found in section 5.5.

None of Stanmore, its Subsidiaries or any of their respective officers and employees, or any person named in this Target's Statement with their consent, or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) or gives any assurance as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statements, except to the extent required by law. You are cautioned not to place undue reliance on any such statement.

The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. Subject to any continuing obligations under the ASX Listing Rules or the Corporations Act, Stanmore and its officers disclaim any obligation or undertaking to update or revise any forward looking statements to reflect any change in expectations in relation to them or any change in events, conditions or circumstances on which any forward looking statement is based.

Responsibility for Information

The Independent Expert has prepared and is responsible for the Independent Expert's Report for the purposes of this Target's Statement and takes responsibility for that report. The Independent Technical Specialist has prepared and is responsible for the Independent Technical Specialist's Report for the purposes of this Target's Statement and takes responsibility for that report.

None of Stanmore, or its Subsidiaries, their respective officers, employees, advisers or the Stanmore Directors assume responsibility for the accuracy or completeness of the Independent Expert's Report or the Independent Technical Specialist's Report, except, in the case of Stanmore, in relation to the historical information which it has provided to the Independent Expert and Independent Technical Specialist.

Allens has prepared and is responsible for the Tax Adviser's Report for the purposes of this Target's Statement and takes responsibility for that report. None of Stanmore, or its Subsidiaries, their respective officers, employees, advisers or the Stanmore Directors assume responsibility for the accuracy or completeness of the Tax Adviser's Report.

Coal Resources and Coal Reserves

The information in this Target's Statement that relates to Stanmore's June 2018 Coal Resources and Coal Reserves estimates were reported under the JORC Code 2012 or JORC 2004 (as applicable) in an announcement released to the ASX on 24 August 2018 entitled '2018 Annual Coal Resources & Reserves Summary' and is available to view on the Stanmore website at www.stanmorecoal.com.au. The Competent Persons named in that report were Mr Troy Turner (responsibility: Coal Resource estimates for Isaac Plains, Isaac Plains East, Isaac Plains Underground, The Range, Mackenzie, Belview, Tennyson and Lilyvale); Mr Kane Maxwell (responsibility: Coal Resource estimate for Isaac Downs), Mr Mal Blaik (responsibility: Coal Resource estimate for Isaac South), Mr Oystein Naess (responsibility: Coal Resource estimate for Clifford), Mr Gary Benson (responsibility: Coal Reserve estimate for Isaac Plains and Isaac Plains East), Mr Mark KcKew (responsibility: Coal Reserve estimate for Isaac Plains Underground) and Mr Richard Hosking (responsibility: Coal Reserve estimate for The Range).

Stanmore confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed. Stanmore confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original announcement.

Effect of Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Target's Statement.

Discrepancies between totals in tables and or in calculations are due to rounding.

Disclaimer as to Golden Investments' Information

The information in this Target's Statement about the Bidder has been compiled from or is otherwise based on information obtained from Golden Investments or publicly available sources, including information in the Bidder's Statement, and has not been independently audited or verified by Stanmore or its advisers. If the information obtained from Golden Investments or the public sources is inaccurate or incomplete, this may affect the information included in this Target's Statement. Accordingly, Stanmore does not, subject to the Corporations Act, make any representation or warranty (express or implied) as to the accuracy or completeness of such information. In particular, if the information has been used as the basis for forward looking statements in this Target's Statement, this may add to the risk that actual values, results, performance or achievements will differ materially from those expressed or implied by the forward looking statements.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Diagrams and charts

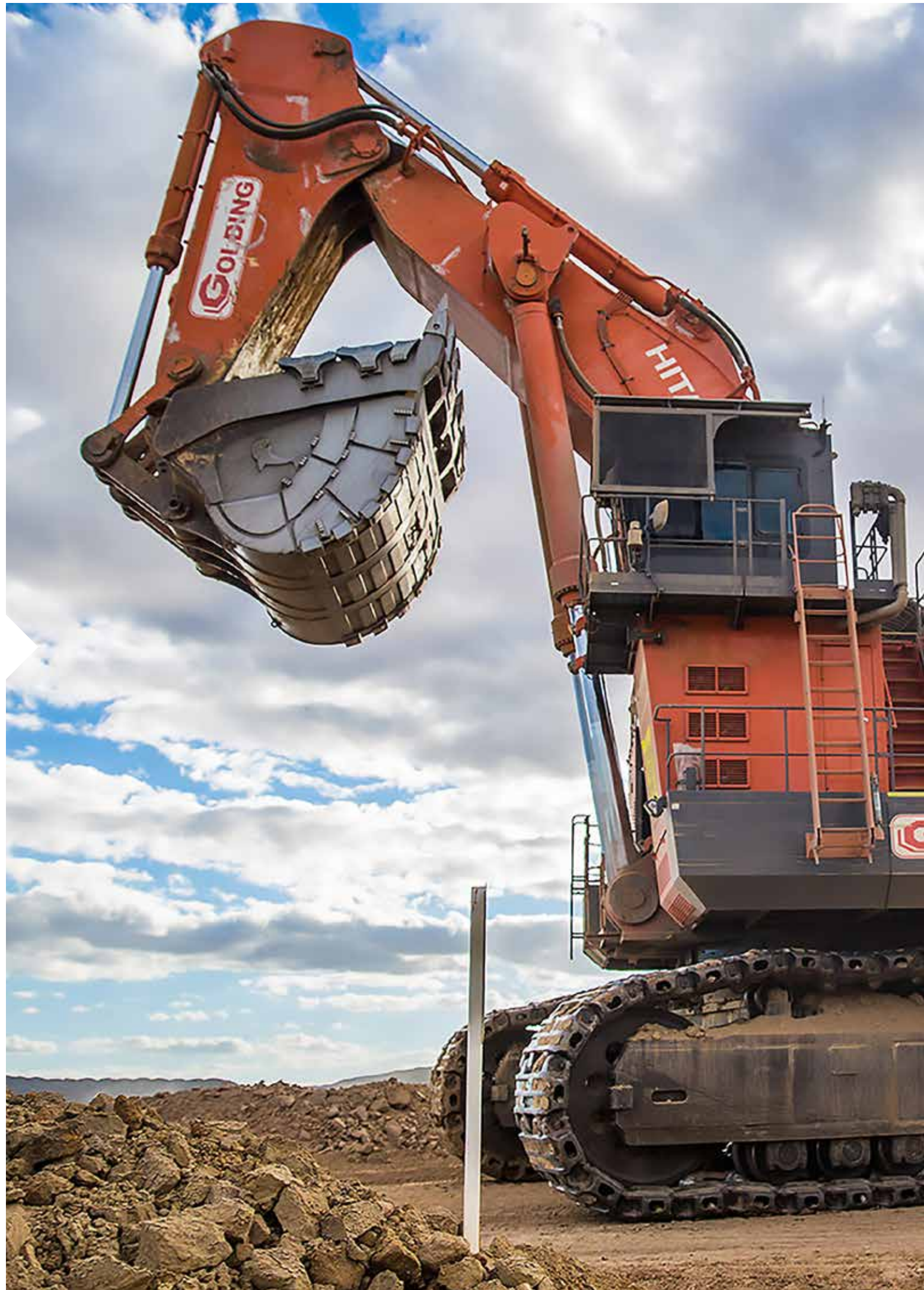
Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

Privacy

Stanmore has collected your information from the register of Shareholders for the purpose of providing you with this Target's Statement. The type of information Stanmore has collected about you includes your name, contact details and information on your shareholding (as applicable) in Stanmore. Without this information, Stanmore would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a register. Your information may be disclosed on a confidential basis to external service providers (including the share registry of Stanmore and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Stanmore, please contact the Stanmore Shareholder information line.

Risk Factors

Shareholders should note that there are a number of risks that they should have regard to before deciding how to respond to the Offer. Further information about those risks can be found in section 5.5.



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KEY DATES

Offer announced and Bidder's Statement lodged with ASIC and ASX	19 November 2018
Date of this Target's Statement	12 December 2018
Offer Period commences	3 December 2018
Notice of Status of Conditions due*	27 December 2018
Offer Period closes 7pm (Sydney time) (unless Offer is extended or withdrawn)	3 January 2019
Payment to Shareholders who accept the Offer	Within one month after the later of the date you accept and the date the Offer becomes unconditional and, in any event, no later than 21 days after the Closing Date.

* If the Offer Period is extended, this date will be taken to be postponed for the same period.

Chairman's Letter

12 December 2018

Dear Stanmore Shareholder

THE STANMORE DIRECTORS RECOMMEND YOU REJECT GOLDEN INVESTMENTS' OFFER

On 19 November 2018, Golden Investments (Australia) Pte. Ltd announced an unsolicited, conditional off-market takeover offer for Stanmore Coal Limited (**Stanmore**) at \$0.95 per share (**Golden Investments' Offer** or **Offer**). Golden Investments is 51% owned by Golden Energy and Resources (**GEAR**), a Singaporean company listed on the SGX Mainboard with Indonesian coal operations. The remaining 49% of Golden Investments is owned by Ascend Global, a Singaporean-based investment fund.

I wrote to shareholders on 26 November, advising them that your Directors recommend rejection of that Offer, and your Directors' very strong view is that the Offer significantly undervalues your shares in Stanmore.

You should have now received from Golden Investments its Bidder's Statement setting out the terms and conditions of the Offer. This Target's Statement sets out Stanmore's formal response to the Offer.

As outlined in my previous letter, based on the detailed analysis undertaken by Stanmore and its advisers, and your Directors' understanding of the Stanmore business, your Directors' view is that the Offer Price of \$0.95 is materially inadequate and does not provide an appropriate control premium to Stanmore shareholders.

Accordingly, your Directors unanimously recommend that you REJECT THE OFFER.

In summary, the reasons for your Directors' recommendation are that:

1	The premium implied by the Golden Investments Offer is well below the levels typically paid in Australian corporate control transactions
2	The Independent Expert BDO Corporate Finance (QLD) Ltd estimates that the value of your Stanmore Shares is between A\$1.48 and A\$1.90 on a controlling interest basis, and has concluded that the Offer is NOT FAIR AND NOT REASONABLE
3	Stanmore shares are currently trading above the Offer Price. Stanmore Shares had also traded above the Offer Price prior to the Offer
4	The Offer significantly undervalues Stanmore Shares based on the trading valuations of other ASX-listed coal companies, and the average broker target price for Stanmore Shares
5	At such a low premium, Golden Investments' Offer appears to attribute little to no value to Stanmore's high quality portfolio of development projects and exploration assets
6	Stanmore is committed to returning cash to its Shareholders, with a maiden dividend of A\$0.02 per share paid for FY2018
7	Stanmore's Directors and Management have a proven track record of value creation through Stanmore's "hub" based approach, and have a robust strategy to deliver future growth and value to Stanmore Shareholders

8	Stanmore is ideally positioned to continue to deliver value into the future, with an attractive, capital-light operating model that provides substantial flexibility in operating costs and production capacity to rapidly respond to cycles in coal prices
9	As Isaac Plains East is ramped up, and Isaac Downs is brought into production, the combination of reducing strip ratios and an improvement in coal quality (including Semi Hard Coking Coal and PCI Coal) is expected to further improve Stanmore's operating margins
10	Metallurgical coal is a scarce and highly sought after commodity, and this has been reflected in recent M&A activity. It is the Directors' view that there is unlikely to be any disruptive technology in the foreseeable future which will change the way that primary pig iron and steel using metallurgical coal is produced
11	Accepting Golden Investments' Offer will deprive you of the opportunity to consider any subsequent superior offers, and to participate in any potential future growth in the Stanmore business
12	Stanmore has material embedded value in its existing infrastructure which the Offer does not adequately value

Your Directors believe these are compelling reasons why you should **REJECT** the offer and simply **TAKE NO ACTION** in relation to all documents sent to you from Golden Investments.

We believe there is material strategic value in Stanmore's "hub" based approach centred on its expandable Isaac Plains coal plant and proximate coal deposits in the world's premier metallurgical coal basin. We strongly believe this strategic value is not recognised in the inadequate and low-premium Offer from Golden Investments.

I urge you to read this Target's Statement in full and to seek any independent financial, legal, taxation or other professional advice that you require before making a decision as to whether or not to accept the Offer.

If you have any questions in relation to the Offer as a Stanmore Shareholder, please contact the Stanmore Shareholder Information Line on 1300 970 086 (for calls made from within Australia) or +61 1300 970 086 (for calls made from outside Australia) Monday to Friday between 8:30am and 5:30pm (AEDT).

Your Directors will continue to keep investors informed of material developments in relation to the Offer, as well as in relation to the progress Stanmore is making with the Isaac Plains Complex and our exciting portfolio of development and exploration assets. Announcements relating to the Offer and Stanmore can be found on the ASX website (www.asx.com.au ASX code: SMR).

Yours sincerely



Stewart Butel
Chairman

SECTION 1.

REASONS WHY YOU SHOULD REJECT THE OFFER

Your Directors unanimously recommend that you reject the Offer for the following reasons:

1.1 Golden Investments' Offer of \$0.95 per Share is clearly inadequate

(a) The premium implied by Golden Investments' Offer is inadequate when compared to recent Stanmore trading prices

Golden Investments has referred to the premium its Offer implies relative to Stanmore's 90-day, 180-day and 360-day VWAP. Those prices are not reflective of the current state of the Stanmore business, which has seen significant growth and improvement in recent months.

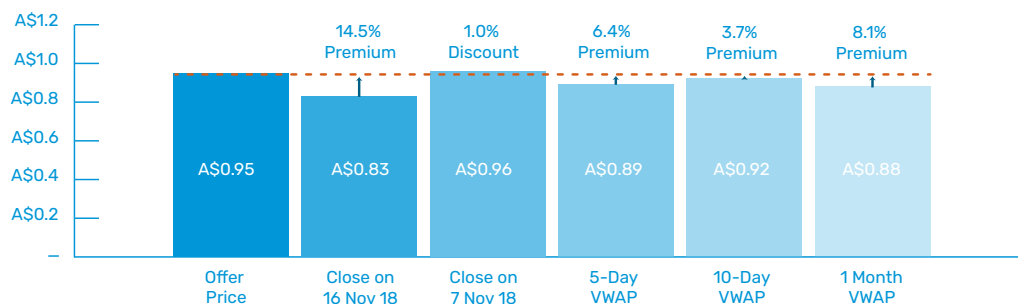
Your Directors believe that Stanmore Shareholders should have more regard to the shorter term historical Stanmore Share prices when assessing the premium implied by the Offer.

In recent months, Stanmore has announced several initiatives that point to the Company's ability to deliver further near term value for Shareholders, including:

- Securing long term capacity at DBCT to match the capacity of Stanmore's infrastructure at the Isaac Plains Complex;
- Completion of the acquisition of Isaac Downs;
- Declaring and paying a maiden dividend of A\$0.02 per Share;
- Increasing FY2019 production guidance to 2.0Mtpa; and
- Announcing FY2019 underlying EBITDA guidance of between A\$130 million and A\$150 million, representing a 186% to 230% increase over FY2018 underlying EBITDA of A\$45.5 million.

When calculated with reference to more relevant recent Stanmore Share price measures, the premium implied by Golden Investments' Offer is materially less attractive and substantially below the average premiums paid in Australian corporate control transactions. In addition, Golden Investments' Offer is priced at a discount to the closing price of Stanmore Shares on the ASX as recently as 7 November 2018.

Offer Price Compared to Recent Trading Prior to Offer Date



Source: IRESS

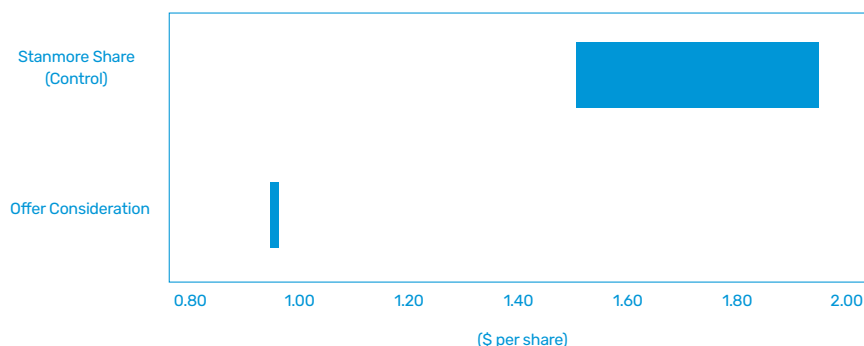
Notes:

- (1) 5-Day VWAP based on cumulative volume traded on the ASX and Chi-X from 12 November (being five trading days prior to the announcement of the Offer) to 16 November 2018 (being the last trading day before the Offer was announced)
- (2) 10-Day VWAP based on cumulative volume traded on the ASX and Chi-X from 5 November (being ten trading days prior to the announcement of the Offer) to 16 November 2018 (being the last trading day before the Offer was announced)
- (3) 1 Month VWAP based on cumulative volume traded on the ASX and Chi-X from 17 October (being 1 month prior to the announcement of the Offer) to 16 November 2018 (being the last trading day before the Offer was announced)

(b) The Independent Expert has concluded that the Offer is NOT FAIR AND NOT REASONABLE

Your Directors have engaged BDO Corporate Finance (QLD) Ltd as the Independent Expert to prepare a report expressing an opinion as to whether or not the Offer is fair and reasonable for Stanmore Shareholders. The Independent Expert has assessed the value of Stanmore Shares to be in the range of A\$1.48 to A\$1.90 per Share on a controlling interest basis. Accordingly, the Independent Expert has concluded that the offer is NOT FAIR AND NOT REASONABLE to Stanmore Shareholders.

Figure 2.1: Fairness of the Offer



Source: BDOCF analysis

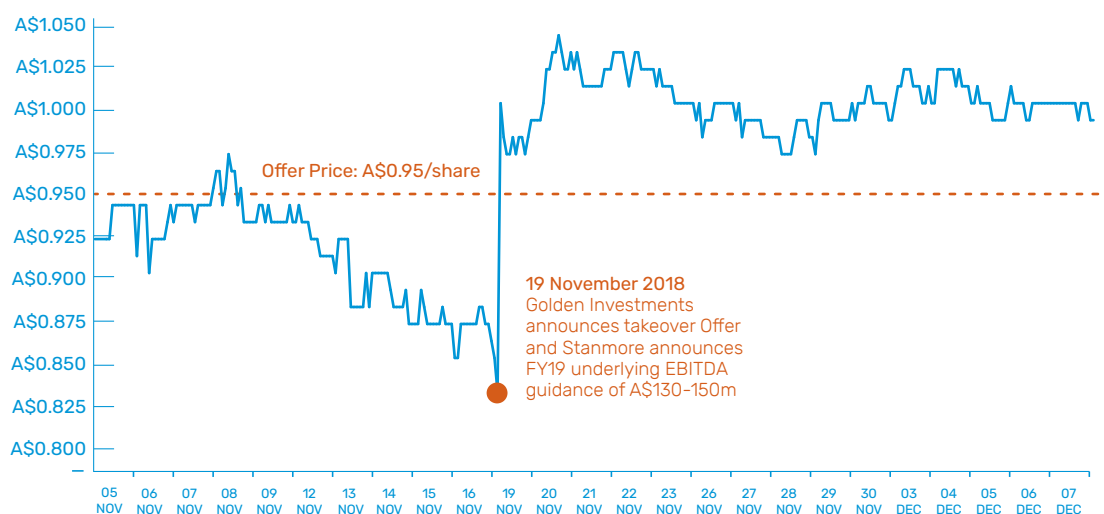
The Independent Expert's Report is included in full in Annexure A to this Target's Statement. Stanmore Shareholders should read that report in its entirety, as part of your assessment of whether or not to accept the Offer.

(c) Stanmore Shares are currently trading above the Offer Price, and have also traded above the Offer Price prior to the Offer

Since the announcement of Golden Investments' Offer, Stanmore Shares have consistently traded above the A\$0.95 per Share Offer from Golden Investments, and prior to the announcement of the Offer had traded above the Offer Price as recently as 7 November 2018.

The VWAP of all Stanmore Shares traded from the time of the announcement of the Offer to the close of trading on 7 December 2018 (being the last practicable date prior to the date of this Target's Statement) was A\$0.99 per Share. This represents a premium of 4.2% to the Offer Price of A\$0.95 per Share.

Stanmore Share Price (5 November 2018 to 7 December 2018)



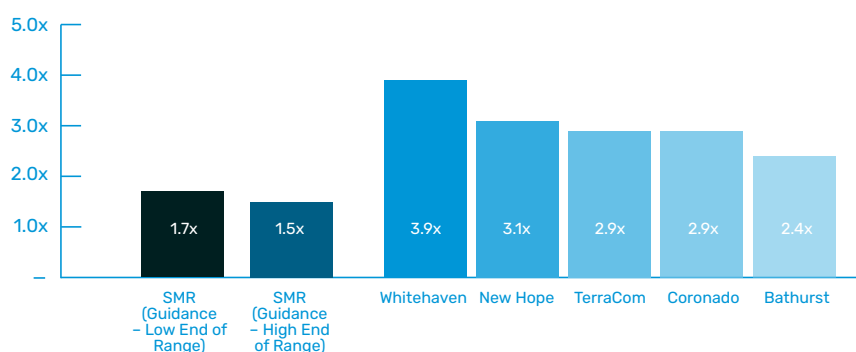
Source: IRESS, Stanmore company filings

(d) Golden Investments' Offer Price of \$0.95 per Stanmore Share significantly undervalues Stanmore Shares based on the trading valuations of other peer ASX listed coal companies

Comparable trading valuations – EV to FY2019 EBITDA

Golden Investments' Offer implies an Enterprise Value (EV) of Stanmore which is only 1.5 to 1.7 times Stanmore's forecast FY2019 underlying EBITDA. This is a material discount to the multiples that other peer ASX-listed coal companies are currently trading at.

EV/FY2019 EBITDA Multiples for Stanmore and its Peers



Source: IRESS, company filings, broker research

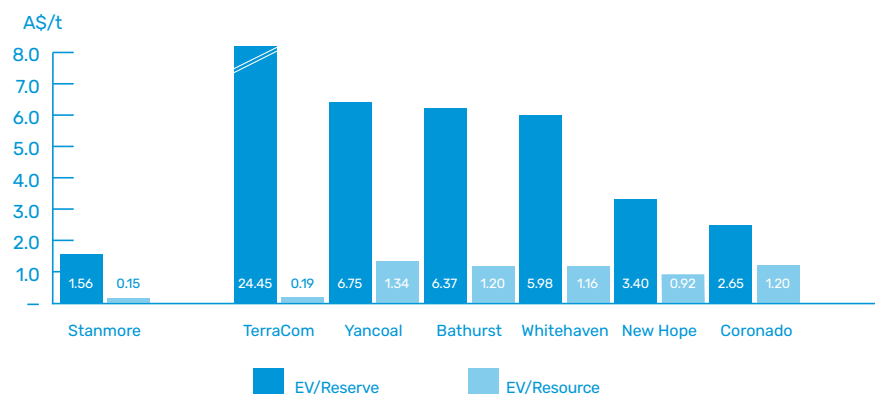
Notes:

- (1) Domestic trading comparables have been chosen on the basis of an assessment by Stanmore of the similarity of the respective peers and their end market exposures. Companies with market capitalisations of less than A\$100m have been excluded. Yancoal has been excluded as it has not provided EBITDA guidance, and broker forecast EBITDA is not available. By their very nature, some peers are more comparable than others and not all operations of the peers reflect those of Stanmore.
- (2) Stanmore's Enterprise Value is calculated as its fully diluted market capitalisation less net cash. Market capitalisation is calculated based on Offer Price multiplied by most recent published number of shares outstanding of 252.8m plus unquoted performance rights of 4.6m (Appendix 3B published on 23 November 2018). Net cash calculated as cash (\$19.8m) less interest-bearing debt (nil).
- (3) Peer Enterprise Values are calculated as market capitalisation (closing share price as at the Last Practicable Date multiplied by the total number of shares on issue) plus net debt. Whitehaven debt is net of capitalised borrowing costs; Coronado debt excludes capital and equipment finance leases and financing for insurance; New Hope Group cash inclusive of term deposits. TerraCom cash is as at 30 September 2018 and excludes restricted cash of A\$2.0 million and debt is per latest disclosure at 15 October 2018.
- (4) Where available, company guidance has been used for peer EBITDA. Where EBITDA guidance has been provided as a range the mid-point of the range has been used. Where peer financial year ends are different to Stanmore's financial year end of 30 June, EBITDA guidance and estimates have been calendarised to be presented on a 30 June financial year end basis. Forecast FY2019 EBITDA for Coronado Global Resources, Terracom and Bathurst Resources is calculated as midpoint of company guidance. Forecast FY2019 EBITDA for Whitehaven Coal and New Hope Group is calculated as the average of broker forecast EBITDAs which were available to Stanmore. A summary of the selection criteria, calculation methods, the number of broker forecasts comprising the average, the range, and the date of broker forecasts is provided in Annexure C to this Target's Statement.
- (5) New Hope Group metrics have not been adjusted for and do not take into account New Hope's acquisition of a 30% interest in Bengalla from Wesfarmers and the binding commitment to acquire Mitsui's 10% stake in Bengalla as announced on 26 November 2018.

Comparable trading valuations – EV to Reserves and EV to Resources

Golden Investments' Offer values Stanmore's Coal Reserves and Coal Resources at a material discount to other peer ASX listed coal companies. Your Directors believe that the Offer is placing little to no value on Stanmore's attractive portfolio of development projects and exploration assets.

EV/Coal Reserve and EV/ Resource Multiples for Stanmore and its Peers



Source: IRESS, company filings

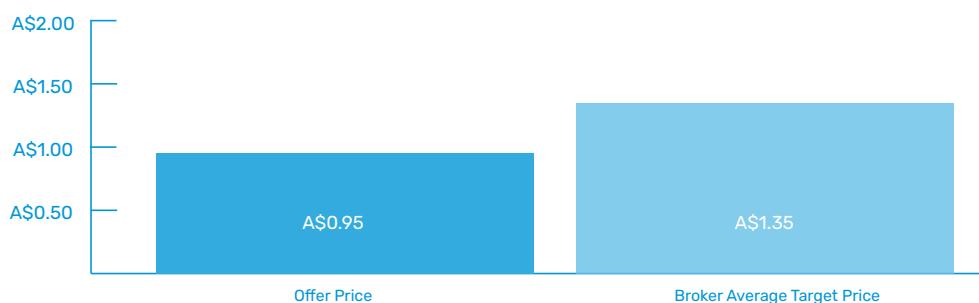
Notes:

- (1) See footnotes (1), (2) and (3) above, under "EV/FY2019 EBITDA Multiples for Stanmore and its Peers" and (4) below, for selection of peers, and for calculation of Stanmore's and peers' Enterprise Values.
- (2) Reserves and Resources utilised in the EV/Reserve and EV/Resource calculations are based on the latest available published JORC-compliant recoverable Coal Reserves and total Coal Resources attributable to the company based on its interests in the respective projects. Please see Annexure C for details of the filings relied upon.
- (3) New Hope Group metrics have not been adjusted for and do not take into account New Hope's acquisition of a 30% interest in Bengalla from Wesfarmers and the binding commitment to acquire Mitsui's 10% stake in Bengalla as announced on 26 November 2018.
- (4) Yancoal's market capitalisation and enterprise value have been adjusted to include the shares issued under the institutional component of its recent entitlement offer (59.4 million shares) plus the full over-allotment option (a further 8.92 million shares). Net debt has been adjusted for the proceeds of these issuances.

(e) The Offer Price is substantially below the average broker target price for Stanmore Shares

Golden Investments' Offer Price is priced at a 30% discount to the average broker target price for Stanmore immediately prior to the Offer. That average broker target price implies a 42% upside to the Offer Price.

Broker Target Prices for Stanmore



Source: Stanmore company filings, broker research

Notes:

- (1) The Company is aware of three brokers who provide a target price for Stanmore and research from all three brokers has been used in calculating the average target price. These target prices were A\$1.15, A\$1.40 and A\$1.50, with an average of A\$1.35 per Stanmore Share, and the relevant reports are dated 20 September 2018, 1 November 2018 and 15 November 2018, being the most recent reports available immediately prior to the announcement of the Offer. Stanmore notes that these reports are dated prior to the Company providing its updated FY2019 earnings guidance on 19 November 2018 and prior to the Offer. On 19 November 2018, after announcement by the Company of its updated FY2019 earnings guidance and the announcement of the Offer, one broker increased its target price of A\$1.15 to A\$1.20.
- (2) The average broker valuation is included in this Target's Statement solely as an indication of market views as to the value of Stanmore Shares. Your Directors do not adopt or endorse any of the broker valuations or the average valuation.

(f) Stanmore is Committed to Returning Cash to Shareholders

Following release of Stanmore Coal's FY2018 annual results and based on strong operational performance, the Board resolved to declare an unfranked dividend of A\$0.02 per Share for FY2018. Shareholders have also had the option to reinvest these dividends into Stanmore Shares via Stanmore's Dividend Reinvestment Plan.

The Company, with its focus on generating strong cash flows and maintaining balance sheet strength, aims to deliver returns to Shareholders through improving returns on invested capital. Stanmore has positioned the business with a view to generating value through share price appreciation and the payment of dividends over time, commensurate with performance in earnings, cash flow, and the cyclicity of the industry.

(g) Stanmore has material embedded value in its existing infrastructure which the Offer does not adequately value

Your Directors believe that the Offer does not adequately recognise the inherent value in Stanmore's infrastructure (including the CHPP, train loadout and dragline) when compared to its replacement cost. For property damage insurance purposes, Stanmore's assets have a declared replacement insured value of A\$288 million, including A\$100 million for the CHPP and A\$110 million for the dragline alone.

1.2 The outlook for Stanmore is positive, and the Company continues to pursue strategies and initiatives to maximise shareholder value

(a) Your Directors and management have a proven track record in creating significant value for Stanmore Shareholders

Stanmore's strategy of restarting and optimising the operation of the Isaac Plains Complex has created significant value for Shareholders, with Stanmore's market capitalisation increasing from approximately A\$15 million¹ as at 1 July 2015 to A\$257 million as at 30 November 2018. Stanmore has substantially outperformed the S&P/ASX Small Ordinaries Resources Index over that period.

Stanmore has a proven track record of executing its "hub" based strategy. The acquisition and restart of the Isaac Plains coal mine transformed Stanmore into a metallurgical coal producer, and the subsequent development of the Isaac Plains East deposit is expected to extend the mine life of the Isaac Plains Complex by an additional seven years.

More recently the Company completed the acquisition of the Wotonga South coking coal deposit (and subsequently renamed the deposit Isaac Downs) from Millennium Coal Pty Ltd (Peabody Australia). Isaac Downs is expected to support a mine life of eight to ten years, providing additional feed to the Isaac Plains CHPP. Isaac Downs is expected to have the capability to produce semi-hard coking coal, a mid-vol PCI product and a range of semi-soft coking coals. See sections 1.2(c) and 4.2(a)(iii) for further detail on Isaac Downs, including the key regulatory approvals required for this project.

To support the expansion of the Isaac Plains Complex, Stanmore recently secured additional long term port capacity at the DBCT to match the 3.5Mtpa capacity of the Isaac Plains CHPP.

Stanmore Share Price Performance vs S&P/ASX Small Ordinaries Resources Index

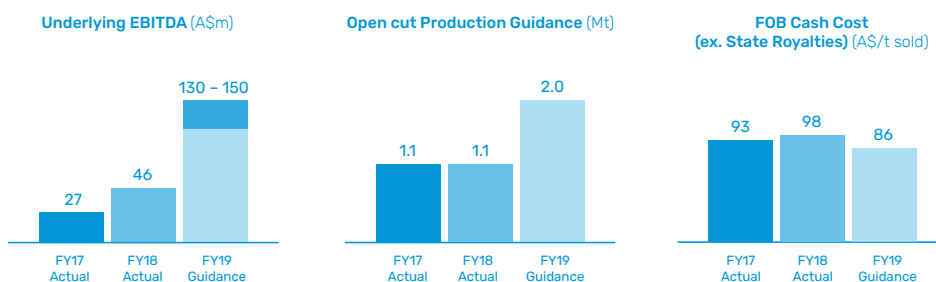


Source: IRESS

Stanmore's approach to value creation has delivered increased EBITDA generation, and increased production volumes whilst maintaining an attractive cash cost profile. Your Directors are confident in the continued expansion and development of the Isaac Plains Complex and the broader Stanmore business.

¹Based on a closing price of A\$0.068 per Share on 1 July 2015 and 222.5 million ordinary Shares on issue.

Select Operational Performance Metrics



Source: Stanmore company filings

(b) Stanmore's capital-light strategy provides it with the operational flexibility to respond rapidly to cyclical movements in coal prices

The acquisition of the Isaac Plains coal mine in 2015 provided Stanmore with a dragline, a 3.5Mtpa CHPP, train load-out facilities, office facilities and workshops. This low capital cost entry point, and operational flexibility within Stanmore's key operating contracts, allows the Company to respond in a highly cost-effective and rapid manner to fluctuations in coal prices.

With its dragline operation supplemented by truck-and-shovel operations, Stanmore has the ability to increase production volumes to take advantage of a strong pricing environment, but critically also has the ability to scale back production to focus on producing its highest-margin tonnes in a lower price environment.

Stanmore's "hub" based approach to the Isaac Plains Complex has provided the Company with multiple current and future potential sources of ROM feed coal to utilise the 3.5Mtpa of installed capacity at its CHPP.

This approach has created a resilient and flexible business which continues to deliver material value to Stanmore Shareholders. With the recent acquisition of the Isaac Downs coking coal deposit, management has positioned Stanmore to further increase its exposure to higher-value metallurgical coal products.

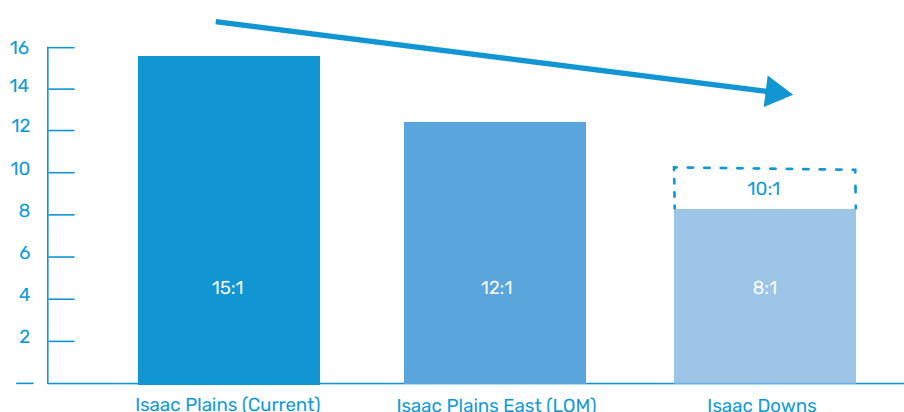
Your Directors and management have created a unique and robust metallurgical coal company with excellent growth prospects, a strong focus on margins, and the potential to continue to create substantial value for Shareholders over the medium term.

(c) Stanmore is positioned to deliver enhanced operating margins over time

Your Directors expect Stanmore to benefit in the future from both decreasing operating costs and an improvement in coal quality (including Semi-Hard Coking Coal and PCI Coal) which should result in a higher relative unit pricing of its coal product.

The progression of mining operations from Isaac Plains to Isaac Plains East has seen LOM average strip ratios decrease from the current level of 15:1 to approximately 12:1, delivering a material and sustainable reduction in Stanmore's operating cost base. The intended development of Isaac Downs (with an expected strip ratio range of approximately 8:1 to 10:1 driven by economic cut-offs) is expected to further reduce Stanmore's cost of production.

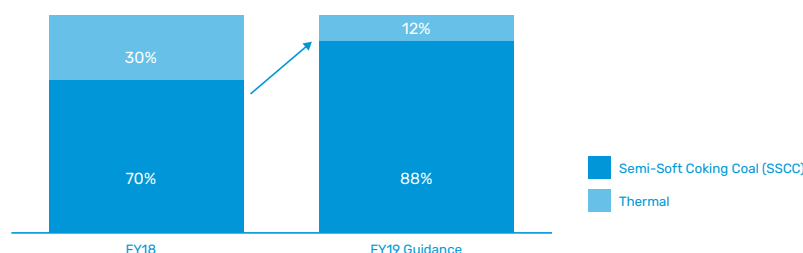
Isaac Plains Complex Current and Expected Strip Ratios



Source: Stanmore

At the same time, the proportion of higher-priced metallurgical coal to Stanmore's product mix has increased with the commencement of production at Isaac Plains East. In FY2019 Stanmore expects to produce 2.0Mt of saleable coal. 88% of this product is expected to be SSCC and 12% thermal coal, compared to a production mix of 70% SSCC and 30% thermal coal in FY2018.

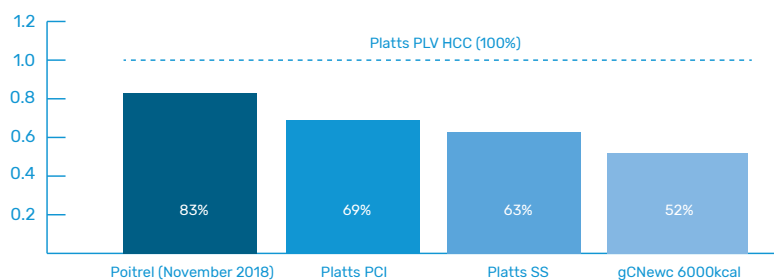
Stanmore Coal Production Mix by Product Type (excluding Isaac Downs)



Source: Stanmore company filings

Development of Isaac Downs² is expected to further enhance the quality of Stanmore's product mix. Evaluation of coal characteristics at Isaac Downs shows a capability to produce a mix of 65% semi-hard coking coal and 35% mid-vol PCI product. With these products historically commanding premium pricing relative to SSCC and thermal coal (see the chart below), Stanmore's operating margins are expected to benefit strongly from this increase in unit pricing received.

Coal Benchmark Relative Pricing (3 Year Average)



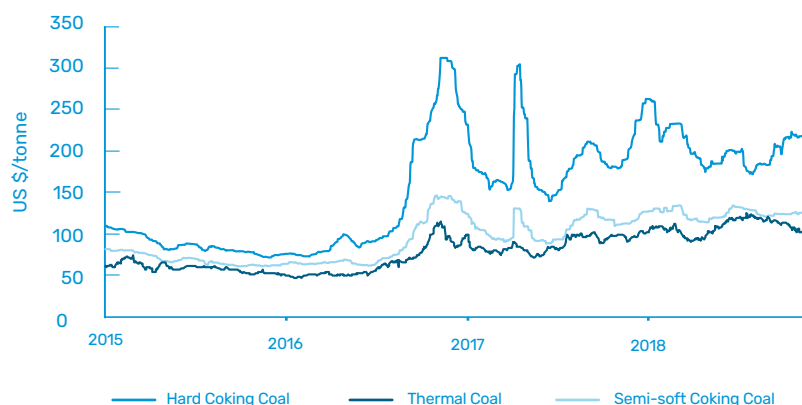
Source: Platts.

Chart data shows the average relative pricing (as a percentage of the Platts PLV HCC) for the 3 year period to 6 December 2018. The relative price as a percentage of the Platts PLV HCC is calculated on a daily basis, and the average of these percentages over the 3 year period is shown in the chart above. The Poitrel pricing displayed in the chart is based on Platts observations from November 2018.

² See section 4.2(a)(iii) for further detail on Isaac Downs, including the key regulatory approvals required for this project.

Stanmore expects the semi-hard coking coal produced from Isaac Downs to price broadly in-line with the pricing currently received by Poitrel (approximately 83% of the Platts PLV HCC benchmark based on Platts observations from November 2018).

Historical Coal Price Benchmarks



Source: Platts

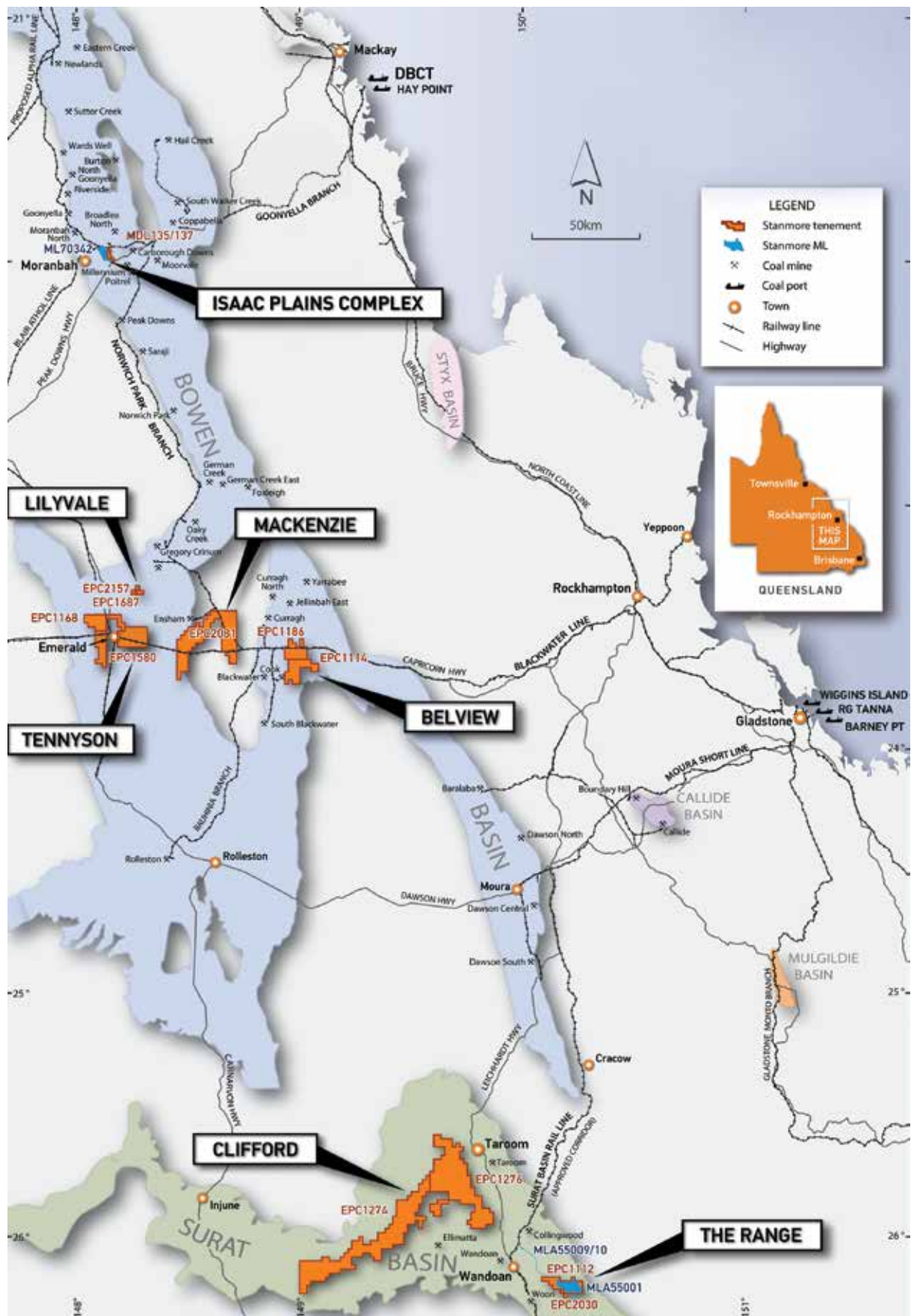
It is the Directors' view that the long term outlook for metallurgical coal is positive. Metallurgical coal is a scarce and highly sought after commodity, and this has been reflected in recent M&A activity. It is the Directors' view that there is unlikely to be any disruptive technology developed in the foreseeable future which will change the way that primary pig iron and steel using metallurgical coal is produced.

(d) Golden Investments' Offer appears to attribute little or no value to Stanmore's high quality portfolio of development projects and exploration assets

As well as being able to expand production from tenements proximate to the Isaac Plains CHPP, Stanmore possesses more than 1,700km² of prospective exploration tenements, which contain a number of coal projects that may create material value for Stanmore Shareholders over the longer term. Stanmore has attractive positions in the Southern Bowen Basin (including Lilyvale, Mackenzie, Tennyson and Belview, which are in close proximity to existing key rail and port infrastructure) and Surat Basin (including Clifford and The Range). The Directors do not believe the value of these projects has been adequately reflected in the low premium Offer from Golden Investments.

The map overleaf shows Stanmore's portfolio of tenements and mining leases, and their locations relative to existing third-party owned rail and port infrastructure. Stanmore's ownership interest in each of these tenements and leases is shown in the table below.

Stanmore's Significant Exploration and Development Portfolio



With reserves booked at Stanmore's 100% owned The Range project and substantial resources booked across the Company's other key development projects, Stanmore has an attractive suite of future development options.

Coal Reserves and Coal Resources (100% Basis)

Isaac Plains Complex							
		Isaac Plains	Isaac Plains East	Isaac Downs	Isaac Plains Underground*	Isaac South	Isaac Plains Complex Total
Stanmore Interest	%	100%	100%	100%	100%	100%	100%
Coal Reserves							
Proved	Mt	2	10	—	—	—	12
Probable	Mt	1	2	—	13	—	16
Total Recoverable Reserves	Mt	3	12	—	13	—	28
Coal Resources							
Measured	Mt	22	13	19		12	66
Indicated	Mt	21	9	4		15	48
Inferred	Mt	9	8	1		25	43
Total Resources	Mt	52	30	23	—	52	157

* Note: Isaac Plains Underground resources are included in Isaac Plains

Other Key Development Projects							
		The Range	Clifford	Belview	Lilyvale	Tennyson	Mackenzie
Stanmore Interest	%	100%	60%	100%	85%	100%	95%
Coal Reserves							
Proved	Mt	—	—	—	—	—	—
Probable	Mt	117	—	—	—	—	—
Total Recoverable Reserves	Mt	117	—	—	—	—	—
Coal Resources							
Measured	Mt	18	—	—	—	—	—
Indicated	Mt	187	200	50	—	—	26
Inferred	Mt	81	430	280	33	161	117
Total Resources	Mt	286	630	330	33	161	143

Source: Stanmore company filings

1.3 Accepting Golden Investments' Offer removes the opportunity for Stanmore Shareholders to consider any subsequent superior offers that may arise, and to participate in any potential future growth in the Stanmore business

The Offer by Golden Investments could result in other parties providing change of control proposals to Stanmore. There is no certainty that Golden Investments' Offer will be the only Offer made to Stanmore Shareholders. If you accept the Offer, and FIRB Approval is obtained³, you will lose the opportunity to accept a higher offer price for your Stanmore Shares (should a competing proposal be made).

If you accept the Offer, you will only be able to withdraw your acceptance in limited circumstances in accordance with the Corporations Act⁴. Accepting the Offer before the expiry of the Offer Period will not bring forward the timing of the payment of the cash consideration. If the Bidder elects to extend the Offer Period, you will be notified of this.

The Offer is subject to a number of conditions, including Golden Investments obtaining FIRB Approval for the acquisition, and Golden Investments obtaining a Relevant Interest in more than 50% of Stanmore Shares. As such, there is a risk that a condition of the Offer may not be satisfied, or may not be satisfied for a period of time. The date the Bidder will give notice on the status of the Conditions as required by section 630(1) of the Corporations Act is 27 December 2018, subject to variation in accordance with section 630(2) of the Corporations Act in the event that the Offer Period is extended.

If the Conditions are not satisfied and the Offer lapses, you will not receive the proceeds of the Offer.

³ The Offer is subject to Golden Investments obtaining FIRB Approval for the acquisition, and no binding contract to acquire your Shares can be formed until that approval is obtained.

⁴ Given that the Offer is subject to FIRB Approval, if you were to accept the Offer, you can withdraw your acceptance at any time prior to FIRB Approval being obtained.



SECTION 2.

YOUR DIRECTORS' RECOMMENDATION

2.1 Directors' recommendation

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU REJECT GOLDEN INVESTMENTS' OFFER

After taking into account each of the matters in this Target's Statement (including the Independent Expert's Report) and in the Bidder's Statement, each of your Directors recommends that you REJECT the Offer for the reasons set out in section 1 of this Target's Statement.

In considering whether to accept the Offer, your Directors encourage you to:

- read the whole of this Target's Statement, the Independent Expert's Report, the Independent Technical Specialist's Report and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- carefully consider section 5.3 of this Target's Statement which sets out the choices available to you as a Stanmore Shareholder; and
- obtain any independent financial, legal, taxation or other professional advice that you require before making a decision as to whether or not to accept the Offer.

2.2 Intentions of your Directors in relation to the Offer

Each Stanmore Director who has a Relevant Interest in Stanmore Shares intends to REJECT the Offer in relation to those Stanmore Shares.

Details of the Relevant Interests of each Stanmore Director in Stanmore Shares are set out in section 7.1 of this Target's Statement.

To REJECT Golden Investments' Offer, simply DO NOTHING



SECTION 3.

FREQUENTLY ASKED QUESTIONS

This section answers some frequently asked questions about the Offer. It is not intended to address all relevant issues for Stanmore Shareholders. This section should be read together with all other parts of this Target's Statement.

References in the Further Information column are to sections or Annexures in this Target's Statement.

QUESTION	ANSWER	FURTHER INFORMATION
What is this Target's Statement?	This Target's Statement has been prepared by Stanmore and provides Stanmore's response to the Offer, including the recommendation of your Stanmore Directors.	n/a
What is the Bidder's Statement?	The Bidder's Statement is the document prepared by Golden Investments setting out the terms of the Offer, a copy of which was originally lodged with ASIC and released on the ASX on 19 November 2018.	n/a
What is the Bidder's Offer for my Stanmore Shares?	The Bidder is offering A\$0.95 in cash for each Stanmore Share that you hold.	Section 6.2
What choices do I have as a Stanmore Shareholder?	<p>As a Stanmore Shareholder, you have the following choices in respect of your Stanmore Shares:</p> <ul style="list-style-type: none">• do nothing;• sell some or all of your Stanmore Shares on the ASX (unless you have previously accepted the Offer); or• accept the Offer for all or some of your Stanmore Shares. <p>There are several implications in relation to each of the above choices.</p>	Section 5.3

QUESTION	ANSWER	FURTHER INFORMATION
What are the risks of rejecting the Offer?	<p>If you reject the Offer, you will remain a Stanmore Shareholder.</p> <p>If you remain a Stanmore Shareholder, you may become a minority shareholder if more than 50% but less than 90% of Stanmore Shares are acquired by the Bidder under the Offer. This has a number of possible implications which are set out in section 5.7 of this Target's Statement.</p> <p>You should also be aware that there are risks associated with remaining a Stanmore Shareholder. Set out in section 5.5 of this Target's Statement are the possible key risks which may affect the future operating and financial performance of Stanmore and the value of Stanmore Shares.</p>	Sections 5.5 and 5.7
Who is the Bidder?	<p>Golden Investments is a recently incorporated private company in Singapore which has been incorporated for the sole purpose of acquiring the Stanmore Shares and paying the Offer Price to Stanmore Shareholders who accept the Offer.</p> <p>Golden Investments is currently 51% owned by GEAR and 49% owned by Ascend Global.</p> <p>Further information on the Bidder can be found in section 5 of the Bidder's Statement.</p>	n/a
Does the Bidder currently have a Relevant Interest in Stanmore?	<p>The Bidder has a Relevant Interest in 19.82% of Stanmore's Shares by virtue of section 608(8) of the Corporations Act following:</p> <ul style="list-style-type: none"> • GEAR purchasing a total of 50,108,395 Stanmore Shares from Stanmore's previous major shareholder, Greatgroup Investments Limited, pursuant to a Share Sale Agreement dated 16 November 2018; and • Golden Investments entering into an agreement with GEAR dated 18 November 2018 to acquire those 50,108,395 Stanmore Shares, to be completed after the close of the Offer. 	n/a
What are your Directors recommending?	<p>Your Directors unanimously recommend that you REJECT the Offer for the reasons explained in section 1.</p> <p>If there is a change in your Directors' recommendation, or there are any material developments in relation to the Offer, your Directors will make the appropriate supplementary disclosure.</p>	Section 1
What do Stanmore Directors intend to do with their own Stanmore Shares?	Each Stanmore Director intends to REJECT the Offer in respect of the Stanmore Shares that they own or control.	Section 2.2

QUESTION	ANSWER	FURTHER INFORMATION
What is the opinion of the Independent Expert?	<p>Stanmore has appointed an Independent Expert, BDO Corporate Finance (QLD) Ltd, to prepare an Independent Expert's Report assessing the Offer, and to provide an opinion on whether or not the Offer is fair and reasonable to Stanmore Shareholders.</p> <p>As part of the preparation of the Independent Expert's Report, the Independent Expert has engaged an Independent Technical Specialist, Palaris Australia Pty Ltd, to prepare an Independent Technical Specialist's Report for inclusion in the Independent Expert's Report. The Independent Technical Specialist's Report provides detailed information about the technical aspects of Stanmore's business.</p> <p>The Independent Expert has concluded the Golden Investments' Offer is not fair and not reasonable. The Independent Expert has valued Stanmore Shares between A\$1.48 and A\$1.90 per Share on a controlling interest basis.</p> <p>A full copy of the Independent Expert's Report is included in Annexure A to this Target's Statement. You should read that report carefully and in its entirety as part of your assessment of the Offer.</p>	Annexure A
How do I REJECT the Offer?	<p>To reject the Offer, simply do nothing.</p> <p>You should take no action in relation to all correspondence from Golden Investments regarding the Offer.</p>	Section 5.3(a)
How do I accept the Offer?	<p>Details of how to accept the Offer are set out in section 6 of Annexure A of the Bidder's Statement. However, note your Directors' unanimous recommendation that you REJECT THE OFFER.</p>	Sections 5.3(c) and 6.9
What are the consequences of accepting the Offer now?	<p>If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Stanmore Shares on market or to any other bidder that may make a takeover offer or otherwise deal with your Stanmore Shares while the Offer remains open.</p>	Section 6.9
If I accept the Offer, can I withdraw my acceptance?	<p>You may withdraw your acceptance at any time until the FIRB Condition has been fulfilled.</p> <p>Once the FIRB Condition is satisfied, you may only withdraw your acceptance if:</p> <ul style="list-style-type: none"> the No Prescribed Occurrence Condition has not been fulfilled or waived by three business days after the end of the Offer Period and all other Conditions have not been fulfilled or waived by the end of the Offer Period; or the Bidder varies the Offer in a way that postpones the time when the Bidder is required to satisfy its obligations under the Offer by more than one month. 	Section 6.8

QUESTION	ANSWER	FURTHER INFORMATION
What are the conditions to the Offer?	<p>The Conditions to the Offer are that:</p> <ul style="list-style-type: none"> • the Bidder obtains a Relevant Interest in at least 50.01% of Stanmore Shares on issue; • the Bidder obtains FIRB Approval; • no Prescribed Occurrence occurs; • there is no regulatory impediment which: <ul style="list-style-type: none"> – restrains, prohibits, impedes or otherwise materially adversely impacts on the making of the Offer or the completion of any transaction contemplated by the Bidder or the ownership and operation of the business of the Stanmore Group or any of its projects; – which requires variation of the terms of the Offer; or – requires or approves the divestiture by the Bidder of any Stanmore Shares or the divestiture of any assets of any member of the Stanmore Group or the Bidder and its Related Bodies Corporate; • there is no Material Adverse Change in relation to the Stanmore Group; • no Restricted Action takes place; and • no ASX announcements were made by Stanmore prior to the date of the Bidder's Statement which are likely to be materially incomplete, incorrect, untrue or misleading in the context of the Takeover Bid and the Offer. 	Sections 6.3 and 6.4
What happens if the Conditions are not satisfied or waived?	If the Conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You would then be free to deal with your Stanmore Shares even if you had accepted the Offer.	Section 6.4
When does the Offer close?	The Offer is presently scheduled to close at 7.00pm (Sydney time) on 3 January 2019 (unless withdrawn), but the Offer Period can be extended in certain circumstances.	Sections 6.6 and 6.7
If I choose to accept the Offer, when will I receive my consideration?	<p>Golden Investments has stated that if you accept the Offer and it becomes unconditional, you will be paid on or before the later of:</p> <ul style="list-style-type: none"> • the date one month after the date you validly accept the Offer; and • one month after the date the Offer becomes, or is declared, unconditional, but in any event, no later than 21 days after the end of the Offer Period. 	Section 6.11
Will Golden Investments increase the Offer?	<p>Golden Investments has not declared its Offer to be final. Accordingly, Golden Investments could increase its Offer if it chooses.</p> <p>However, Stanmore cannot speculate on whether Golden Investments will increase its Offer as this is a matter for Golden Investments.</p>	n/a
What happens if the Offer Price is increased?	<p>If the Offer Price is increased, you (whether or not you have accepted the Offer prior to the increase), will be entitled to the benefit of that improved consideration.</p> <p>If the Bidder raises the Offer Price, your Directors will carefully consider the revised Offer and advise you accordingly.</p>	Section 6.12

QUESTION	ANSWER	FURTHER INFORMATION
What if there is a competing takeover bid?	<p>If a competing takeover bid is received prior to the end of the Offer Period, this will be announced to the ASX and the Board will carefully consider the proposal and advise Shareholders of their recommendation.</p> <p>If you have already accepted the Offer, then you may not be able to participate in a competing proposal from a third party which may emerge.</p>	Refer above to 'What are the consequences of accepting the Offer now?'
Can I be forced to sell my Stanmore Shares?	<p>You cannot be forced to sell your Stanmore Shares unless Golden Investments compulsorily acquires your Stanmore Shares.</p> <p>Golden Investments will need to obtain a Relevant Interest in 90% or more of the total issued Stanmore Shares in order to proceed to compulsory acquisition.</p>	Section 5.7(c)
What are the tax implications of accepting the Offer?	<p>A general outline of the tax implications of accepting the Offer is set out in Annexure B to this Target's Statement.</p> <p>As the outline is a general outline only, Stanmore Shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.</p>	Annexure B
Is there a number that I can call if I have further queries in relation to the Offer?	<p>If you have any further queries in relation to the Offer, you can call the Stanmore Shareholder information line on 1300 970 086 (for calls made from within Australia) or +61 1300 970 086 (for calls made from outside Australia) Monday to Friday between 8.30am and 5:30pm (AEDT).</p> <p>Calls to the Stanmore Shareholder information line may be recorded.</p>	n/a



SECTION 4.

OVERVIEW OF STANMORE

4.1 Business overview

Stanmore is an independent Australian coal company established in 2008. The principal activities of Stanmore include the exploration, development, production and sale of metallurgical and thermal coal in Queensland, Australia. Listed on the ASX in 2009 (ASX: SMR), the Company's head office is located in Brisbane, Queensland.

Stanmore owns and operates the Isaac Plains Complex in Queensland's prime Bowen Basin region. The Isaac Plains Complex encompasses a portfolio of operational mines and projects including:

- (a) the original Isaac Plains coking coal mine (***Isaac Plains***);
- (b) the adjoining Isaac Plains East coking coal mine (with first coal mined in August 2018) (***Isaac Plains East***);
- (c) the Isaac Downs project (***Isaac Downs***);
- (d) the Isaac South project (***Isaac South***); and
- (e) the Isaac Plains Underground project (***Isaac Plains Underground***).

The Company is focused on the creation of shareholder value via the efficient operation of Isaac Plains and Isaac Plains East and identification of further development opportunities (such as Isaac Downs) within the region. In addition, Stanmore holds a number of high-quality development assets (both coking and thermal coal resources) located in the Bowen and Surat Basins in Queensland.

4.2 Asset overview

A brief summary of Stanmore's assets is set out below.

(a) ISAAC PLAINS COMPLEX

Coal Type	Coking and thermal
Tenements	ML70342, ML700018, ML700019 (Isaac Plains and Isaac Plains Underground) ML700016, ML700017, ML700018, ML700019 (Isaac Plains East) MDL137, EPC728 (Isaac Downs) EPC755 (Isaac South)
Location	7km east of Moranbah
Area	ML and MDLs 40km ² , EPCs 89km ² (partly underlying MLs & MDLs)
Total Coal Resource	157Mt ² (65.7Mt Measured; 48.2Mt Indicated; 43Mt Inferred) ⁵
Total ROM Coal Reserves	27.8Mt ² (12.1Mt Proved; 15.7Mt Probable)
Total Marketable Coal Reserve	20.9Mt ² (9.3Mt Proved; 11.6Mt Probable)
Ownership	100% owned by Stanmore

The Isaac Plains Complex represents Stanmore's platform asset. It is located approximately 7km to the east of Moranbah in Central Queensland. The surrounding area is a prime coking coal region within the Bowen Basin, with a number of nearby operating mines and development assets owned by third parties.

The region is well serviced by the coal ports of DBCT and the Hay Point Coal Terminal near Mackay. The complex has its own dedicated Coal Handling and Preparation Plant (**CHPP**). It also has access to rail infrastructure, with product coal transported 172km by rail to DBCT. Coal is trucked to the CHPP and washed to form a product at a total yield of 70.4% as of FY2018. Product coal is sold primarily to Japanese, Korean and European steel makers.

Stanmore's strategy involves potentially extending the life of the Isaac Plains Complex by progressively open cut mining Isaac Plains, Isaac Plains East, Isaac Downs and Isaac South, and going underground through highwalls left by the open cuts where appropriate. This is the "hub" based approach which involves producing as many tonnes of high grade coal as possible through a single coal handling and processing plant fed by multiple mines to run at capacity. Fully utilising the existing plant enables more coal to be produced without investing in additional costly infrastructure.

(i) Isaac Plains

Stanmore completed the acquisition of Isaac Plains in November 2015. The acquisition provided the Company not only with an established coking coal mining operation, but a strategic platform to potentially commence progression into Isaac Plains East.

Isaac Plains recommenced mining operations in February 2016 after it had been placed under care and maintenance by its previous owners. Stanmore achieved first coal sales from Isaac Plains in May 2016.

During FY2018, in light of strong coal prices being received and the granting of mining leases for Isaac Plains East, Stanmore accelerated production at Isaac Plains with a small increase in costs to capitalise on the high sales price environment. In the second half of the year, this accelerated performance resulted in the mine operating at 1.9Mtpa ROM. Planned shutdowns of the CHPP and the dragline were also successfully completed during FY2018.

A total of 1.643Mt of ROM coal was extracted from Isaac Plains during the period 1 July 2017 to 30 June 2018. A further 1.7Mt of open cut Coal Reserve remains in the Isaac Plains plan.

During FY2018, Stanmore invested \$6.705 million in rehabilitation at Isaac Plains, in order to reduce its overall rehabilitation costs as the operation nears the final stages of mine life. It is more cost effective to integrate rehabilitation with operations than to manage it as a standalone project. In FY2019, the mining operations will fully transition to Isaac Plains East.

⁵ Extracted from the announcement entitled 'Annual Coal Resources & Coal Reserve Summary' released to the ASX on 24 August 2018.

(ii) Isaac Plains East

Stanmore completed the acquisition of the MDL 135 and the rights to a part of MDL 137, which formed the basis of Isaac Plains East in September 2015. The shallow, coking coal deposit forms an extension to Isaac Plains and has significant synergies with Isaac Plains where all necessary site coal processing and transport infrastructure is already in place. The high-quality SSCC from Isaac Plains East will be shipped from DBCT and sold primarily into quality Asian steel mills.

A number of milestones were achieved during FY2018 in respect of Isaac Plains East including the granting of mining leases on 1 March 2018 and approvals under the *Environment Protection and Biodiversity Conservation Act 1999* (Cth). Pre-mining operations for Isaac Plains East commenced in June 2018, with first coal mined during August 2018. Isaac Plains East is currently expected to extend the life of the Isaac Plains Complex by approximately 7 years.

As at 30 September 2018, Isaac Plains East was fully operational and had reported strong overburden removal productivity which aligns with Stanmore's intention to boost overall Isaac Plains Complex production in FY2019 by up to 50%. A total of 278kt of ROM coal was extracted for the quarter ended 30 September 2018. Initial results from processing coal from Isaac Plains East have also shown better than expected total yields (approximately 80%) and higher metallurgical coal/thermal coal splits (95%:5%).⁶

(iii) Isaac Downs

Stanmore completed the acquisition of Isaac Downs (formerly known as Wotonga South) in July 2018. Isaac Downs will be operated as a satellite development for the Isaac Plains Complex with coal beneficiation and train loading activities all undertaken at the existing CHPP.

The deposit has Coal Resources of 22.8Mt and is located 10 kilometres south of the CHPP. The deposit is expected to support a mine life of 8 to 10 years and is expected to have the capability to produce semi-hard coking coal, a mid-volatility pulverised coal injection product, as well as a range of semi-soft and weak coking coals.

Subject to regulatory approvals, Isaac Downs will provide Stanmore with the right to develop an open cut mining operation with the ability to extract an estimated 15Mt to 20Mt of coal, thereby significantly extending the life of the Isaac Plains Complex. This coal will be amalgamated with Isaac South which also holds significant potential for Coal Resources in addition to Isaac Downs.

In order for Isaac Downs to proceed to development, mining lease(s) and environmental approvals (both State and Federal) will need to be applied for and obtained. Native title and landowner compensation will also need to be addressed in order for the mining lease(s) to be granted. Stanmore anticipates that the approvals will be granted in 2021.

Stanmore has commenced environmental studies, baseline data collection and additional exploration planning in respect of Isaac Downs to support the mining lease application, and State and Federal environmental approvals. Detailed mine and infrastructure design planning has also commenced.

Obtaining the regulatory approvals, and the timing of such approvals, is not certain. However, Stanmore's experience in relation to Isaac Plains East and its understanding of the approvals process, lend support to your Directors' view that the regulatory approvals can be obtained within the anticipated timeframes.

(iv) Isaac South

Stanmore completed the acquisition of Isaac South in November 2015 as part of the same transaction in which Stanmore acquired Isaac Plains. The Isaac South deposit lies approximately 12 kilometres south-east of Isaac Plains, and is immediately south of Isaac Downs.

In a release to the ASX on 27 July 2018, Stanmore announced total Coal Resources of 52Mt within Isaac South. These Coal Resources had been upgraded to the standard required by the JORC Code 2012 based on exploration data generated in 2012 and represent coal within Stanmore's wholly owned tenement.

Exploration is planned for the tenement during FY2019 to assess the opportunity to provide further long-term ROM feed for the Isaac Plains Complex infrastructure.

⁶ Further information can be found in the September 2018 Quarterly Production Report released to the ASX on 30 October 2018 and which can be found on the Stanmore website at www.stanmorecoal.com.au.

(v) **Isaac Plains Underground**

Stanmore has continued to assess a potential underground extension in the eastern portion of the Isaac Plains mining lease. The Isaac Plains Underground project is one of a number of options available to provide additional ROM coal to the CHPP.

On 28 May 2018, Stanmore declared a maiden Coal Reserve of 12.9Mt and total Marketable Coal Reserves of 9.4Mt (comprising of 8.2Mt of SSCC and 1.2Mt of thermal coal). This announcement followed the completion of a pre-feasibility study in January 2018.

Stanmore commenced a bankable feasibility study in FY2018 which was materially complete as at 30 September 2018. A financial investment decision on the project remains planned for FY2019.

(b) **SURAT BASIN COMPLEX**

(i) **Clifford**

Coal Type	Thermal
Tenements	EPC1274, EPC1276
Area	820km ²
Location	Surat Basin - north-west of Wandoan
Coal Resource	630Mt (200Mt Indicated; 430Mt Inferred)
Ownership	60% owned by Stanmore 40% owned by the Japan Oil, Gas and Metals National Corporation

The Clifford thermal coal project (**Clifford**) covers approximately 820km² in Queensland's prospective Surat Basin. The project is located near Stanmore's The Range project (**The Range**), a potential 5 Mtpa open cut export grade thermal coal project. Clifford adjoins Glencore's Wandoan Project and is targeting thermal coal deposits at depths amenable to open cut mining.

(ii) **The Range**

Coal Type	Thermal
Tenements	EPC1112, EPC2030 MLA55001, MLA55009, MLA55010
Area	90km ²
Location	Surat Basin – 24km south-east of Wandoan
Coal Resource	Total of 286Mt high quality open pit thermal coal (18Mt Measured, 187Mt Indicated, 81Mt Inferred Resource)
Coal Reserve	Total of 116.6Mt (Probable)
Ownership	100% owned by Stanmore

A definitive feasibility study completed in 2012 covering geology, mining and infrastructure confirmed The Range as a high quality, export grade, thermal coal project expected to be capable of producing 94Mt of product over a 22 year life. Stanmore's focus continues to be on the investigation of possible rail infrastructure to link the project with the Port of Gladstone. Until there is certainty as to timing of the rail solution, Stanmore will continue with environmental monitoring and other minor on-site activities to maintain compliance with approvals.

(c) **OTHER PROJECTS**

(i) **Belview**

Coal Type	Coking
Tenements	EPC1114, EPC1186, EPC1798
Area	125km ²
Location	10km south-east of Blackwater
Coal Resource	330 Mt
Ownership	100% owned by Stanmore

The Belview project (**Belview**) is a large scale, metallurgical coal project located in the heart of Queensland's Bowen Basin. Belview currently hosts a 330Mt Coal Resource (50Mt Indicated and 280Mt Inferred). A conceptual mining study was completed in 2015 that proposed a significant underground longwall operation.

(ii) **Lilyvale**

Tenements	EP1687, EP2157
Area	13km ²
Location	25km north-east of Emerald
Coal Resource	33Mt (33Mt Inferred)
Ownership⁷	85% Stanmore 15% Bowen Coking Coal

The Lilyvale project (**Lilyvale**) is located 25km north-east of Emerald and close to the operating Kestrel South coking coal mine and the Gregory-Crinum coking coal mine (at which Sojitz has stated it intends to recommence operations as soon as possible following the completion of its acquisition of the mine). The project hosts the German Creek seam from 336m in depth with a typical thickness across the project area of 2.2m to 2.5m. Geologically the project and surrounding areas are well understood and not expected to be geologically complex.

The project area has defined Mineral Resources of 33Mt (at an Inferred level). Further exploration is planned to define additional resources.

(iii) **Mackenzie**

Tenements	EPC2081
Area	347km ²
Location	West, north and east surrounding Comet
Coal Resource	143Mt (25.7Mt Indicated; 117Mt Inferred)
Ownership⁸	95% owned by Stanmore 5% owned by Bowen Coking Coal

The Mackenzie project (**Mackenzie**) is a potential open cut project with high ash low yielding coking coal potential.

(iv) **Tennyson**

Tenements	EPC1168, EPC1580
Area	111km ²
Location	2km North of Emerald
Coal Resource	161Mt Inferred
Ownership	100% owned by Stanmore

The Tennyson project (**Tennyson**) is a potential underground project in the Rangal Coal measures with the potential to produce a low ash mid-energy thermal coal.

4.3 Stanmore's Coal Resources and Coal Reserves

This section contains information about Stanmore's Coal Reserves and Coal Resources estimates as reported under the JORC Code 2012 (other than where qualified) in an announcement entitled '2018 Annual Coal Resources & Reserves Summary' (the **Resources & Reserves Report 2018**) released on the ASX on 24 August 2018 and which can be found on the Stanmore website at www.stanmorecoal.com.au.

The information in this section is a summary only and has been prepared and extracted for the purposes of this Target's Statement only.

Stanmore confirms that at the date of this Target's Statement it is not aware of any new information or data that materially affects the information included in the Resources & Reserves Report 2018 and that all material assumptions and technical parameters underpinning the estimates in the Resources & Reserves Report 2018 continue to apply and have not materially changed.

⁷ Lilyvale is a joint venture arrangement between Stanmore and Bowen Coking Coal Pty Ltd (**Bowen Coking Coal**). Stanmore and Bowen Coking Coal have an 85% and 15% ownership interest in Lilyvale respectively.

⁸ Mackenzie is a joint venture arrangement between Mackenzie Coal Pty Ltd (a wholly owned subsidiary of Stanmore) and Bowen Coking Coal. Stanmore has a 95% ownership interest in the project and Bowen Coking Coal has a 5% ownership interest with Bowen Coking Coal having the potential to earn up to a 9% ownership interest through the provision of technical and study management services.

Stanmore confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcement.

(a) Coal Resources for all of Stanmore's tenements

Figure 1 below summarises the current status of Coal Resource definition for Stanmore's portfolio of operating mines and projects as at June 2018.

Figure 1 – Stanmore Coal Resources as at June 2018

Project Name	Tenement	Coal Type*	Measured Coal Resources	Indicated Coal Resources	Inferred Coal Resources	Total Coal Resources	Competent Person	Report Date
Isaac Plains	ML70342, ML700018, ML700019	C, T	22.2	21.3	9	52	A	May-18
Isaac Plains East	ML700016, ML700017, ML700018, ML700019	C	12.9	8.8	8	30	A	May-18
Isaac Downs (Wotonga)	MDL137, EPC728	C, PCI	18.7	3.6	1	23	B	Mar-18
Isaac South	EPC755	C, T	11.9	14.5	25	52	C	May-18
Isaac Plains Complex	Sub Total		65.7	48.2	43	157		
Clifford	EPC1274, EPC1276	T	0	200.0	430	630	D	Aug-16
The Range	EPC1112, EPC2030	T	18.1	187.0	81	286	A	Oct-12
Surat Basin Complex	Sub Total		18.1	387	511	916		
Mackenzie	EPC2081	C, T	0	25.7	117	143	A	Nov-11
Belview	EPC1114, EPC1186, EPC1798	C, PCI	0	50.0	280	330	A	Mar-15
Tennyson	EPC1168, EPC1580	T	0	0.0	161	161	A	Dec-12
Lilyvale	EPC1687, EPC2157	C	0	0.0	33	33	A	Feb-14
Total Coal Resources			83.8	510.9	1,145	1,740		

***Coal Types Potential Legend**

CK – coking coal, semi-soft or greater potential
 PCI – pulverised coal injection
 TH – export thermal grade

Competent Person

A – Troy Turner, Xenith Consulting
 B – Kane Maxwell, Peabody Australia
 C – Mal Blaik, JB Mining
 D – Oystein Naess – Xenith Consulting

Note 1: All Coal Resources are reported under JORC Code 2012 or JORC 2004 as applicable at the time each report was published. Reports dated 2012 and earlier are reported against the requirements of the JORC Code 2004. In particular, Coal Resources for The Range are as reported in 2011 and are reported under the JORC Code 2004. Reports dated after 2012 are reported against the requirements of the JORC Code 2012.

Note 2: Rounding to the nearest significant figure is applied to Total Resource Tonnes in the Inferred Category. This is deemed conservative and reflective of the Inferred Resource category confidence level and accounts for the minor differences in the overall total reported resources.

Note 3: All Coal Resources are reported on a 100% basis; Stanmore's economic interest in Clifford is 60%, Mackenzie is 95%, and Lilyvale is 85%, all other tenure is 100% owned by Stanmore.

Figure 2 below summarises the results of the mine planning work undertaken to define Coal Reserves and Marketable Coal Reserves for Stanmore's portfolio of operating mines and projects as at June 2018.

Figure 2 – Stanmore Coal Reserves as at June 2018

Stanmore Coal Reserves as at June 2018		Coal Reserves			Marketable Coal Reserve			Competent Person	Report Date
Project Name	Tenement	Proved	Probable	Total	Proved	Probable	Total		
Isaac Plains Open cut	ML70342	1.8	0.9	2.7	1.3	0.7	2.0	E	Aug-18
Isaac Plains East Open cut	ML700016, ML700017, ML700018, ML700019	10.3	1.9	12.2	8.0	1.5	9.5	E	Aug-18
Isaac Plains Underground	ML70342, ML700018, ML700019		12.9	12.9		9.4	9.4	F	Apr-18
Isaac Plains Complex		12.1	15.7	27.8	9.3	11.6	20.9		
The Range	EPC1112, EPC2030		116.6	116.6		94.2	94.2	G	Jul-11
Surat Basin Complex			116.6	116.6		94.2	94.2		
Total Coal Reserves		12.1	132.3	144.4	9.3	105.8	115.1		

***Coal Type Ratio – Coking: Thermal
(% of Marketable Coal Reserve)**

Isaac Plains OC	76%:24%
Isaac Plains East OC	98%:2%
Isaac Plains Underground	88%:12%
The Range	100% Thermal

Competent Person

E – Gary Benson – Measured Group
F – Mark McKew – Geostudy
G – Richard Hoskings – Minserve

Note 1: All Coal Reserves are reported under JORC Code 2012 or JORC 2004 as applicable at the time each report was published. Reports dated 2012 and earlier are reported against the requirements of the JORC Code 2004. In particular, Coal Reserves for The Range are as reported in 2011 and are reported under the JORC Code 2004. Reports dated after 2012 are reported against the requirements of the JORC Code 2012.

Note 2: Totals may not be exact due to significant figure rounding.

Note 3: The Reserves quoted for The Range were established in 2011 under the relevant JORC Code at the time and used a coal price forecast of A\$120/tonne for benchmark NEWC thermal coal equivalent. These Reserves were supported by a feasibility study that assumed the completion of the Surat Basin rail to connect the mine to the Port of Gladstone.

Note 4: All Coal Reserves are reported on a 100% basis, and Stanmore Coal's economic interest in the tenure above is 100%.

(b) Coal Resource and Coal Reserve Status at the Isaac Plains Complex by category

Figure 3 below summarises the Coal Resources for the Isaac Plains Complex by category as at June 2018, namely Isaac Plains (**IP**), Isaac Plains East (**IPE**), Isaac Downs (**ID**) and Isaac South (**IS**).

Figure 3 – Coal Resource Status at the Isaac Plains Complex by category as at June 2018

Resource Category	Coal Resources (as at end Dec 2017)		Updated Coal Resources (as at end June 2018)			IPC Change
	IP and IPE ⁹	IP and IPE	ID	IS	Total	
Measured (Mt)	35.1	35.1	18.7	11.9	65.7	87%
Indicated (Mt)	30.1	30.1	3.6	14.5	48.2	60%
Total M&I Resources (Mt)	65.2	65.2	22.3	26.4	113.9	73%
Inferred (Mt)	17	17	1	25	43	152%
Total Resources (Mt)	82.2	82.2	23	52	157	91%

Figure 4 below summarises the Coal Reserves for the Isaac Plains Complex by category as at June 2018, namely Isaac Plains Complex Open cut (**IPC Open cut**) and Isaac Plains Underground (**IPU**).

Further definition of Coal Reserves and Marketable Coal Reserves at the Isaac Plains Complex shows the following changes since the last update. Depletion due to mining operations at IPC Open cut accounts for 2.145 Mt of the change, with significant underground Coal Reserves added over the last 12 months.

Figure 4 – Coal Resource Status at the Isaac Plains Complex by category as at June 2018

Resource Category	Previous Coal Reserves (as at end March 2017)	Updated Coal Reserves (as at end June 2018)			Change
	IPC Open cut	IPC Open cut	IPU	Total	
Proved (Mt)	13.2	12.1	-	12.1	-10%
Probable (Mt)	3.2	2.8	12.9	15.7	+391%
Total Recoverable Reserve (Mt)	16.4	14.9	12.9	27.8	+70%
Semi-soft coking (Mt)	12.1	10.9	8.2	19.1	
Thermal coal (Mt)	0.8	0.6	1.2	1.8	
Total Marketable Coal Reserve (Mt)	12.9	11.5	9.4	20.9	+62%

The Isaac Plains Underground Coal Reserve was originally reported in April 2018 based on the pre-feasibility study results. An updated Coal Reserve will be an outcome of the bankable feasibility study currently underway. In respect of Stanmore's new open cut project, Isaac Downs, Stanmore is aiming to be sufficiently advanced to report a Coal Reserve to JORC standards in the near term.

⁹ This column is labelled 'Total IPC' in the Resources and Reserves Report 2018.

4.4 Historical Financial Information

This section contains financial information relating to Stanmore for FY2018 and FY2017 which were audited by BDO Audit Pty Ltd.

The financial information in this section is a summary only and has been prepared and extracted for the purposes of this Target's Statement only.

Further detail about Stanmore's financial performance can be found in the financial statements for FY2018, as announced to ASX on 27 August 2018 and which can be found on the Stanmore website at www.stanmorecoal.com.au.

(a) Basis of preparation

The historical financial information of Stanmore is presented in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act, and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

The historical financial information of Stanmore has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards.

The historical financial information in this Target's Statement is presented on a standalone basis and accordingly does not reflect any impact of the Offer.

(b) Stanmore's Consolidated Statement of Profit or Loss and Other Comprehensive Income

The following table presents the historical consolidated statement of profit or loss and other comprehensive income for FY2018 and FY2017.

	2018 \$'000	2017 \$'000
Revenue	208,081	137,846
Cost of sales	(155,790)	(104,057)
Gross profit/(loss)	52,291	33,789
Other income	4,321	(819)
Other expenses	(37,786)	(17,227)
Profit/(loss) before income tax and net finance expenses	18,826	15,743
Finance income	293	212
Financial expenses	(9,079)	(9,537)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	-	-
Profit/(loss) before income tax expense	10,040	6,418
Income tax benefit/(expense)	(4,074)	5,617
Net profit/(loss) for the year	5,966	12,035
Other comprehensive income	-	-
Total comprehensive profit/(loss) for the year	5,966	12,035
Profit/(loss) for the year is attributable to:		
Owners of Stanmore Coal Limited	5,966	12,035
Total comprehensive income profit/(loss) for the year is attributable to:		
Owners of Stanmore Coal Limited	5,966	12,035
Earnings/(loss) per share attributable to the owners of Stanmore Coal Limited	Cents	Cents
Basic earnings/(loss) per share (cents per share)	2.7	5.1
Diluted earnings/(loss) per share (cents per share)	2.7	5.1

(c) Stanmore's Consolidated Statement of Financial Position

The following table presents the historical consolidated statement of financial position for FY2018 and FY2017.

Current Assets	2018 \$'000	2017 \$'000
Cash and cash equivalents	19,817	27,515
Trade and other receivables	22,427	16,641
Inventories	20,967	27,460
Other current assets	2,583	2,279
Total current assets	65,794	73,895
Non-current assets		
Inventories	4,364	-
Property, plant and equipment	36,444	35,249
Capitalised development costs	13,410	15,700
Exploration and evaluation assets	39,393	27,008
Intangible assets	3,778	4,282
Deferred tax assets	2,672	6,746
Other non-current assets	2,234	223
Total non-current assets	102,295	89,208
Total assets	168,089	163,103
Current liabilities		
Trade and other payables	27,028	22,282
Interest-bearing loans and borrowings	-	15,601
Onerous contracts provision	1,790	2,416
Rehabilitation provision	3,160	1,161
Vendor royalties – contingent consideration	6,966	3,089
Total current liabilities	38,944	44,549
Non-current liabilities		
Provision for employee benefit	220	-
Onerous contracts provision	14,612	19,844
Rehabilitation provision	15,423	23,717
Vendor royalties – contingent consideration	25,728	8,175
Total non-current liabilities	55,983	51,736
Total liabilities	94,927	96,285
Net assets	73,162	66,818
Equity		
Issued capital	113,200	113,200
Share based payment reserve	1,152	774
Accumulated Losses	(41,190)	(47,156)
Total equity attributable to the owners of Stanmore Coal Limited	73,162	66,818

(d) Stanmore's Consolidated Statement of Cash Flows

The following table presents the historical consolidated statement of cash flows for FY2018 and FY2017.

Cash flows from operating activities	2018 \$'000	2017 \$'000
Receipts from customers (inclusive of GST)	201,668	130,138
Payments to suppliers and employees (inclusive of GST)	(173,149)	(143,507)
Interest received	293	212
Interest and other finance costs paid	(6,938)	(4,698)
Net cash (outflow)/inflow from operating activities	21,874	(17,810)
Cash flows from investing activities		
Payments for property, plant and equipment	(6,923)	(8,191)
Receipts for exploration, evaluation and development assets	2,000	1,000
(Payments) for exploration, evaluation and development assets	(10,026)	(3,512)
Receipts relating to vendor payments	978	13,430
Net cash (outflow)/inflow from investing activities	(13,971)	2,727
Cash flows from financing activities		
Proceeds from issue of shares (net of costs)	-	14,703
Repayment of borrowings	22,084	15,815
Payment of borrowing costs	(37,685)	-
Net cash (outflow)/inflow from financing activities	(15,601)	30,518
Net increase/(decrease) in cash held	(7,698)	15,435
Net cash at beginning of year	27,515	12,080
Net cash at end of year	19,817	27,515

4.5 Operational update

In an announcement to the ASX on 30 October 2018, Stanmore released its operational update for the quarter ended 30 September 2018. In particular, Stanmore reported record ROM production at the Isaac Plains Complex at an annualised run-rate of 2.7Mtpa since Isaac Plains East commenced coal mining in early August 2018. The full announcement can be found on ASX's website at www.asx.com.au.

On 2 November 2018, Stanmore announced that it had secured an additional 10 years port capacity at DBCT to match the infrastructure capacity at the Isaac Plains Complex. The additional long-term port capacity provides further certainty to enable Stanmore to consider a number of options to fill the CHPP to its nameplate capacity of 3.5 Mtpa ROM.

4.6 FY2019 Guidance

In an announcement to the ASX on 19 November 2018, Stanmore provided guidance that it expects FY2019 underlying EBITDA for the 12 months ending 30 June 2019 to be in the range between \$130 million¹⁰ and \$150 million (compared to FY2018 actual underlying EBITDA of \$45.5 million) based on an upgraded forecast production of 2.0Mt of product during the financial year.

¹⁰ Based on a revenue assumption in respect of semi-soft coking coal of US\$126/t at a USD/AUD exchange rate of \$0.73c.

4.7 Board and management

(a) Board

The Board comprises the following members as at the date of this Target's Statement:

Name	Position
Stewart Butel	Independent Non-Executive Director
Daniel Clifford	Managing Director
Stephen Bizzell	Independent Non-Executive Director
Neal O'Connor	Independent Non-Executive Director

The Company announced the resignation from the Board of:

- Chris McAuliffe on 7 December 2018; and
- Andrew Martin on 16 November 2018.

A summary of the qualifications and experience of the Directors is set out in the 2018 Annual Report.

(b) Senior executive management team

Stanmore's senior executive management team comprises the following persons as at the date of this Target's Statement:

Name	Position
Ian Poole	Chief Financial Officer and Company Secretary
Bernie O'Neill	General Manager - Operations
Jon Romcke	General Manager - Development

4.8 Substantial Shareholders

The following persons have substantial holdings (within the meaning of the Corporations Act) in Stanmore Shares as at the Last Practicable Date based on Substantial Shareholder notice lodgements with the ASX which are available on the ASX website:

Shareholder	Number of Shares	% of all Shares on issue
Golden Investments, Golden Energy and Resources Limited and Ascend Global	50,108,395	19.82%
Brazil Farming Pty Ltd	19,592,240	7.75%
Commonwealth Bank of Australia	15,180,611	6.00%
Regal Funds Management	14,261,807	5.64%
St Lucia Resources	13,078,270	5.17%
Paradise Investment Management Pty Ltd	13,000,000	5.14%
M Resources Pty Ltd and Matthew Latimore	12,895,475	5.10%

4.9 Historical trading prices

Stanmore's trading price performance since July 2015 is outlined in the chart below.

Historic Trading Prices



Figure 8 – Historical trading prices of Stanmore Shares

As at 7 December 2018, being the Last Practicable Date:

- the last recorded trading price of Stanmore Shares was \$0.99; and
- the lowest and highest closing prices of Stanmore Shares during the preceding three months were \$0.81 and \$1.03, respectively.

As at 16 November 2018, being the last trading day before the Offer was announced:

- the last recorded trading price of the Shares was \$0.83;
- the one-month VWAP of the Shares was \$0.88;
- the three-month VWAP of the Shares was \$0.85; and
- the lowest and highest closing prices of the Shares during the preceding three months were \$0.81 and \$1.00, respectively.

4.10 Capital structure

As at the date of this Target's Statement, Stanmore has the following securities on issue:

- 252,827,518 Shares quoted on the ASX;
- 4,489,487 unvested Performance Rights granted under the 2016 Rights Plan; and
- 100,000 unvested Performance Rights granted under the 2012 Rights Plan.

4.11 Performance Rights

(a) Background

Stanmore's remuneration framework includes long term incentives in the form of Performance Rights which are granted by the Board annually, and which are subject to certain vesting conditions and a defined vesting period. On the vesting of a Performance Right, the Board has the absolute discretion as to whether to satisfy the vested right by delivering Shares to the eligible participant, or by making a cash payment to the eligible participant (or a combination of Shares and cash). Further information regarding Stanmore's remuneration framework is set out in the Company's 2018 Remuneration Report (contained in the 2018 Annual Report).

There are 4,489,487 2016 Performance Rights that have been granted by Stanmore under its 2016 Rights Plan and which are unvested as at the date of this Target's Statement. In addition, there are 100,000 Performance Rights that were granted by Stanmore to Nigel Clifford, a senior geologist of the Company, under the 2012 Rights Plan and which remain unvested as at the date of this Target's Statement.

(b) Effect of the Offer on Performance Rights Granted under the 2016 Rights Plan

The Offer does not extend to any Performance Rights granted under the 2016 Rights Plan. The Offer does, however, extend to Stanmore Shares that may be issued prior to the end of the Offer Period as a result of the vesting of Performance Rights granted under the 2016 Rights Plan.

The 2016 Rights Plan contains provisions allowing for the accelerated vesting of Performance Rights granted under the plan, in the event of a change of control of Stanmore. For the purposes of the plan, a “change of control” will be deemed to have occurred if a person obtains voting power of more than 50% in Stanmore under a takeover offer that has become unconditional.

Under these provisions, all of the 4,489,487 Performance Rights granted under the 2016 Rights Plan, other than those granted in FY2019, will vest automatically in full on a “change of control” under Golden Investments’ takeover offer (if that were to occur). With respect to those Performance Rights granted in FY2019 (which represent 1,251,497 of the total 4,489,487 rights under the 2016 Rights Plan), the plan provides for partial vesting, provided that the Board has a discretion to accelerate the vesting of 100% of those rights in the event of a change of control. Here, the Board has determined that all FY2019 rights will vest as to 100% in the event of a “change of control” pursuant to Golden Investments’ Offer (or a competing offer at a higher price).

The vesting of Performance Rights in the event of a change of control will be satisfied by Stanmore issuing fully paid ordinary Shares to each holder of the Performance Rights. Golden Investments’ Offer includes an express exception to the No Prescribed Occurrence Condition, which permits Stanmore to issue Stanmore Shares pursuant to the vesting of Performance Rights granted under the 2016 Rights Plan, where the right was issued before the Register Date, without breaching that Condition.

4.12 Effect of the Offer on Performance Rights Granted under the 2012 Rights Plan

The Offer does not currently extend to the 100,000 Performance Rights which have been granted under the 2012 Rights Plan, or to any Stanmore Shares that may be issued as the result of any vesting of those rights.

Like the 2016 Rights Plan, the 2012 Rights Plan contains provisions allowing for the accelerated vesting of Performance Rights granted under the plan, in the event of a change of control of Stanmore. For the purposes of the plan, a “change of control” will be deemed to have occurred if a person obtains voting power of more than 50% in Stanmore under a takeover offer that has become unconditional.

Under these provisions, if, in the opinion of the Board, a change of control has occurred, or is likely to occur, the Board may declare a Performance Right to be free of any vesting conditions and Stanmore must then issue the corresponding Shares within 12 business days. The Board intends to declare all 100,000 Performance Rights granted under the 2012 Rights Plan free of any vesting conditions in the event of a “change of control” pursuant to Golden Investments’ Offer (or a competing offer at a higher price).

The vesting of these Performance Rights in the event of a change of control is intended to be satisfied by Stanmore issuing fully paid ordinary Shares to the holder of the Performance Rights. Unlike the 2016 Rights Plan, there is no exception to the No Prescribed Occurrence Condition for any Shares that may be issued pursuant to the vesting and exercise of Performance Rights granted under the 2012 Rights Plan.

Golden Investments could form the view that the issue of Shares on the vesting of Performance Rights granted under the 2012 Rights Plan would breach a Condition of the Offer. The Company has sought the consent of Golden Investments to waive the particular breach of any Conditions which would otherwise arise from the issue of Shares on vesting of these Performance Rights. The Board’s decision to declare these Performance Rights free of any vesting conditions is conditional on the issue of Shares on vesting of the Performance Rights not resulting in a Condition of the Offer being breached.

4.13 Dividend Reinvestment Plan

Stanmore's Dividend Reinvestment Plan, which was approved by Shareholders at the 2018 Annual General Meeting, provides eligible Stanmore Shareholders with the option of reinvesting all or part of their dividends in additional Stanmore Shares without paying any brokerage or other associated costs.

Under the Dividend Reinvestment Plan, eligible Stanmore Shareholders can elect to take up Shares in Stanmore at a price determined in accordance with the Dividend Reinvestment Plan. Stanmore Shares issued under the Dividend Reinvestment Plan rank equally with existing ordinary fully paid Stanmore Shares.

The Dividend Reinvestment Plan applied in relation to the FY2018 Final Dividend. As a result, 1,026,540 new Stanmore Shares were issued on 23 November 2018 under the Dividend Reinvestment Plan at a discount of 5% per Share on the 5 day VWAP from 2 November 2018 to 8 November 2018.

4.14 Continuous disclosure

Stanmore is a 'disclosing entity' under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

These obligations require Stanmore to notify ASX of information about specified matters and events as they arise for the purposes of ASX making that information available to participants in the market. Stanmore has an obligation under the Listing Rules (subject to some exceptions) to notify ASX immediately upon becoming aware of any information concerning it, which a reasonable person would expect to have a material effect on the price or value of the Shares.

Pursuant to the Corporations Act, Stanmore is required to prepare and lodge with ASIC and ASX both annual and half yearly financial statements accompanied by a Directors' statement and report, with an audit or review report. Copies of these and other documents lodged with ASIC may be obtained from or inspected at an ASIC office, on ASX's website at www.asx.com.au and on Stanmore's website at www.stanmorecoal.com.au.

4.15 Recent Stanmore Announcements

The following table lists Stanmore's announcements to ASX since the lodgement of Stanmore's 2018 Annual Report on 21 September 2018.

Date	Description
7/12/2018	Director Resignation – Chris McAuliffe
7/12/2018	Becoming a substantial holder
6/12/2018	Ceasing to be a substantial holder
3/12/2018	Confirmation of dispatch of Bidders Statement
3/12/2018	Bidder's Statement
26/11/2018	Board of Stanmore Coal rejects Takeover Offer
26/11/2018	Confirmation of FY18 Dividend payment
23/11/2018	Change of Director's Interest Notice – Stewart Butel
23/11/2018	Appendix 3B – DRP
21/11/2018	Becoming a substantial holder
20/11/2018	Becoming a substantial holder
19/11/2018	Unsolicited off market takeover bid – take no action update
19/11/2018	Unsolicited off-market takeover bid – take no action
19/11/2018	Wilsons Rapid Insight Conference Presentation – 20 Nov 2018
19/11/2018	Wilsons Rapid Insight Conference – Presentation 20 Nov 2018
19/11/2018	FY2019 Earnings Guidance
19/11/2018	Bidder's Statement
16/11/2018	Final Director's Interest Notice – Andrew Martin
16/11/2018	Director Resignation – Andrew Martin
16/11/2018	NWH: Contract Extension – Isaac Plains East
16/11/2018	Extension of Mining Services Agreement
15/11/2018	Appendix 3B
6/11/2018	Change of Director's Interest Notice – Dan Clifford
2/11/2018	Operational Update
1/11/2018	Initial Director's Interest Notice – Andrew Martin
30/10/2018	September 2018 Quarterly Production Report
26/10/2018	Dividend Reinvestment Plan
26/10/2018	Constitution (Approved 2018 AGM)
26/10/2018	AGM - Results of Meeting – 2018
26/10/2018	Managing Director's Presentation to Shareholders – 2018
26/10/2018	Chairman's Address to Shareholders – 2018
21/09/2018	Final Director's Interest Notice – Patrick O'Connor
21/09/2018	Board changes

4.16 Further information

Further information about Stanmore is contained in electronic form on the Stanmore website at www.stanmorecoal.com.au.

SECTION 5.

IMPORTANT MATTERS FOR STANMORE SHAREHOLDERS TO CONSIDER

5.1 The Offer

Golden Investments announced its intention to make an off-market takeover offer for Stanmore on 19 November 2018. A summary of the key features of the Offer is contained in section 6 of this Target's Statement.

5.2 Stanmore Share price following the close of the Offer

While there are many factors that influence the market price of Stanmore Shares, there is a risk that, following the close of the Offer, the market price of Stanmore Shares may fall in the near term if the Bidder acquires less than 90% of Stanmore Shares.

5.3 Your choice as a Stanmore Shareholder

Your Directors unanimously recommend that you reject the Offer and do nothing. However, as a Stanmore Shareholder you have three choices currently available to you:

(a) DO NOTHING

Stanmore Shareholders who do not wish to accept the Offer or sell their Stanmore Shares on market should do nothing.

Stanmore Shareholders should note that if you do nothing, you will remain a Stanmore Shareholder, subject to any potential compulsory acquisition of your Stanmore Shares. If you remain a Stanmore Shareholder, you may become a minority shareholder if more than 50% but less than 90% of Stanmore Shares are acquired by the Bidder under the Offer. This has a number of possible implications which are set out in section 5.7 of this Target's Statement.

You should also be aware that there are risks associated with remaining a Stanmore Shareholder. Set out in section 5.5 of this Target's Statement are the possible key risks which may affect the future operating and financial performance of Stanmore and the value of Stanmore Shares.

Stanmore Shareholders should note that if Golden Investments and its Associates have a relevant interest in at least 90% of the Stanmore Shares during or at the end of the Offer Period, Golden Investments will be entitled to compulsorily acquire the Stanmore Shares that it does not already own (see section 6.13 of this Target's Statement for further details).

(b) SELL YOUR STANMORE SHARES ON MARKET

Stanmore Shareholders who have not already accepted the Offer can still sell their shares on market for cash.

As at the Last Practicable Date, Stanmore's share price closed at \$0.99, a 4.2% increase to the Offer Price. The latest price for Stanmore Shares may be obtained from the ASX website, www.asx.com.au.

Stanmore Shareholders who sell their shares on market may be liable for CGT on the sale (see Annexure B to this Target's Statement) and may incur a brokerage charge.

Stanmore Shareholders who wish to sell their Stanmore Shares on market should contact their broker for information on how to effect that sale.

(c) ACCEPT THE OFFER

Stanmore Shareholders may elect to accept the Offer. Details of the consideration that will be received by Stanmore Shareholders who accept the Offer are set out in section 6.2 of this Target's Statement and in the Bidder's Statement.

Golden Investments cannot acquire your Stanmore Shares whilst the Offer is still conditional. Even if you accept the Offer, you will not be paid for your Stanmore Shares unless and until all Conditions are satisfied or waived by Golden Investments. Further, if you accept the Offer, you will only be able to withdraw your acceptance under the limited circumstances set out in section 6.8 of this Target's Statement.

The Bidder's Statement contains details of how to accept the Offer in section 6 of Annexure A.

5.4 Taxation consequences of accepting the Offer

The tax consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian tax considerations of accepting the Offer are set out in the Tax Adviser's Report in Annexure B of this Target's Statement.

You should carefully read and consider the Tax Adviser's Report. The outline provided in the Tax Adviser's Report is of a general nature only and you should seek your own specific professional advice as to the tax implications applicable to your circumstances.

5.5 Risk Factors

There are risks which are specific to Stanmore, and other risks which apply to investments generally, which may materially and adversely affect the future operating and financial performance of Stanmore and the value of Stanmore Shares. Those risks (and other risks) will continue to be relevant to Stanmore Shareholders who reject the Offer and retain their current investment in Stanmore. These risks will also continue to be relevant to all Stanmore Shareholders if the Offer is withdrawn. While some of these risks can be mitigated, some are outside the control of Stanmore and the Stanmore Directors and cannot be mitigated.

Stanmore is a producing coal group operating in a volatile pricing market. Factors specific to Stanmore, or those which impact the market more broadly, may individually or in combination impact the financial and operating performance of the Group. These events may be beyond the control of the Stanmore Directors or management of Stanmore. The major risks associated with an investment in Stanmore are summarised below. Stanmore identifies and actively manages the Company's material risks as part of its risk management governance framework and internal control systems.

Prior to deciding whether to do nothing, sell your Stanmore Shares on the ASX or accept the Offer in the present circumstances, you should carefully consider this section 5 as well as other information contained in this Target's Statement. Before making a decision in relation to the Offer, you should also carefully consider the Bidder's Statement.

(a) Operating Risks

Stanmore is a single-mine producer and therefore reliant on the continued performance of operations at the Isaac Plains Complex. There are numerous operating risks which may result in a reduction in performance that decreases Stanmore's ability to produce high quality coal to meet customer demands. These risks include, but are not limited to, factors such as weather conditions, machinery failure, geotechnical failure, critical infrastructure failure or natural disasters.

(b) Market Risks

The key drivers for the business' financial performance are commodity price and foreign currency markets. Stanmore is not of a size to have influence on coal prices or the exchange rate for Australian dollars and is therefore a price-taker in general terms.

Stanmore sells export coal in United States Dollars and is therefore exposed to movements in currency rates. Stanmore may from time to time use forward exchange contracts to hedge a portion of its short-term currency risk where agreed appropriate between management and the Board. The market price for Stanmore's coking coal and thermal coal products is impacted by many factors which could be favourable or unfavourable for Stanmore.

(c) Geological Risk

Resource and Reserve estimates are prepared by external experts in accordance with the JORC Code 2012 or JORC Code 2004 (as applicable) for reporting. The estimates are inherently subjective in some respects therefore there is a risk that the interpretation of data may not align with the future experienced conditions in the field. Due care is taken with each estimation.

(d) Regulatory and Land Access Risk

The Group's operations and projects are subject to State and Federal laws and regulations regarding mining, environmental protection, land access and native title. These laws and regulations regulate the conduct of mining operations, set requirements in relation to landholder compensation, environmental protection and certain aspects of health, and provide for penalties and other consequences for the breach of such laws.

There is also an obligation to rehabilitate areas impacted by mining activities and Stanmore must provide financial assurance in respect of the likely costs and expenses that may be incurred when taking action to rehabilitate areas impacted by mining activities. Once the provisions of the *Mineral and Energy Resources (Financial Provisioning) Act 2018 (Qld)* come into force, it will change the method by which such financial assurance is calculated, but the cost of this change to Stanmore is unlikely to be material.

In order to undertake exploration and production activities, it is first necessary to apply for and obtain necessary government permits, leases and approvals that authorise such activities. To secure such exploration and mining approvals, or to undertake activities within the area of a granted mining tenement, native title, land access and overlapping tenure are matters that need to be addressed.

The Group seeks to develop strong, long-term effective relationships with landholders and other stakeholders, with a focus on developing mutually acceptable compensation and access arrangements. The Group seeks to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations. In addition, the Group engages experienced lawyers, consultants and other technical advisors to provide expert advice where necessary to ensure it manages its compliance obligations appropriately.

(e) Access to Funding and Insurance

It is possible that Stanmore may need to raise additional debt or equity funds in the future. Stanmore's existing financing facilities and operating cash flows may not be adequate to fund its ongoing requirements, for any future acquisitions or projects or to refinance its debt.

There is no guarantee that refinancing will be able to be acquired, or if it is acquired, there is no guarantee that such new funding will be on terms acceptable to Stanmore. Global credit markets have been severely constrained in the past, and the ability to obtain new funding or refinance may in the future be significantly reduced. As well, in recent months and years several financial institutions have made public statements in relation to their willingness to finance certain types of coal mines and coal-fired power stations. If Stanmore is unable to obtain sufficient funding, either due to banking and capital market conditions generally, or due to factors specific to the coal sector, Stanmore may not have sufficient cash to meet its ongoing capital requirements or the ability to expand its business.

There is a risk that the policies of financial institutions with respect to the funding of coal projects may, in the future, extend to an unwillingness to provide insurance products to coal producers and associated companies on terms that are currently being provided to such companies. This could result in a material increase in the cost to Stanmore of obtaining appropriate levels of insurance.

(f) Safety

Safety remains of critical importance in the planning, organisation and execution of Stanmore's exploration and operational activities. Stanmore 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 and safety, or the health and safety of others associated with our business.

(g) Sovereign Risk

Stanmore 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. Stanmore's view is that whilst there is currently a negative perception of thermal coal, it will continue to play a significant role as an export commodity. Coking coal is critical for future steel production and thermal coal will continue to play a key role in the global energy mix as part of sustaining global growth, particularly in developing regions, through efficient electricity generation.

5.6 Not exhaustive

The above list of risk factors is not an exhaustive list of the risks relevant to Stanmore, its performance and the value of Stanmore Shares. These risks (and others not specifically referred to above) may materially affect the financial performance of Stanmore and the value of Stanmore Shares. In particular, additional risks and uncertainties not currently known may also have an adverse effect on Stanmore's business and the value of Stanmore Shares.

5.7 Minority ownership consequences

(a) If Golden Investments acquires more than 50% but less than 90% of Stanmore Shares

If Golden Investments acquires more than 50% but less than 90% of Stanmore Shares then Golden Investments will acquire a majority shareholding in Stanmore but will not be entitled to acquire the Stanmore Shares that have not been accepted into the Offer. In this situation, Stanmore Shareholders who do not accept the Offer will become minority Stanmore Shareholders. This has a number of possible implications, including:

- Golden Investments will be in a position to cast the majority of votes at a general meeting of Stanmore. This will enable Golden Investments to control the composition of the Board and senior management and control the strategic direction of the businesses of Stanmore and its Subsidiaries;
- Golden Investments has stated in section 7.5 of its Bidder's Statement that, subject to the Corporations Act and the Stanmore Constitution, Golden Investments intends to restructure the Board with Golden Investments' Board representation depending on Golden Investments' Relevant Interest in Stanmore following the Offer;
- the price of Stanmore Shares may fall immediately following the end of the Offer Period;
- the liquidity of Stanmore Shares may be lower than at present, and there is a risk that Stanmore could be fully or partially removed from certain S&P/ASX indices due to lack of free float and/or liquidity;
- there may be limited institutional support for Stanmore Shares;
- there may be fewer analysts providing coverage of Stanmore Shares; and
- Golden Investments has stated in the Bidder's Statement that subject to the Listing Rules, it intends to ask the Directors to review whether Stanmore should remain listed on ASX or removed from the official list of ASX.

If, within seven days of the end of the Offer Period, either Golden Investments' Voting Power in Stanmore increases to more than 50% or the Offer Price is increased, the Offer Period will be automatically extended so that it ends 14 days after the relevant event. Full details of the circumstances in which the Offer Period may be extended are set out in section 6.7 of this Target's Statement.

(b) If Golden Investments acquires more than 75% but less than 90% of Stanmore Shares

If Golden Investments acquires more than 75% but less than 90% of the Stanmore Shares all of the minority ownership consequences outlined in section 5.7(a) will apply. In addition, if Golden Investments acquires at least 75% of the Stanmore Shares it will be able to pass a special resolution of Stanmore. This will enable Golden Investments to, among other things, change the Stanmore Constitution.

(c) If Golden Investments acquires more than 90% of Stanmore Shares

If Golden Investments acquires more than 90% of Stanmore Shares, Golden Investments will be entitled to compulsorily acquire any Stanmore Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer. Golden Investments has also indicated in section 7.4 of its Bidder's Statement that, if it acquires more than 90% of the Stanmore Shares, it intends to compulsorily acquire any outstanding Stanmore Shares. See section 6.13 of this Target's Statement for further details.

5.8 ASX delisting

Golden Investments has stated that if Golden Investments becomes entitled to compulsorily acquire the outstanding Stanmore Shares in accordance with the Corporations Act, it intends to cause Stanmore to apply for removal from the official list of the ASX. In the event that Golden Investments obtains control of Stanmore (but is not entitled to compulsorily acquire the outstanding Stanmore Shares), Golden Investments has indicated that, subject to the Listing Rules, it will ask the Stanmore Directors to review whether Stanmore should remain listed on ASX or removed from the official list of ASX.

Any decision by Stanmore to apply to ASX for removal from the official list would need to be made by the Stanmore Board, not Golden Investments. The Stanmore Board, including any of Golden Investments' nominees on the Stanmore Board, could only decide to seek a delisting if it is in the interest of Stanmore to do so at the relevant time.



SECTION 6.

KEY FEATURES OF THE OFFER

6.1 The Offer

Golden Investments is offering to acquire all Stanmore Shares:

- on issue as at the Register Date;
- issued during the period from the Register Date to the end of the Offer Period due to vesting of Performance Rights on issue at the Register Date; and
- that are issued during the Offer Period.

You may accept the Offer in respect of all or some of your Shares.

6.2 Consideration payable to Stanmore shareholders who accept the Offer

The consideration being offered under the Offer is \$0.95 for each Stanmore Share.

6.3 Conditions of the Offer

The Offer is subject to a number of Conditions. Those Conditions are set out in full in section 9 of Annexure A in the Bidder's Statement. By way of an overview, the Conditions to the Offer are:

- (a) **(FIRB)** prior to the end of the Offer Period, the Treasurer provides written notice that there are no objections under the FATA to the acquisition of Stanmore Shares under the Offer, or that notice is subject to terms acceptable to the Bidder, or the Treasurer becomes precluded by the passage of time from making any order or decision under Division 2 of Part 3 of the FATA in respect of the acquisition of Stanmore Shares under the Offer.
- (b) **(Minimum acceptance)** at the end of the Offer Period, the Bidder has a Relevant Interest in such number of Stanmore Shares which represents more than 50% of all the Stanmore Shares on issue.
- (c) **(No Prescribed Occurrence)** between the date of the Bidder's Statement to the end of the Offer Period, none of the following occur except for the issue of Stanmore Shares pursuant to the vesting of Performance Rights issued before the Register Date:
 - (i) Stanmore converting all or any of the Stanmore Shares into larger or smaller numbers of Shares under section 254H of the Corporations Act;
 - (ii) Stanmore or any of its Subsidiaries resolving to reduce its share capital in any way;
 - (iii) Stanmore or any of its Subsidiaries entering into a buy-back agreement or resolving to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;

- (iv) Stanmore or any of its Subsidiaries issuing shares (other than the DRP Shares), granting an option over its shares, or agreeing to make such an issue or grant such an option;
 - (v) Stanmore or any of its Subsidiaries issuing, or agreeing to issue convertible notes;
 - (vi) Stanmore or any of its Subsidiaries disposing or agreeing to dispose of the whole, or a substantial part, of its business or property;
 - (vii) Stanmore or any of its Subsidiaries granting, or agreeing to grant, a security interest in the whole or a substantial part of its business or property;
 - (viii) Stanmore or any of its Subsidiaries resolving to be wound up;
 - (ix) the appointment of a liquidator or provisional liquidator of Stanmore or any of its Subsidiaries;
 - (x) the making of an order by a court for the winding up of Stanmore or any of its Subsidiaries;
 - (xi) an administrator of Stanmore or any of its Subsidiaries being appointed under sections 436A, 436B or 436C of the Corporations Act;
 - (xii) Stanmore or any of its Subsidiaries executing a deed of company arrangement; or
 - (xiii) the appointment of a receiver or a receiver and manager in relation to the whole, or a substantial part, of the property of Stanmore or any of its Subsidiaries.
- (d) (No regulatory impediment)** during the period from the date of the Bidder's Statement to the end of the Offer Period:
- (i) there is no final decision, order or decree issued by a Regulatory Authority;
 - (ii) there is no action or investigation announced, commenced or threatened by any Regulatory Authority with respect to the Stanmore Group; and
 - (iii) there is no application made to any Regulatory Authority (other than by the Bidder or any Associate of the Bidder),
- in consequence of or otherwise relating to the Offer which is reasonably likely to or purports or threatens to:
- (iv) restrain, prohibit or impede or otherwise materially adversely impact on the making of the Offer or the completion of any transaction contemplated by the Bidder, or the continued ownership and operation of the business of the Stanmore Group, or any project that the Stanmore Group has an interest in;
 - (v) require the variation of the terms of the Offer; or
 - (vi) require or approve the divestiture by Bidder of any Stanmore Shares or the divestiture of any assets of any member of the Stanmore Group or the Bidder and its Related Bodies Corporate.
- (e) (No Material Adverse Change)** between the date of the Bidder's Statement and the end of the Offer Period, there is no Material Adverse Change. **Material Adverse Change** means an event, matter, change or circumstance which occurs, is announced or becomes known to the Bidder where that event, matter, change or circumstance has had, or could reasonably be expected to have, either individually or in aggregate, a material adverse effect on the business, financial or trading position, assets or liabilities, profitability or prospects of Stanmore Coal or any of its Subsidiaries, including:
- (i) the earnings of the Stanmore Group before interest, taxes, depreciation, amortisation and any other non-cash items, in FY2019 being reduced by \$20 million or more when compared against what it would have reasonably expected to have been;
 - (ii) diminishing the net assets of the Stanmore Group by \$30 million or more, compared to the net assets value set out in the consolidated balance sheet as at 30 June 2018;
 - (iii) the Stanmore Group being unable to carry on its operations, business, assets or exercise its rights or perform its obligations under its Material Contracts in substantially the same manner as at the date of the Bidder's Statement other than any event, matter, change or circumstance in or relating to:
 - (A) economic, business, regulatory or political conditions in general;
 - (B) credit, financial, or currency markets in general or the state of the securities markets in general (including any reduction in market indices);

- (C) any change affecting the coal industry generally (including fluctuations in commodity prices); or
- (D) any change in law, taxation, interest rates or coal prices,

occurring after 19 November 2018, other than, in each case, a material adverse effect on the business, financial or trading position, assets or liabilities, profitability or prospects of Stanmore or any of its Subsidiaries caused solely as a result of a repayment in full right or termination right being exercised by Taurus Mining Finance Fund LP under its finance facility with Stanmore as announced to ASX on 31 August 2017.

- (f) **(No Restricted Action)** during the period from the date of the Bidder's Statement to the end of the Offer Period, there is no Restricted Action. **Restricted Action** means Stanmore or any Subsidiary:
- (i) announces, declares, or distributes any dividend, bonus or other share of its profits or assets (except a distribution by a wholly owned Subsidiary of Stanmore), other than the dividend announced by Stanmore on 27 August 2018;
 - (ii) makes any changes to the Stanmore Constitution or passes any special resolution or amends the terms of issue of any shares, options, performance rights or other convertible securities;
 - (iii) gives or agrees to give any third party rights (being any security interest or adverse interest of any nature and restrictions on transfer of any nature (legal or otherwise)) over the whole or a substantial part of its assets;
 - (iv) borrows or agrees to borrow any money, other than in the ordinary course of business;
 - (v) does any of the following:
 - (A) enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director or employee;
 - (B) makes or agrees to make any substantial change in the basis or amount of remuneration of any director, employee or consultant;
 - (C) except as provided under any superannuation, provident or retirement scheme or contract in effect on the date of the Bidder's Statement, pays or agrees to pay any retirement benefit or allowance to any director or employee;
 - (vi) acquires, offers to acquire or agrees to acquire any one or more businesses, assets, entities or undertakings valued at, or involving a financial commitment of more than \$15 million (individually or when aggregated with all other such matters arising after 19 November 2018), or makes an announcement in relation to such an acquisition; or
 - (vii) disposes, offers to dispose or agrees to dispose of any asset, entity, undertaking or tenement held by the Stanmore Group except disposals in its ordinary course of business.
- (g) **(No misleading ASX announcements)** during the period from the date of the Bidder's Statement to the end of the Offer Period, it not becoming known to the Bidder or Stanmore that information announced by Stanmore to ASX prior to the date of the Bidder's Statement is, or is likely to be, incomplete, incorrect, untrue or misleading in a material respect when assessed in the context of the Takeover Bid and the Offer.

6.4 Consequences of Conditions not being satisfied

You should be aware that, even if the Conditions of the Offer are not satisfied (or are triggered, as appropriate), they may be waived by Golden Investments.

If any Condition is unsatisfied (or has been triggered, as appropriate), and has not been waived, Golden Investments will have an option as to whether to proceed with the acquisition of the Shares under the Offer or allow the Offer to lapse with unsatisfied Conditions. If, at the end of the Offer Period (or in the case of the No Prescribed Occurrence Condition, at the end of the third business day after the end of the Offer Period), any of the Conditions have not been fulfilled and Golden Investments has not waived that Condition, all contracts resulting from the acceptance of the Offer will be automatically void. In that situation, you will be free to deal with your Shares as you see fit.

6.5 Notice of Status of Conditions

Section 12.1 of Annexure A in the Bidder's Statement indicates that the date for giving the Notice of Status of Conditions is 27 December 2018.

The Bidder is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the Conditions;
- whether, so far as the Bidder knows, any of the Conditions have been fulfilled; and
- the Bidder's Voting Power in Stanmore.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, the Bidder is required, as soon as practicable after the extension, to give a notice to ASX and Stanmore that states the new date for the giving of the Notice of Status of Conditions.

If a Condition is fulfilled (so that the Offer becomes free of that Condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, the Bidder must, as soon as practicable, give ASX and Stanmore a notice that states that the particular condition has been fulfilled.

6.6 Offer Period

Unless the Offer is extended or withdrawn, it is open for acceptance from 3 December 2018 until 7.00pm (Sydney time) on 3 January 2019.

The circumstances in which the Bidder may extend or withdraw the Offer are set out in sections 6.7 and 6.8 respectively of this Target's Statement.

6.7 Extension of the Offer Period

The Bidder may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 6.5 of this Target's Statement) while the Offer is subject to Conditions.

However, if the Offer is unconditional (that is, all the Conditions are fulfilled or waived), the Bidder may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period:

- the Bidder increases the Offer Price; or
- the Bidder's Voting Power in Stanmore increases to more than 50%.

If either of these two events occurs, the Offer Period is automatically extended to 14 days after the relevant event occurs.

6.8 Withdrawal of the Offer

The Bidder may not withdraw the Offer if you have already accepted it and the FIRB Condition has been fulfilled. Before you accept the Offer, the Bidder may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

You only have limited rights to withdraw your acceptance of the Offer. You may only withdraw your acceptance of the Offer if:

- the FIRB Condition has not, at the time of your withdrawal, been fulfilled;
- the No Prescribed Occurrence Condition has not been fulfilled or waived by three business days after the end of the Offer Period or all other Conditions have not been fulfilled or waived by the end of the Offer Period; or
- the Bidder varies the Offer in a way that postpones, for more than one month, the time when the Bidder needs to meet its obligations under the Offer and, at the time, the Offer is subject to one or more of the Conditions.

(a) CHESS Holdings

If the Shares were held in a CHESS holding, you should contact your broker to instruct them to effect the withdrawal by transmitting a valid originating message in accordance with Rule 14.16 of the ASX Settlement Operating Rules.

(b) Issuer sponsored holdings

If the Shares were held in an issuer sponsored holding, you should send a written notice of withdrawal to the Bidder's share registrar, Computershare Investor Services Pty Limited, GPO Box 52, Melbourne VIC 3001. It is recommended that your notice attach a copy of your completed Acceptance Form or refer to your Securityholder Reference Number, and be signed by the same person(s) who signed your Acceptance Form.

6.9 Acceptance

You may accept the Offer at any time during the Offer Period for all or some of your Shares. Instructions on how to accept the Offer are set out in the Bidder's Statement and on the Acceptance Form that accompanies the Bidder's Statement. If you want to accept the Offer, you should follow these instructions carefully to ensure that your acceptance is valid.

If your Shares are in a CHESS holding and you want to accept the Offer, you should give instructions to your broker in sufficient time before the end of the Offer Period to allow your broker to initiate your acceptance under the CHESS system. If your Shares are in an issuer sponsored holding and you want to accept the Offer, you should complete and deliver the Acceptance Form in sufficient time so that it is received by the Bidder before the end of the Offer Period.

6.10 Effect of acceptance

Accepting Golden Investments' Offer would (subject to the possible withdrawal rights discussed in section 6.8):

- prevent you from accepting any higher takeover bid that may be made by a third party or any alternative transaction proposal (should a third party bid or alternative transaction proposal emerge) that may be recommended by the Board and, therefore, forgoing value;
- relinquish control of your Shares to Golden Investments with no guarantee of payment until the Offer becomes, or is declared, unconditional. As the Offer Period could be extended by Golden Investments, this could result in further delays in payment from Golden Investments;
- give Golden Investments the option to keep your Shares (if the Conditions are not satisfied (ie, by waiving the Conditions)) or return your Shares as discussed in section 6.4; and
- prevent you from selling your Shares on ASX.

The effect of acceptance of the Offer is set out in section 8 of Annexure A of the Bidder's Statement. You should read these provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Shares and the representations and warranties which you are deemed to give by accepting the Offer.

6.11 When will Stanmore Shareholders be sent the cash consideration if they accept the Offer?

In the usual case, Shareholders will be issued the consideration on or before the later of:

- one month after the date the Offer is validly accepted; and
- one month after the date the Offer becomes or is declared unconditional,

but, in any event, assuming the Offer becomes or is declared unconditional, no later than 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in section 7 of Annexure A of the Bidder's Statement.

6.12 Effect of an improvement in consideration on Stanmore shareholders who have already accepted the Offer

If the Bidder improves the consideration offered under its Takeover Bid, all Stanmore Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

6.13 Compulsory acquisition

(a) Introduction

The Bidder has indicated in section 7.4 of its Bidder's Statement that if it satisfies the required thresholds, it intends to compulsorily acquire any outstanding Stanmore Shares (including any Stanmore Shares issued after the end of the Offer Period as a result of the vesting of Performance Rights) and Performance Rights, which have not been cancelled by Stanmore, or acquired by the Bidder prior to the Closing Date, in accordance with the Corporations Act.

(b) Compulsory acquisition within one month after the end of the Offer Period

The Bidder will be entitled to compulsorily acquire any Stanmore Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer, if, during or at the end of the Offer Period, the Bidder and its Associates have a Relevant Interest in at least 90% (by number) of the Stanmore Shares.

If this threshold is met, the Bidder will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Stanmore Shareholders who have not accepted the Offer. Stanmore Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Shareholder to establish to the satisfaction of a court that the consideration under the Offer is not 'fair value' for their Stanmore Shares. Shareholders should be aware that if their Shares are acquired compulsorily they are not likely to receive any payment until at least one month after the compulsory acquisition notices are sent.

(c) General compulsory acquisition

Golden Investments' general compulsory acquisition rights may be triggered even if Golden Investments does not reach the 90% compulsory acquisition threshold described in paragraph (b).

Under Part 6A.2 of the Corporations Act, Golden Investments will be entitled to compulsorily acquire any Shares if Golden Investments (either alone or together with a Related Body Corporate) holds full beneficial interests in at least 90% (by number) of Shares.

If this threshold is met, Golden Investments will have six months after Golden Investments becomes a 90% holder within which to give compulsory acquisition notices to the relevant Shareholders. The compulsory acquisition notices sent to the Shareholders must be accompanied by an independent expert's report and an objection form.

The independent expert's report must set out whether the terms of the compulsory acquisition give 'fair value' for the Shares concerned and the independent expert's reasons for forming that opinion.

If Shareholders with at least 10% of the Shares covered by the compulsory acquisition notice object to the acquisition before the end of the objection period (which must be at least one month), Golden Investments may apply to the court for approval of the acquisition of the Shares covered by the notice. The costs incurred by any Shareholder who objects in legal proceedings in relation to the compulsory acquisition must be borne by Golden Investments, unless the court is satisfied that the Shareholder acted improperly, vexatiously or otherwise unreasonably.

SECTION 7.

INFORMATION RELATING TO YOUR DIRECTORS

7.1 Interests and dealings in Stanmore securities

(a) Interests in Stanmore securities

The Stanmore Directors' Relevant Interests in Stanmore securities as at the date of this Target's Statement are detailed in the table below.

Stanmore Director	Number of Stanmore Shares	Number of Stanmore Performance Rights
Stewart Butel	307,791	nil
Daniel Clifford	500,000	2,222,247
Stephen Bizzell	7,373,514	nil
Neal O'Connor	125,204	nil

(b) Dealings in Stanmore securities

Stewart Butel acquired an aggregate of 100,950 Stanmore Shares on market between 29 August 2018 and 31 August 2018 (inclusive). On 23 November 2018, Stewart also acquired 6,841 Stanmore Shares under the Dividend Reinvestment Plan.

Daniel Clifford was granted 585,730 FY2019 Performance Rights on 5 November 2018, pursuant to the 2016 Stanmore Rights Plan.

Excluding the above, no other Stanmore Director has acquired or disposed of a Relevant Interest in any Stanmore Shares or Performance Rights in the four month period ending on the date immediately before the date of this Target's Statement.

7.2 Interests and dealings in Golden Investments and its Related Bodies Corporate

(a) Interests in securities of Golden Investments and Related Bodies Corporate

As at the date of this Target's Statement, no Stanmore Director had a Relevant Interest in the securities of Golden Investments or a Related Body Corporate of Golden Investments.

(b) Dealings in securities of Golden Investments and Related Bodies Corporate

No Stanmore Director acquired or disposed of a Relevant Interest in any securities of Golden Investments or a Related Body Corporate of Golden Investments in the four month period ending on the date of this Target's Statement.

7.3 Benefits and agreements

(a) Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Stanmore or a Related Body Corporate of Stanmore.

(b) Agreements connected with or conditional on the Offer

There are no agreements made between any Stanmore Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Stanmore Shares or Performance Rights.

(c) Benefits from Golden Investments or a Related Body Corporate of Golden Investments

None of the Stanmore Directors has agreed to receive, or is entitled to receive, any benefit from Golden Investments or a Related Body Corporate of Golden Investments which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Stanmore Shares or Performance Rights.

(d) Interests of Stanmore Directors in contracts with Golden Investments or a Related Body Corporate of Golden Investments

None of the Stanmore Directors has any interest in any contract entered into by Golden Investments or a Related Body Corporate of Golden Investments.

(e) Retention bonus to Daniel Clifford

Daniel Clifford will be entitled to a retention bonus of approximately \$215,000 as part of the retention bonus scheme for employees of Stanmore as described in section 8.2.

(f) Other Benefits to Directors

In accordance with their existing letters of appointment, the Company intends to pay the non-executive Directors additional fees of \$107,500 in aggregate for the additional work they have undertaken as a result of and in connection with the Offer. The payment of this additional remuneration will not result in the cap on the total amount that may be paid to the Company's non-executive Directors in FY2019, as approved by Shareholders, being exceeded.

The Offer is conditional on Stanmore not making or agreeing to make a substantial change in the amount or basis of remuneration of a Director of Stanmore. Golden Investments could form the view that paying the additional fees to the non-executive Directors would breach this Condition. The Company has requested that Golden Investments waive the particular breach of any Conditions which would otherwise arise from the payment of the additional fees to the non-executive Directors. The Company's decision to pay the additional remuneration is subject to the payment of the additional fees not resulting in a Condition of the Offer being breached.

SECTION 8.

ADDITIONAL INFORMATION

8.1 Effect of takeover on Stanmore's material contracts

(a) Financing arrangements

Stanmore has obtained certain debt financing facilities (the **Facility**). The parties to the Facility are Stanmore IP Coal (as borrower), Taurus Mining Finance Fund L.P. and Taurus Mining Finance Annex Fund L.P. (as lender). The Facility expires on 15 November 2019. The Facility includes:

- a bank guarantee facility with a limit of USD\$29 million, of which USD\$17.43 million was drawn as at 30 June 2018;
- a revolving working capital facility with a limit of USD\$22 million which was undrawn as at 30 June 2018; and
- an additional facility for the acquisition of Isaac Downs if required.

Under the terms of the Facility, a change in control¹¹ or delisting of Stanmore from the ASX is a 'review event', which allows the lender, on notice to the borrower, to terminate the Facility and require repayment of any outstanding amounts under the Facility and associated security documents within 90 days of the notice.

As a result, Shareholders that do not accept the Offer should be aware that if Golden Investments acquires a Relevant Interest of greater than 50% as a result of the Offer, but does not reach the 90% required to proceed to compulsory acquisition, they will be exposed to risks associated with the refinancing of the Facility.

(b) Mining services agreement

Stanmore IP Coal (as principal) entered into a mining services agreement with Golding Contractors Pty Ltd (as contractor) in 2015 for the operation of Isaac Plains (extended to Isaac Plains East in June 2018) (**MSA**). The parties agreed further amendments to the MSA in November 2018 (commencing 1 July 2019), including the extension of the term of the MSA to 30 June 2024.

Under the MSA, a change in control¹² resulting in the principal becoming a subsidiary of another corporation triggers the requirement for Stanmore IP Coal to provide a replacement parent company guarantee in substantially the same form as the parent company guarantee provided by Stanmore. Where an appropriate parent company guarantee is not provided within a period of 14 days after the date the principal becomes a subsidiary of another corporation, this constitutes a substantial breach under the MSA which may give rise to a termination right in favour of the contractor. Such outcome may have a material adverse effect on Stanmore's business.

¹¹ Under the terms of the Facility, 'change in control' is broadly defined and includes if a party acquires greater than 50% of Stanmore Shares or otherwise assumes control within the meaning of section 50AA of the Corporations Act.

¹² Under the terms of the MSA, a 'change in control' means a change in the person who 'controls' a party and includes a change to the majority of the issued shares of Stanmore, as the ultimate holding company of the principal.

(c) Electricity connection agreement

Stanmore IP Coal (following novation of the agreement from Isaac Plains Coal Management Pty Ltd) (as customer) is party to a customer connection agreement with Ergon Energy Corporation Limited for the connection of Isaac Plains to the distribution network and supply of electricity to Isaac Plains (**Ergon Agreement**). The Ergon Agreement is set to expire 30 years from the date of connection (anticipated to be 19 July 2036).

Under the Ergon Agreement, a change in control¹³ of a party constitutes a deemed assignment of the agreement which requires the prior consent of the counterparty. Where such consent is not received from Ergon Energy, this will constitute a breach of the Ergon Agreement and could constitute an event of default giving rise to termination rights in favour of Ergon Energy. Such an outcome may have a material adverse effect on Stanmore's business.

(d) Port agreement

Stanmore IP Coal (as user), entered into an access undertaking agreement with DBCT Management Pty Limited (as operator) in 2018 to use the terminal at the Port of Hay Point owned by the operator to ship Stanmore's coal (**Port Agreement**). The Port Agreement commenced on 24 May 2018 and is set to expire on 30 June 2028.

Under the terms of the Port Agreement, a change in control¹⁴ in the user requires the prior consent of the operator. The consent may be subject to reasonable conditions (including the provision of reasonable security), which Stanmore IP Coal must comply with. Where consent is not received by Stanmore IP Coal, this may constitute an event of default under the agreement entitling the operator to cease allowing Stanmore IP Coal the access and use of the terminal or otherwise gives rise termination rights in favour of the operator. Such an outcome may have a material adverse effect on Stanmore's business.

(e) Other material contracts

Other than the arrangement described in sections 8.1(a) to 8.1(d), Stanmore is not, after due inquiry, aware of any financing arrangement or other contract that has been entered into by Stanmore or any of its Subsidiaries, that Stanmore considers to be material in the context of Stanmore or the Stanmore Group taken as a whole, that contains a change of control provision that may be triggered if Golden Investments acquires Shares as a result of the Offer.

Although Stanmore and various of its Subsidiaries have entered into other contracts that contain change of control provisions that may be triggered if Golden Investments acquires Shares as a result of the Offer, Stanmore does not consider any of those contracts to be material in the context of Stanmore or the Stanmore Group taken as a whole.

8.2 Arrangements with Employees

The Board intends to establish a retention scheme in connection with the Offer, under which each employee of Stanmore may become entitled to additional remuneration of up to 50% of their fixed annual remuneration in certain circumstances. The retention scheme will be designed to retain the services of employees at a time when their existing remuneration arrangements may not present an adequate incentive to remain with the Company, particularly given the increased workload in responding to Golden Investments' Offer; potential job insecurity if a change of control proceeds; and the potential for competitors to use the takeover bid as an opportunity to seek to offer employment to the Company's employees.

The retention payments under the scheme are intended to be paid in three instalments, as follows: 1/3 on 28 February 2019; 1/3 if a change of control occurs; and 1/3 on the date which is 6 months after the date of any change of control occurring. The amount of the retention payments payable under the scheme will be approximately \$1,600,000.

¹³ Under the terms of the Ergon Agreement, a 'change of control' includes a party directly or indirectly obtaining beneficial ownership of 50% or more (in aggregate) of Stanmore IP Coal's voting shares.

¹⁴ Under the terms of the Port Agreement, 'change of control' includes if a party directly or indirectly acquires more than half of the issued shares of Stanmore IP Coal.

The Offer is conditional on Stanmore not varying or agreeing to vary any existing contract of service with any employee of Stanmore or making or agreeing to make a substantial change in the amount or basis of remuneration of any employee. Golden Investments could form the view that the establishment of the retention scheme would breach this Condition. The Company has requested that Golden Investments waive the particular breach of any Conditions which would otherwise arise from the establishment of the retention scheme. The Company's decision to establish the retention scheme is conditional on the establishment of the scheme not resulting in a Condition of the Offer being breached.

8.3 Material litigation

Stanmore does not believe that it is involved in any litigation or dispute which is material in the context of Stanmore and its Subsidiaries as a whole.

8.4 Changes in financial position

So far as known to any Director, the financial position of Stanmore has not materially changed since 30 June 2018 (the date of Stanmore's last audited financial report) and the date of this Target's Statement, except as disclosed in this Target's Statement and in Stanmore's announcements to the ASX since 30 June 2018, other than as described elsewhere in this Target's Statement

8.5 Transaction costs

As at the date of this Target's Statement and based on current circumstances, Stanmore estimates that defence related costs (including costs of the Independent Expert and Independent Technical Specialist, legal and financial advisory fees) associated with the Offer will be between \$1,000,000 and \$3,750,000.

8.6 Consents

The following persons have given and have not, before the date of issue of this Target's Statement, withdrawn their consent to:

- be named in this Target's Statement in the form and context in which they are named;
- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and
- the inclusion of other statements in this Target's Statement that are based on or referable to statements made in those reports or statements, or that are based or referable to other statements made by those persons in the form and context in which they are included.

Name of Person	Named As	Reports or Statements
Allens	Legal adviser	N/A
	Preparer of Tax Adviser's Report	Tax Adviser's Report included as Annexure B to this Target's Statement
Citigroup Global Markets Australia Pty Ltd	Financial adviser	N/A
Link Market Services	Share Registry	N/A
BDO Corporate Finance (QLD) Ltd	Independent Expert	Independent Expert's Report included as Annexure A to this Target's Statement
Palaris Australia Pty Ltd	Independent Technical Specialist	Independent Technical Specialist's Report included in the Independent Expert's report, which is included as Annexure A

Each of the above persons:

- has not caused or authorised the issue of this Target's Statement;
- does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this section with the person's consent.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the Listing Rules). Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this Target's Statement. Refer to section 8.9.

Additionally, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or published book, journal or comparable publication.

Pursuant to that Class Order, the consent of persons such statements are attributed to is not required for inclusion of those statements in this Target's Statement.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement also contains trading data obtained from IRESS without its consent.

8.7 Reliance on information obtained from Golden Investments or public sources

The information in this Target's Statement about Golden Investments has been prepared by Stanmore using publicly available information, including information in the Bidder's Statement, and has not been independently verified by Stanmore or its advisers. Accordingly, Stanmore does not, subject to the Corporations Act, make any representation or warranty, express or implied as to the accuracy or completeness of this information. The information on Golden Investments in this Target's Statement should not be considered comprehensive. Please refer to the Bidder's Statement for further information in respect of Golden Investments.

8.8 Publicly available information

This Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the Listing Rules) by Stanmore.

As required by ASIC Class Order 13/521, any Shareholder who would like to receive a copy of any of those documents (or relevant extracts from those documents) may obtain a copy free of charge by contacting the Shareholder information line on 1300 970 086 (within Australia) or +61 1300 970 086 (outside Australia) between 8.30am and 5:30pm (AEDT) Monday to Friday.

8.9 Continuous disclosure

Stanmore is a 'disclosing entity' for the purposes of section 111AC(1) of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require Stanmore to notify ASX of information about specified matters and events as they arise for the purposes of ASX making that information available to participants in the market. In particular, Stanmore has an obligation under the Listing Rules (subject to limited exceptions) to notify ASX immediately upon becoming aware of any information concerning it, which a reasonable person would expect to have a material effect on the price or value of the Shares.

In addition, Stanmore will make copies of the following documents available for inspection at its registered office (between 9am and 5pm on Business Days):

- Stanmore's 2018 Annual Report;
- the Stanmore Constitution; and
- any continuous disclosure document lodged by Stanmore with ASX between the lodgement of its 2018 Annual Report on 21 September 2018 and the date of this Target's Statement. A list of these documents is included in section 4.15.

Copies of the documents are also available on Stanmore's website at www.stanmorecoal.com.au, or may be requested to be provided free of charge by contacting the Shareholder information line on 1300 970 086 (within Australia) or +61 1300 970 086 (outside Australia) between 8.30am and 5:30pm (AEDT) Monday to Friday.

Copies of documents lodged with ASIC in relation to Stanmore may be obtained from, or inspected at, an ASIC office.

8.10 Other information

This Target's Statement is required to include all the information Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept Golden Investments' Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any of the Directors.

The Directors are of the opinion that the information that Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- the information contained in the 2018 Annual Report;
- the information contained in Stanmore's announcements to ASX prior to the date of this Target's Statement; and
- the information contained in this Target's Statement, including the Schedules to this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of the Shares;
- the matters Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisers of Shareholders; and
- the time available to Stanmore to prepare this Target's Statement.



SECTION 9.

DEFINITIONS AND INTERPRETATION

9.1 Definitions

The following definitions apply in this Target's Statement unless the context requires otherwise.

2012 Rights Plan means Stanmore's Director and Employee Incentive Plan which was approved by Shareholders in October 2012.

2016 Rights Plan means the Stanmore Rights Plan approved by Shareholders in September 2016.

2018 Annual Report means Stanmore's Annual Report for the year ended 30 June 2018 released to the ASX on 21 September 2018.

Acceptance Form means the acceptance form enclosed with the Bidder's Statement.

AEDT means Australian Eastern Daylight Time.

Ascend Global means Ascend Global Investment Fund SPC, a fund managed by Ascend Capital Advisors (S) Pte. Ltd, a Singaporean-based investment fund manager licensed by the Monetary Authority of Singapore.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as 'ASX' operated by it.

ASX Settlement means ASX Settlement Pty Ltd (ABN 49 008 504 532).

ASX Settlement Operating Rules means the operating rules of ASX Settlement or of any relevant organisation which is an alternative or successor to or replacement of, ASX Settlement or of any applicable CS facility licensee.

Belview has the meaning given in section 4.2(c)(i) of this Target's Statement.

Bidder's Statement means the bidder's statement dated 19 November 2018 lodged by Golden Investments with ASIC in relation to the Offer, and includes any Supplementary Bidder's Statement issued by Golden Investments.

Business Day means a day which is not a Saturday, Sunday or a public holiday in Brisbane, Australia or Sydney, Australia.

CGT means Australian capital gains tax.

CHES means the Clearing House Electronic Subregister System, which provides for electronic security transfer in Australia.

CHPP has the meaning given to that term in section 4.2(a) of this Target's Statement.

Clifford has the meaning given in section 4.2(b)(i) of this Target's Statement.

Closing Date means 3 January 2019, unless the Offer is extended.

Coal Reserve has the meaning given to that term in the JORC Code 2012 or JORC Code 2004 (as applicable).

Coal Resource has the meaning given to that term in the JORC Code 2012 or JORC Code 2004 (as applicable).

Competent Persons has the meaning given to that term in the JORC Code 2012 or JORC Code 2004 (as applicable).

Conditions means the conditions to the Offer as set out in section 9 of the Bidder's Statement and summarised in section 6.3 of this Target's Statement.

Corporations Act means the *Corporations Act 2001* (Cth).

DBCT means Dalrymple Bay Coal Terminal.

Dividend Reinvestment Plan means Stanmore's Dividend Reinvestment Plan approved by Shareholders at the 2018 Annual General Meeting.

DRP Shares means the Stanmore Shares to be issued under the Dividend Reinvestment Plan in respect of the FY2018 Final Dividend.

EBITDA means earnings before interest, tax, depreciation and amortisation.

EP means an exploration permit under the Mineral Resources Act.

EPC means an exploration permit for coal under the Mineral Resources Act.

EV means Enterprise Value.

Facility has the meaning given to that term in section 8.1(a) of this Target's Statement.

FATA means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

FIRB means the Foreign Investment Review Board.

FIRB Approval means a statement of no objections to the offer from the Treasurer of the Commonwealth of Australia under the Australian Foreign Investment Policy.

FIRB Condition means the condition set out in section 6.3(a) of this Target's Statement.

FY2017 means the financial year ended 30 June 2017.

FY2018 means the financial year ended 30 June 2018.

FY2018 Final Dividend means the unfranked dividend of \$0.02 per Stanmore Share in respect of FY2018 paid to eligible Stanmore Shareholders on 23 November 2018.

FY2019 means the financial year ended 30 June 2019.

GEAR means Golden Energy and Resources Limited, a company incorporated in Singapore with company number 199508589E.

Golden Investments or **Bidder** means Golden Investments (Australia) Pte. Ltd, a company incorporated in Singapore with company number 201837382H.

HCC means hard coking coal.

Independent Expert means BDO Corporate Finance (QLD) Ltd (ACN 010 185 725).

Independent Expert's Report means the report of the Independent Expert as commissioned by Stanmore and set out in Annexure A of this Target's Statement.

Independent Technical Specialist means Palaris Australia Pty Ltd (ACN 600 876 408).

Independent Technical Specialist's Report means the report of the Independent Technical Specialist commissioned by the Independent Expert and set out in Annexure A of this Target's Statement.

Indicated has the meaning given to that term in the JORC Code 2012 or JORC Code 2004 (as applicable).

Inferred has the meaning given to that term in the JORC Code 2012 or JORC Code 2004 (as applicable).

Isaac Downs has the meaning given in section 4.1(c) of this Target's Statement.

Isaac Plains has the meaning given in section 4.1(a) of this Target's Statement.

Isaac Plains Complex means the mining complex located approximately 7km from Moranbah, Central Queensland comprising Isaac Plains, Isaac Plains East, Isaac Downs, Isaac South and Isaac Plains Underground.

Isaac Plains East has the meaning given in section 4.1(b) of this Target's Statement.

Isaac Plains Underground has the meaning given in section 4.1(e) of this Target's Statement.

Isaac South has the meaning given in section 4.1(d) of this Target's Statement.

JORC Code 2012 means the 2012 Edition of The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

JORC Code 2004 means the 2004 Edition of The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

Last Practicable Date means the last practicable date prior to the date of this Target's Statement, being close of trading on ASX on 7 December 2018.

Lilyvale has the meaning given in section 4.2(c)(ii) of this Target's Statement.

Listing Rules means the official listing rules of ASX.

Mackenzie has the meaning given in section 4.2(c)(iii) of this Target's Statement.

Marketable Coal Reserve has the meaning given to that term in the JORC Code 2012 or JORC Code 2004 (as applicable).

Material Adverse Change has the meaning given in section 6.3 of this Target's Statement.

Material Contract means a contract or commitment:

- (a) requiring total payments of more than, or which are reasonably likely to be more than, \$15 million in a 12 month period;
- (b) which is entered into other than in the ordinary course of business; or
- (c) which grants access or rights over land required to exploit Stanmore's tenements and projects.

MDL means mineral development licence under the Mineral Resources Act.

Measured has the meaning given to that term in the JORC Code 2012 or JORC Code 2004 (as applicable).

Mineral Resource has the meaning given to that term in the JORC Code 2012 or JORC Code 2004 (as applicable).

Mineral Resources Act means the *Mineral Resources Act 1989* (Qld).

ML means mining lease under the Mineral Resources Act.

MLA means mining lease application under the Mineral Resources Act.

No Prescribed Occurrence Condition means the Condition set out in section 9.3 of the Bidder's Statement and summarised in section 6.3(c) of this Target's Statement.

Notice of Status of Conditions means Bidder's notice disclosing the status of the Conditions of the Offer which is required to be given under section 630(3) of the Corporations Act.

Offer means each offer to acquire Stanmore Shares made in connection with the Takeover Bid.

Offer Period means the period that the Offer is open for acceptance in accordance with section 3 of Annexure A of the Bidder's Statement and the Corporations Act.

Offer Price means A\$0.95 cash per Stanmore Share.

Performance Rights means performance rights issued under the terms of the 2012 Rights Plan or 2016 Rights Plan (as the case may be).

Prescribed Occurrence means the occurrence of any of the matters listed in section 6.3(c) of this Target's Statement.

Register Date means 7.00pm (Sydney time) on 26 November 2018.

Regulatory Authority includes:

- (a) ASIC;
- (b) ASX;
- (c) the Singaporean Exchange;
- (d) a government or governmental, semi-governmental, administrative, fiscal or judicial body;
- (e) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of or controlled by any government; and
- (f) any regulatory organisation established under statute.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Resources & Reserves Report 2018 has the meaning given to that term in section 4.3 of this Target's Statement.

Restricted Action means any of the actions listed in section 6.3(f) of this Target's Statement.

ROM means run-of-mine production of coal.

SSCC means semi-soft coking coal.

Stanmore or **Company** means Stanmore Coal Limited (ACN 131 920 968).

Stanmore Board or **Board** means the board of directors of Stanmore from time to time.

Stanmore Constitution means the constitution of Stanmore as amended from time to time.

Stanmore Director or **Director** means a director of Stanmore.

Stanmore Group or **Group** means Stanmore and each of its Subsidiaries, and a reference to a 'member of the Stanmore Group' is to Stanmore or any of its Subsidiaries.

Stanmore IP Coal means Stanmore's operating subsidiary, Stanmore IP Coal Pty Ltd (ACN 606 244 615).

Stanmore Share or **Share** means a fully paid ordinary share in the capital of Stanmore.

Stanmore Shareholder or **Shareholder** means a registered holder of Stanmore Shares.

Subsidiary has the meaning given in Division 6 of Part 1.2 of the Corporations Act.

Substantial Holding has the meaning given in section 9 of the Corporations Act.

Supplementary Bidder's Statement means any supplementary bidder's statement despatched by Golden Investments to Stanmore Shareholders in accordance with section 643 of the Corporations Act.

Takeover Bid means the off-market cash takeover bid under Chapter 6 of the Corporations Act made by Golden Investments to acquire all of the Stanmore Shares on the terms and conditions set out in Golden Investments' Bidder's Statement.

Target's Statement means this document (including the Annexures), being the statement of Stanmore under Part 6.5 Division 3 of the Corporations Act.

Tax Adviser's Report means the tax adviser's report prepared by Allens and set out in full in Annexure B.

Tennyson has the meaning given in section 4.2(c)(iv) of this Target's Statement.

The Range has the meaning given in section 4.2(b)(i) of this Target's Statement.

Treasurer means the Treasurer of the Commonwealth of Australia.

Voting Power has the meaning given in section 610 of the Corporations Act.

VWAP means volume weighted average price.

9.2 Interpretation

In this Target's Statement (other than the Annexures):

- (a) Other words and phrases have the same meaning (if any) given to them in the Corporations Act or the Listing Rules (as is appropriate to the context).
- (b) Words of any gender include all genders.
- (c) Words importing the singular include the plural and vice versa.
- (d) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
- (e) A reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant.
- (f) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- (g) Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
- (h) Unless otherwise specified, a reference to time is a reference to the time in Brisbane, Australia.
- (i) A reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.
- (j) A reference to US\$ and USD is to the lawful currency of the United States of America.



SECTION 10.

AUTHORISATION

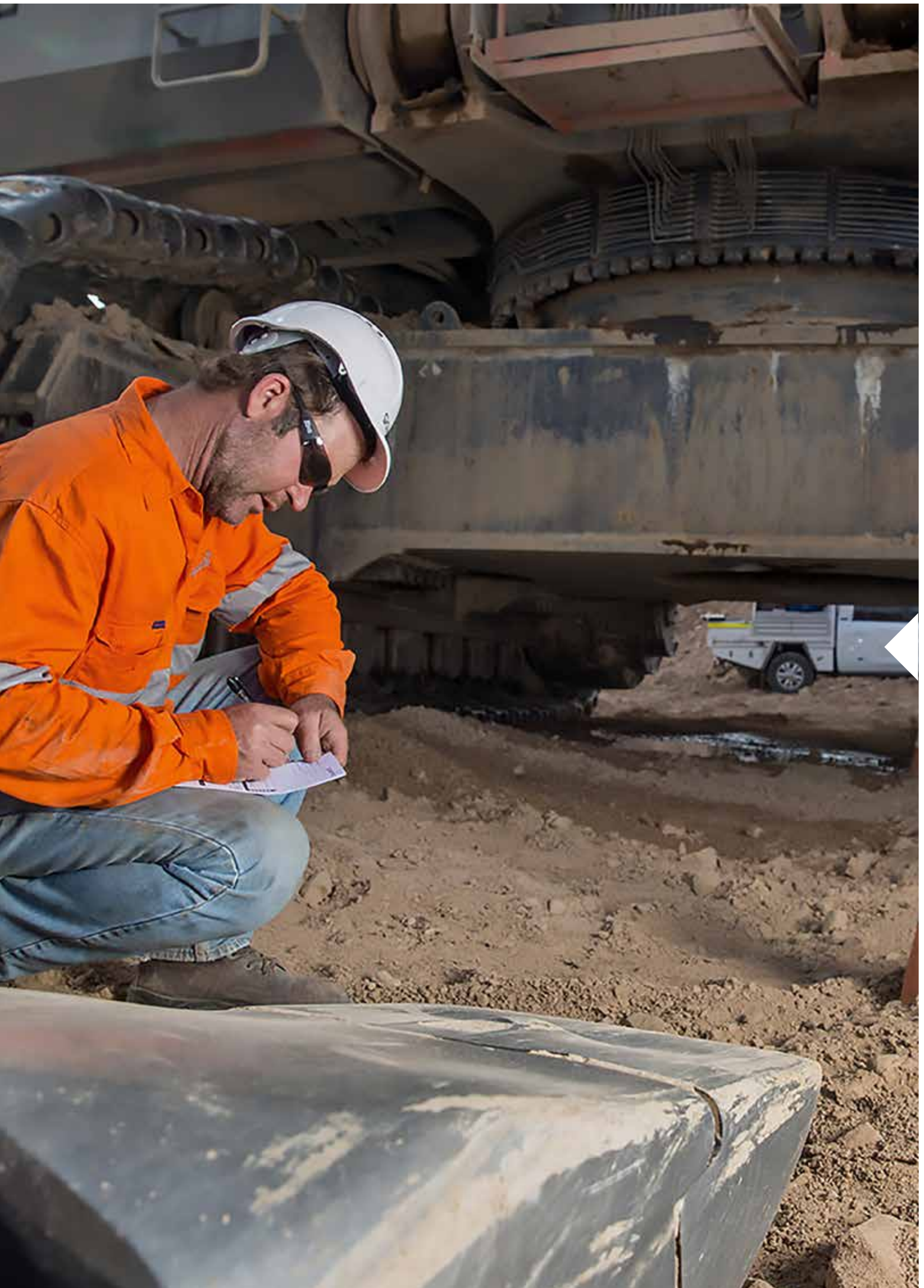
This Target's Statement has been approved by a resolution passed by the Stanmore Directors. All the Stanmore Directors voted in favour of that resolution.

Signed for and on behalf of Stanmore:



Stewart Butel

Chairman





ANNEXURE A.

INDEPENDENT EXPERT'S REPORT AND INDEPENDENT TECHNICAL SPECIALIST'S REPORT



STANMORE COAL LIMITED

Independent Expert's Report and Financial Services Guide

11 DECEMBER 2018





FINANCIAL SERVICES GUIDE

Dated: 11 December 2018

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 ('BDOCF' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDOCF holds an Australian Financial Services Licence to provide the following services:

- a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investment schemes, superannuation, and government debentures, stocks and bonds; and
- b) Arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently, any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDOCF has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDOCF has been engaged to provide an independent expert's report to the shareholders of Stanmore Coal Limited ('Stanmore' or 'the Company') in relation to the off-market takeover bid made by Golden Investments (Australia) Pte. Ltd. ('Golden Investments') for all the ordinary shares in Stanmore ('the Offer').

Further details of the Offer are set out in Section 4. The scope of this Report is set out in detail in Section 3.3. This Report provides an opinion on whether or not the Offer is 'fair and reasonable' to the non-associated Stanmore shareholders ('the Shareholders') and has been prepared to provide information to the Shareholders to assist them to make an informed decision on whether to accept or reject the Offer. Other important information relating to this Report is set out in more detail in Section 3.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. A shareholder's decision to accept or reject the Offer is likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this Report will be approximately \$100,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Offer.

Except for the fees referred to above, neither BDOCF, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDOCF may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDOCF. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDOCF) are entitled to receive a salary. Where a director of BDOCF is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDOCF or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. While BDOCF has not provided any professional services to Stanmore in the last two years, we note that related entities have provided professional services including BDO (QLD) Pty Ltd providing tax compliance services and BDO Audit Pty Ltd is Stanmore's external auditor.

The signatories to this Report do not hold any shares in Stanmore and no such shares have ever been held by the signatories.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which are publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.



Complaints

We are members of the Australian Financial Complaints Authority. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Australian Financial Complaints Authority. They can be contacted on 1800 931 678. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investments Commission ('ASIC') also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Compensation Arrangements

BDO CF and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDOCF or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO CF satisfy the requirements of section 912B of the Corporations Act 2001.

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GLOSSARY

Reference	Definition
A\$ or \$	Australian dollars
ABV	Asset-based valuation
ADSP	Asian Distressed Segregated Portfolio
AGM	Annual general meeting
APES 225	Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited
ASIC	Australian Securities and Investment Commission
ASTR	Absolute Shareholder Total Returns
ASX	Australian Securities Exchange
BCCM	Bowen Central Coal Management
BDO Persons	BDOCF, BDO (QLD) or any of its partners, directors, agents or associates
BDOCF	BDO Corporate Finance (QLD) Ltd
BFS	Bankable Feasibility Statement
Bidder's Statement	The Bidder's Statement, dated 3 December 2018, issued by Golden Investments in regards to the takeover offer of Stanmore
Board, the	The board of directors of the Company
BoL	Bill of Loading
CAPM	Capital asset pricing model
CHPP	Coal handling preparation plant
CME	Capitalisation of Maintainable Earnings
Company, the	Stanmore Coal Limited
Corporations Act, the	The Corporations Act 2001
DBCT	Darlymple Bay Coal Terminal
DCF	Discounted cash flow
Directors, the	The Directors of the Company
DNMR	Department of Natural Resources, Mines and Energy
DRP	Dividend reinvestment plan
DTA	Deferred tax asset

Reference	Definition
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EPC	Exploration permit coal
EV	Enterprise value
Financial Model	The financial model provided by Stanmore and reviewed by Polaris
FIRB	Foreign Investment Review Board
FOB	Free-on-board
FSG	Financial Services Guide
FY	The financial year or 12-month period ended on 30 June
GEAR	Golden Energy Resources Limited
Golden Investments	Golden Investments (Australia) Pte. Ltd.
Greatgroup	Greatgroup Investments Limited
JOGMEC	Japan Oil, Gas and Metals Nation Corporation
JORC	Australasian Joint Ore Reserves Committee
Management, the	The management of Stanmore Coal Limited and its advisers
MBV	Market-based valuation
MDL	Mining development lease
Mt	Million tonnes
MTpa	Million tonnes per annum
NPAT	Net profit after tax
NPV	Net present value
Offer, the	The off-market bid made by Golden Investments for all the ordinary shares in Stanmore
Polaris	Polaris Australia Pty Ltd
Polaris Report, the	The Polaris Independent Technical Assessment and Valuation Report
Regulations, the	The Corporation Regulations 2001
Report, this	This independent expert's report prepared by BDOCF and dated 11 December 2018
RG 111	Regulatory Guide 111: Content of Expert Report, issued by ASIC
RGs	Regulatory guides published by ASIC

Reference	Definition
ROM	Run-of-mine
Shareholders, the	The holders of fully paid ordinary shares in the Company
SSP	Strategic Segregated Portfolio
Stanmore	Stanmore Coal Limited
Stanmore's Mineral Assets	Stanmore's tenements
t	Tonne
Target's Statement	The Target's Statement, dated 11 December 2018, issued by Stanmore in regards to Golden Investments' takeover offer.
USD'000	Thousands of US dollars
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
We, us, our	BDO Corporate Finance (QLD) Ltd



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PART I: ASSESSMENT OF THE OFFER

The Shareholders
C/- The Directors
Stanmore Coal Limited
Level 8, 100 Edward St
Brisbane QLD 4000

11 December 2018

Dear Shareholders,

1.0 Introduction

BDO Corporate Finance (QLD) Ltd ('BDOCF', 'we', 'us' or 'our') has been engaged to provide an independent expert's report ('this Report') to the non-associated shareholders ('the Shareholders') of Stanmore Coal Limited ('Stanmore' or 'the Company') in relation to the off-market takeover bid made by Golden Investments (Australia) Pte. Ltd. ('Golden Investments') for all the ordinary shares in Stanmore ('the Offer').

In broad terms, the consideration to be received by the Shareholders under the Offer is cash consideration of \$0.95 per Stanmore share.

A more detailed description of the Offer is set out in Section 4.

In this Report, BDOCF has expressed an opinion as to whether or not the Offer is 'fair and reasonable' to the Shareholders. This Report has been prepared solely for use by the Shareholders to provide them with information relating to the Offer. The scope and purpose of this Report are detailed in Sections 3.3 and 3.4 respectively.

This Report, including Part I, Part II and the appendices, should be read in full along with all other documentation provided to the Shareholders including the Bidder's Statement dated 3 December 2018 prepared by Golden Investments ('Bidder's Statement') and the Target's Statement dated on or around 11 December 2018 prepared by Stanmore ('the Target's Statement').

2.0 Assessment of the Offer

This section is set out as follows:

- ▶ Section 2.1 sets out the methodology for our assessment of the Offer;
- ▶ Section 2.2 sets out our assessment of the fairness of the Offer;
- ▶ Section 2.3 sets out our assessment of the reasonableness of the Offer; and
- ▶ Section 2.4 provides our assessment of whether the Offer is fair and reasonable to the Shareholders.

2.1 Basis of Evaluation

ASIC have issued Regulatory Guide 111: *Content of Expert Reports* ('RG 111'), which provides guidance in relation to independent expert's reports. RG 111 relates to the provision of independent expert's reports in a range of circumstances, including those where the expert is required to provide an opinion in relation to a takeover transaction. RG 111 states that the independent expert's report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation.

The Offer involves Golden Investments potentially acquiring up to 100% of the issued share capital in Stanmore which represents a controlling interest stake. RG 111 specifically differentiates between control and non-control transactions in providing guidance on the type of analysis to complete. RG 111 suggests that where the transaction is a control transaction the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. In our opinion the Offer is a control transaction as defined by RG 111 and we have assessed the Offer by considering whether, in our opinion, it is fair and reasonable to the Shareholders.

Under RG 111, an offer will be considered 'fair' if the value of the consideration to be received by the shareholders is equal to or greater than the value of the shares that are the subject of the offer. To assess whether an offer is 'reasonable', an expert should examine other significant factors to which shareholders may give consideration prior to accepting or approving the offer. This includes comparing the likely advantages and disadvantages if the offer is accepted with the position of the shareholders if the offer is not accepted.

RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept an offer in the absence of a higher bid. Our assessment concludes by providing our opinion as to whether or not the Offer is 'fair and reasonable'. While all relevant issues need to be considered before drawing an overall conclusion, we will assess the fairness and reasonableness issues separately for clarity.

We have assessed the fairness and reasonableness of the Offer in Sections 2.2 and 2.3 below and concluded on whether the Offer is 'fair and reasonable' to the Shareholders in Section 2.4 below.

2.2 Assessment of Fairness

2.2.1 Basis of Assessment

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject to the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject to an offer in a control transaction the expert should consider this value inclusive of a control premium and assume a 100% ownership interest.

In our view, it is appropriate to assess the fairness of the Offer to the Shareholders as follows:

- a) Determine the value of a share in Stanmore on a controlling interest basis;
- b) Determine the value of the consideration relevant to our assessment of the Offer; and
- c) Compare the value of a) above with the value of the consideration to be received by the Shareholders for each Stanmore share under the Offer.

In accordance with the requirements of RG 111, the Offer can be considered 'fair' to the Shareholders if the consideration offered per ordinary share is equal to or greater than the value determined in a) above.

2.2.2 Value of a Stanmore Share

In our view, for the purposes of the analysis set out in this Report, it is appropriate to adopt a value in the range of \$1.48 to \$1.90 per Stanmore share on a controlling interest basis.

In forming this view, we considered a sum-of-parts approach (incorporating a Discounted Cash Flow ('DCF') and Asset-Based Valuation ('ABV') methodology) and a market based valuation ('MBV') methodology.

In completing our sum-of-parts valuation, we have relied on the work of Palaris Australia Pty Ltd ('Palaris') who we engaged to:

- ▶ Assess the technical inputs used for our DCF valuation of the Isaac Plains Complex ('Isaac Plains Complex'); and



- Provide an independent valuation of all tenements ('Stanmore's Mineral Assets') that, in Palaris' view, are unable to be valued using the DCF methodology.

The Palaris Independent Technical Specialists Report dated 11 December 2018 ('the Palaris Report') is attached as Appendix B to this Report. While Palaris has provided us with information which indicates they have the requisite experience to assess the inputs into the feasibility study mine plan and complete a valuation of Stanmore's Mineral Assets, we are not responsible for the Palaris Report.

In considering our sum-of-parts valuation work, Shareholders should note that our valuation is heavily dependent on future coal prices. To assist Shareholders understand the impact on value in circumstances where their view on future prices differs from our base assumptions, we have set out a sensitivity analysis in Section 8.3.4 of this Report.

In completing our MBV methodology, we have had reference to recent trading in Stanmore's shares.

For the purposes of this Report, we have adopted the sum-of-parts approach as the more appropriate valuation methodology for Stanmore in the current circumstances. Our valuation of Stanmore is set out in Section 8.

2.2.3 Value of the Consideration Offered Under the Offer

Stanmore shareholders have been offered a cash payment of \$0.95 per share for each share they hold in Stanmore.

For the purpose of this Report we have adopted the face value of \$0.95 as the value for the cash consideration.

2.2.4 Assessment of the Fairness of the Offer

In order to assess the fairness of the Offer, it is appropriate to compare the value of a Stanmore share on a controlling interest basis with the cash consideration of \$0.95. Pursuant to RG 111, the Offer is considered to be fair if the value of the consideration is equal to or greater than the value of the securities subject to the Offer (i.e. the value per Stanmore share).

Table 2.1 below summarises our assessment of the fairness of the Offer.

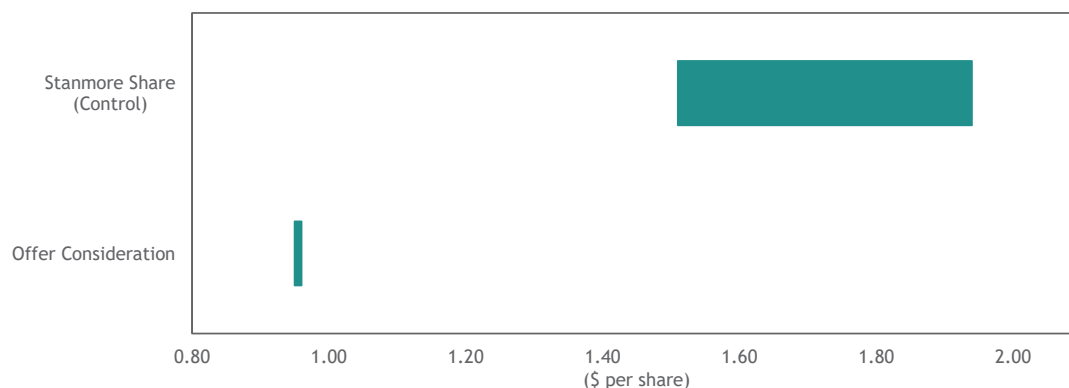
Table 2.1: Assessment of the Fairness of the Offer

	Low	High
Value of a Stanmore Share - Controlling Interest	\$1.48	\$1.90
Value of the Cash Consideration	\$0.95	\$0.95

Source: BDOCF Analysis

Figure 2.1 summarises our assessment of the fairness of the Offer, setting out a graphical comparison of our valuation of a Stanmore share prior to the Offer on a controlling interest basis and the cash consideration offered to the Shareholders under the Offer.

Figure 2.1: Fairness of the Offer



Source: BDOCF analysis

With reference to Table 2.1 and Figure 2.1 above, we note that the value of a Stanmore share on a controlling interest basis exceeds the value of the consideration offered.

Having regards to the above, it is our view that, in the absence of any other information, the Offer is **Not Fair** to the Shareholders as at the date of this Report.

2.3 Assessment of Reasonableness

2.3.1 Basis of Assessment

Under RG 111, a transaction is considered reasonable if it is fair. It may also be reasonable, despite not being fair, if after considering other significant factors the interests of the shareholders are reasonably balanced.

In addition to our fairness assessment set out in Section 2.2 above, to assess whether the Offer is ‘reasonable’ we consider it appropriate to examine other significant factors to which the Shareholders may give consideration prior to forming a view on whether to accept or reject the Offer. This includes comparing the likely advantages and disadvantages of accepting the Offer with the position of a Shareholder if the Offer is not accepted, as well as a consideration of other significant factors.

Our assessment of the reasonableness of the Offer is set out as follows:

- ▶ Section 2.3.2 sets out the advantages of the Offer to the Shareholders;
- ▶ Section 2.3.3 sets out the disadvantages of the Offer to the Shareholders;
- ▶ Section 2.3.4 sets out discussion of other considerations relevant to the Offer;
- ▶ Section 2.3.5 sets out the position of the Shareholders if the Offer is not accepted; and
- ▶ Section 2.3.6 provides our opinion on the reasonableness of the Offer to the Shareholders.

2.3.2 Advantages of the Offer

Table 2.2 below outlines the potential advantages to the Shareholders of accepting the Offer.

Table 2.2: Potential Advantages of the Offer

Advantage	Explanation
The current offer price is known	Should the Offer proceed, Stanmore shareholders who accept the offer have certainty that they will receive \$0.95 for each Stanmore share held. These Shareholders will no longer be exposed to the ongoing risks associated with holding shares in Stanmore. While the value of the cash consideration under the Offer is certain, we note that it may be possible, assuming sufficient liquidity, for the Shareholders to sell their shares on the ASX at prices that are in excess of the cash consideration (between 19 November 2018 and 7 December 2018, the daily VWAP of Stanmore shares on the ASX was in excess of \$0.95).
The consideration is at a premium to the price that Stanmore shares have traded on the ASX prior to the Offer	As outlined in Section 5.5.1, ASX trading of Stanmore shares in the period prior to the Offer has been at VWAPs in the range of \$0.8988 (1 week VWAP prior to the announcement of the Offer) to \$0.8366 (6 month VWAP prior to the announcement of the Offer). The cash consideration of \$0.95 per share is at a premium to the price that Stanmore shares have traded on the ASX prior to the announcement of the Offer.
A superior proposal has not emerged	The Directors have advised that, as at the date of this Report, a superior proposal to the Offer has not been received by the Company.

Source: BDOCF analysis

2.3.3 Disadvantages of the Offer

Table 2.3 below outlines the potential disadvantages to the Shareholders of accepting the Offer.

Table 2.3: Potential Disadvantages of the Offer

Disadvantage	Explanation
The Offer is not fair and the offer price is lower than our valuation	As set out in Section 2.2, in our view the Offer is not fair to the Stanmore shareholders as at the date of this Report. Our view was formed on the basis that the Offer price of \$0.95 is below our valuation of each Stanmore share which was in the range of \$1.48 to \$1.90 on a controlling interest basis. We also note that it may be possible to sell Stanmore shares on-market at a higher price than that being offered under the Offer.
The Offer is subject to conditions	The Offer is subject to a number of conditions including a Foreign Investment Review Board (‘FIRB’) condition, a minimum acceptance threshold and no prescribed occurrences or material adverse changes (as defined in the Bidder’s Statements). As a result, there is a risk that the Offer is accepted but does not complete. Prior to accepting the Offer, Shareholders should consider their ability to withdraw their acceptance. As set out in the Bidder’s Statement, once the FIRB condition has been met, Shareholders will be unable to withdraw accepted shares unless a withdrawal right arises under the Corporations Act. Shareholders that accept the Offer will not be permitted to sell any of their Stanmore shares on the ASX, accept any other offer that may occur or otherwise deal with their Stanmore shares, subject to exercising any withdrawal rights which might arise.
No exposure to any future offers	If the Offer is accepted and proceeds, the Shareholders will no longer be able to benefit from any superior future offers from Golden Investments or any other party. Notwithstanding, there is no guarantee that a future offer will be forthcoming. For completeness, we note that as set out in the Bidder’s Statement, if Golden Investments increases the consideration price under the Offer, Shareholders will receive the higher price irrespective of when they accepted the Offer.
No exposure to any potential future value of Stanmore	If the Offer is accepted and proceeds, Shareholders who receive the cash consideration will no longer hold any shares in the Company. Accordingly, Shareholders will have no exposure to any potential upside in the value of the Company going forward.

Source: BDOCF analysis

2.3.4 Other Considerations

Uncertainty in Relation to the Timing of Receipt of Cash Consideration

If a Stanmore shareholder accepts the Offer, we note the following:

- ▶ As set out in the Bidder's Statement, once the Offer becomes unconditional, Stanmore shareholders that accept the Offer will receive the cash consideration within 1 month after the later of the date the Offer was accepted and the date the Offer becomes unconditional and, in any event, no later than 21 days after the closing date (i.e. 3 January 2019 unless the Offer is extended);
- ▶ As set out in the Bidder's Statement, the Offer is open for acceptance until 3 January 2019 unless extended;
- ▶ The Offer is subject to a FIRB condition. The Bidder's Statement states that Golden Investments will submit a notification to FIRB in accordance with the *Foreign Acquisitions and Takeovers Act 1975 (Cth)* in respect of the Takeover Bid prior to the Bidder's Statement being despatched, and offers being made to Shareholders. While Golden Investments is confident that the transaction is consistent with the Australian Government's foreign investment policy and expects FIRB approval to be given in due course, there is no guarantee that FIRB approval will be given. The timing of when the FIRB approval may be given is also unknown as at the date of this Report; and
- ▶ As set out in section 10 of the Bidder's Statement, the Offer will be partly funded through a debt facility to be obtained by one of the Golden Investments' shareholders. While a binding commitment letter has been signed for the debt facility, the commitment letter is subject to definitive documentation for the debt facility being entered into and other customary conditions. Any delay in completing the definitive documentation may result in corresponding delays to completion of the Offer.

Shareholders that accept the Offer should be aware that once the FIRB condition has been fulfilled they will not be able to withdraw their acceptance of the Offer or otherwise dispose of their Stanmore shares unless a withdrawal right arises under the Corporations Act. As set out in the Bidder's Statement, such a right will arise if, after the Offer has been accepted and the Offer remains conditional, Golden Investments varies the Offer in a way that postpones for more than one month the time by which Golden Investments has to meet its obligations under the Offer. If this occurs, a notice will be sent to Stanmore shareholders that have accepted the Offer at the relevant time that explains their rights to withdraw acceptance of the Offer.

In practical terms, the above matters mean that in forming a view on whether to accept or reject the Offer, Stanmore shareholders should also take into account the period of time before they may receive the cash consideration and the restrictions on transacting in Stanmore shares following acceptance but prior to the cash consideration being received.

In our view, the uncertainty in the timing of receipt of the cash consideration increases the risk of the Offer to Stanmore shareholders.

Minimum Acceptance Condition

The Offer has a minimum acceptance condition under which Golden Investments must obtain a relevant interest in Stanmore of more than 50% (although it reserves the right to waive this condition). If Golden Investments acquires more than 50%, there are implications for remaining Stanmore shareholders and Shareholders should understand Golden Investments intentions.

Golden Investments intentions for Stanmore are set out in full in the Bidder's Statement. In summary, if Golden Investments obtains control of Stanmore but is not entitled to compulsorily acquire the outstanding Stanmore shares (which it would be entitled to do with a shareholding of 90% or more), its intentions include:

- ▶ Subject to the Corporations Act and the constitution of Stanmore, to replace some or all of the directors of Stanmore and restructure the board. Golden Investments' representation on the board will depend on the extent of Golden Investments' relevant interest in Stanmore following the Offer. Any such replacement and nominee directors have not yet been determined by Golden Investments;
- ▶ Subject to the ASX Listing Rules, ask the directors of Stanmore to review whether Stanmore should remain listed on ASX or removed from the official list of ASX; and
- ▶ Propose to the board of directors of Stanmore that they conduct a review of all of Stanmore's operations and, subject to the approval of Stanmore's board, allow Golden Investments to participate in that review.

If Golden Investments acquires more than 50% but less than 90% of Stanmore's securities, we also note:

- ▶ If Stanmore remains listed on the ASX, there will be a significant reduction in the liquidity of the market for Stanmore shares as a result of Golden Investments' relevant interest exceeding 50%, should it not trade its position in the Company; and
- ▶ Any takeover offer for Stanmore will be reliant on the support of Golden Investments to proceed.

If Golden Investments does succeed in obtaining over 50% of Stanmore and declares the Offer unconditional, any remaining Shareholders should carefully consider their position prior to the Offer closing.

Tax Considerations



Any Shareholder that accepts the Offer will be treated as having disposed of their shares for tax purposes. A gain or loss on disposal may arise depending on the cost base of each individual Shareholder's shares. That gain or loss may be dependent on the length of time shares are held, whether the shares are held on capital or revenue account and whether or not the Shareholder is an Australian resident for tax purposes.

Details of the taxation consequences are set out in section 11 of the Bidder's Statement. As we have not considered the specific taxation implications that may be relevant for individual Stanmore shareholders in connection with the Offer, Shareholders should consult their own adviser in relation to the taxation consequences.

Disposal of Shares On Market

Between the announcement of the Offer and 11 December 2018, Stanmore shares have traded above the offer price of \$0.95. For the period 20 November 2018 (the first trading day after the announcement of the Offer on 19 November) to 10 December 2018, 23,332,020 shares were traded, in the range \$0.970 to \$1.025, at a volume weighted average price of \$0.9918 (based on Capital IQ data).

There may be Shareholders that will benefit from selling their shares on market relative to a sale of shares via the Offer. Individual Shareholders that elect to sell their shares on market should note the following:

- ▶ Transaction costs are likely to be incurred; and
- ▶ The opportunity to benefit from any higher price offered will be foregone.

2.3.5 Position of the Shareholders who Reject the Offer

Table 2.6 below outlines the potential position of individual Stanmore shareholders who reject the Offer.

Table 2.6: Position of Shareholders who Reject the Offer

Position of Shareholders	Explanation
Continued shareholding in Stanmore with Golden Investments possibly as a significant shareholder	Stanmore shareholders that reject the Offer will continue to hold shares in Stanmore with Golden Investments possibly as a significant shareholder. Stanmore shareholders will continue to be exposed to the risks and opportunities associated with Stanmore's portfolio of projects, including the development of the Isaac Plains Complex.
Share trading price may be materially different to recent share trading prices and the shares in Stanmore may trade at prices that are lower than the value of the Offer consideration	<p>If Shareholder's do not accept the Offer, and once the Offer lapses, the price of Stanmore shares may decrease relative to trading prices following the announcement of the Offer and the consideration offered under the Offer. Any decrease may be material.</p> <p>As outlined in Section 5.5.1, trading of Stanmore shares on the ASX in the period prior to the announcement of the Offer has been at VWAPs in the range of \$0.8988 (1 week VWAP prior to the announcement of the Offer) to \$0.8366 (6 month VWAP prior to the announcement of the Offer).</p> <p>The shares in Stanmore have been valued in this Report on a controlling interest basis to assess the Offer. If the Offer is not accepted, the trading price of shares in Stanmore may reflect the value of Stanmore on a minority interest basis.</p> <p>It is possible that shares in Stanmore will trade at a price that is materially lower than the value of the Offer Consideration if the Offer is not accepted.</p>
Change in liquidity	If Golden Investments acquires a significant parcel of Stanmore shares, then the 'free float' of shares available to trade on the ASX may be reduced. This may have the effect of reducing the liquidity of Stanmore shares on the ASX and make it more difficult for a Stanmore shareholder to efficiently exit their investment.
Golden Investments may be able to pass ordinary and special resolutions	<p>If Golden Investments obtains a relevant interest in at least 50% of Stanmore shares then it will be able to control any ordinary resolution at a general meeting of the Company (other than a resolution where they are not independent of the resolution).</p> <p>If Golden Investments obtains a relevant interest in at least 75% of Stanmore shares then it will be able to control any special resolution at a general meeting of the Company (other than a resolution where they are not independent of the resolution).</p>
Compulsory acquisition	If Golden Investments obtains a relevant interest in at least 90% of Stanmore shares then it will be entitled, in certain circumstances, to acquire the remaining Stanmore shares not already held. For completeness we note that Golden Investments have indicated in Section 7.4 of the Bidder's Statement that it intends to proceed with a compulsory acquisition in this circumstance.
Prospect of a superior offer or alternative transaction	<p>It is possible that Shareholders who do not accept the Offer may receive a superior offer to the Offer. We note that no superior offer has been received as at the date of this Report.</p> <p>For completeness we note that in circumstances where Golden Investments becomes a significant shareholder in Stanmore, any alternative offer for 100% of Stanmore could not proceed unless Golden Investments agrees to sell its shareholding.</p>
No offer for Stanmore performance rights	<p>Golden Investments does intend to make an offer in respect to the current Stanmore performance rights that are on issue (the Offer is however extended to any existing equity instruments converted into ordinary shares within the bid period).</p> <p>In the instance where the Shareholders who also hold other performance rights do not convert their performance rights into ordinary shares and Golden Investments obtain enough acceptances and proceed to de-list Stanmore from the ASX, there is unlikely to be an active market for any Stanmore shares issued to Stanmore performance rights holders on the exercise of their performance rights. Terms specific to the performance rights are discussed further in section 8.4 of the Bidder's Statement.</p>
Non-recoverable costs	Stanmore has incurred costs in relation to the Offer. Stanmore will not be able to recover the costs that it has incurred in relation to the Offer irrespective of the number of Shareholders that accept the Offer.

Source: BDOCF analysis

2.3.6 Assessment of the Reasonableness of the Offer

In our opinion, after considering all of the issues set out in this Report, it is our view that, in the absence of any other information, the Offer is **Not Reasonable** to the Shareholders as at the date of this Report.

2.4 Opinion

After considering the above assessments, it is our view that, in the absence of any other information, the Offer is **Not Fair and Not Reasonable** as at the date of this Report.

Before forming a view on whether to accept or reject the Offer, Shareholders must:

- ▶ Have regard to the information set out in the balance of this Report, including the Important Information set out in Section 3, before deciding whether to accept or reject the Offer;
- ▶ Consult their own professional advisers; and
- ▶ Consider their specific circumstances.



The decision to accept or reject the Offer is a separate decision to the investment decision to hold or divest shares in Stanmore. Stanmore is engaged in the exploration, development and production of mineral assets that are at various stages of commercialisation. In our view, the value of such companies may increase or decrease materially over short time periods depending upon the outcome of exploration and development activities and changes in economic circumstances (e.g. prevailing coal prices).



3.0 Important Information

3.1 Read this Report, and other documentation, in full

This Report, including Part I, Part II and the appendices, should be read in full to obtain a comprehensive understanding of the purpose, scope, basis of evaluation, limitations, information relied upon, analysis, and assumptions underpinning our work and our findings.

Other information provided to the Shareholders in conjunction with this Report should also be read in full, including the Bidder's Statement and the Target's Statement.

3.2 Shareholders' individual circumstances

Our analysis has been completed and our conclusions expressed at an aggregate level having regard to the Shareholders as a whole. BDOCF has not considered the impact of the Offer on the particular circumstances of individual Shareholders. Individual Shareholders may place a different emphasis on certain elements of the Offer relative to the emphasis placed in this Report. Accordingly, individual Shareholders may reach different conclusions as to whether or not the Offer is fair and reasonable in their individual circumstances.

The decision of an individual Shareholder to accept or reject the Offer is likely to be influenced by their particular circumstances and accordingly, the Shareholders are advised to consider their own circumstances and seek their own independent advice.

Accepting or rejecting the Offer is a matter for individual Shareholders based on their expectations as to the expected value, future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. The Shareholders should carefully consider the Target's Statement. Shareholders who are in doubt as to the action they should take in relation to the Offer should consult their professional adviser.

With respect to the taxation implications of the Offer, it is strongly recommended that the Shareholders obtain their own taxation advice, tailored to their own particular circumstances.

3.3 Scope

In this Report we provide our opinion on whether the Offer is fair and reasonable to the Shareholders.

This Report has been prepared at the request of the Directors for the sole benefit of the Shareholders to assist them in their decision to accept or reject the Offer. This Report is to be sent to the Shareholders to consider the Offer and was not prepared for any other purpose. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Directors and the Shareholders without our written consent. We accept no responsibility to any person other than the Directors and the Shareholders in relation to this Report.

This Report should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of this Report with the Target's Statement. Apart from this Report, we are not responsible for the contents of the Target's Statement or any other document associated with the Offer. We acknowledge that this Report may be lodged with regulatory authorities to obtain the relevant approvals prior to it being made available to the Shareholders.

The scope of procedures we have undertaken has been limited to those procedures required in order to form our opinion. Our procedures did not include verification work nor did they constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards. In preparing this Report we considered the necessary legal requirements and guidance of the Corporations Act 2001 (Cth) ('the Corporations Act'), the Corporation Regulations 2001 ('the Regulations'), the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC'), the listing requirements of the relevant exchanges (where relevant) and commercial practice.

In forming our opinion, we have made certain assumptions and outline these in this Report including:

- ▶ We have performed our analysis on the basis that the conditions precedent to the Offer are satisfied;
- ▶ That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- ▶ All information which is material to the Shareholders' decision on the Offer has been provided and is complete, accurate and fairly presented in all material respects;
- ▶ ASX announcements and other publicly available information relied on by us are accurate, complete and not misleading;
- ▶ If the Offer is accepted, that it will be implemented in accordance with the stated terms outlined in the Offer;
- ▶ The legal mechanism to implement the Offer is correct and effective;



- ▶ There are no undue changes to the terms and conditions of the Offer or complex issues unknown to us; and
- ▶ Other assumptions, as outlined in this Report.

In this Report we have not provided any taxation, legal or other advice of a similar nature in relation to the Offer. Stanmore has engaged other advisors in relation to those matters.

Stanmore has acknowledged that the Company's engagement of BDOCF is as an independent contractor and not in any other capacity, including a fiduciary capacity.

The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of information provided by the Board, executives and management of all the entities.

3.4 Purpose of this Report

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Corporations Act, the Regulations, RGs and in some cases the listing requirements of the relevant exchanges. These requirements have been set out in Sections 3.4.1 and 3.4.2 below.

3.4.1 Requirements of the Corporations Acts

Golden Investments has prepared a Bidder's Statement in accordance with Section 636 of the Corporations Act. Under section 633 item 10 of the Corporations Act, Stanmore is required to prepare a Target's Statement in response to the Bidder's Statement.

Section 640 of the Corporations Act requires the Target's Statement to include an independent expert's report to shareholders if:

- ▶ The bidder's voting power in the target is 30% or more; or
- ▶ The bidder and the target have a common director or directors.

As Golden Investments holds less than 30% of the shares in Stanmore and the companies do not have any common directors there is no requirement under the Corporations Act for Stanmore to engage an independent expert in relation to the Offer.

Notwithstanding the above, Stanmore has engaged BDOCF to prepare this Report for provision to Stanmore shareholders to assist them in deciding whether to accept or reject the Offer.

3.4.2 Listing Requirements

We have been instructed that Stanmore will not be using this Report or our assessment of the Offer for the purpose of complying with the listing requirements of the ASX or any other stock exchange.

3.5 Current Market Conditions

Our opinion and the analysis set out in this Report is based on economic, commodity, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time and may have a material impact on the results presented in this Report and result in any valuation or other opinion becoming quickly outdated and in need of revision.

In circumstances where we become aware of and believe that a change in these conditions, prior to the close of the Offer, results in a material statement in this Report becoming misleading, deceptive or resulting in a material change in valuation, we will provide supplementary disclosure to Stanmore. BDOCF is not responsible for updating this Report following the close of the Offer period or in the event that a change in prevailing circumstance does not meet the above conditions.

3.6 Reliance on Information

Stanmore recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDOCF, BDO (QLD) Pty Ltd or any of the partners, directors, agents or associates (together 'BDO Persons'), will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by Stanmore, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

Unless the information we are provided suggests the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis and inquiry for the purpose of forming an opinion as to whether or not the Offer is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.



Where we relied on the views and judgement of management, the information was evaluated through analysis and inquiry to the extent practical. Where we have relied on publicly available information, we have considered the source of the information and completed our own analysis to assist us to determine the accuracy of the information we have relied on. However, in many cases the information we have relied on is often not capable of external verification or validation and on that basis we provide no opinion or assurance on the information.

The Directors represent and warrant to us for the purpose of this Report, that all information and documents furnished by Stanmore (either by management directly or through its advisors) in connection or for use in the preparation of this Report do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein. We have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of this Report.

Under the terms of our engagement, Stanmore has agreed to indemnify BDO Persons against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

3.7 Glossary

Capitalised terms used in this Report have the meanings set out in the glossary. A glossary of terms used throughout this Report is set out immediately following the Table of Contents at the start of this Report.

All dollar ('\$') references in this Report are in Australian dollars unless otherwise stated.

3.8 Sources of Information

This Report has been prepared using information obtained from sources including the following:

- ▶ Stanmore annual report for the year ended 30 June 2016, 2017 and 2018;
- ▶ Stanmore management accounts as at 30 November 2018;
- ▶ Stanmore ASX announcements;
- ▶ The Palaris Report;
- ▶ The Financial Model ('Financial Model') provided by Stanmore and reviewed by Palaris;
- ▶ The Bidder's Statement;
- ▶ The Target's Statement;
- ▶ Capital IQ;
- ▶ IBISWorld;
- ▶ Consensus Economics;
- ▶ Wood Mackenzie;
- ▶ Other research publications and publicly available data as sourced throughout this Report;
- ▶ Various transaction documents provided by the Management of Stanmore and their advisors;
- ▶ Discussions and other correspondence with Stanmore, management and their advisers.

3.9 APES 225 Valuation Services

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 *Valuation Services* ('APES 225'). A Valuation Engagement is defined by APES 225 as 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

3.10 Forecast Information

Any forecast financial information referred to in this Report has originated from the Company's management ('Management') and is adopted by the Directors in order to provide us with a guide to the potential financial performance of Stanmore. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the forecast financial information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation between actual results and those forecast may be material.

The Directors' best-estimate assumptions on which the forecast is based relate to future event(s) and/or transaction(s) that Management expect to occur and actions that Management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Stanmore. Evidence may be available to support the Directors' best-estimate assumptions on which the forecast is based however, such evidence is generally



future-oriented and therefore speculative in nature. In certain circumstances, we may adjust the forecast assumptions provided by Management to complete our valuation work. In this instance, the forecasts we have adopted for our valuation work will not be the same as the forecasts provided by Management.

BDOCF cannot and does not provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. While we have considered the forecast information to the extent we considered necessary to complete the analysis set out in this Report, we have not been engaged to provide any form of assurance conclusion on any forecast information set out in this Report. We disclaim any assumption of responsibility for any reliance on this Report, or on any forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of Management, that all material information concerning the prospects and proposed operations of Stanmore have been disclosed to use and that the information provided to use for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

3.11 Qualifications

BDOCF has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDOCF holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDOCF and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Mark Whittaker and Scott Birkett have prepared this Report with the assistance of staff members. Mr Whittaker, BCom (Hons), CA, CFA, and Mr Birkett, BBusMan/BCom, CFA, are directors of BDOCF. Both Mr Whittaker and Mr Birkett have extensive experience in corporate advice and the provision of valuation and professional services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations. Mr Whittaker and Mr Birkett are considered to have the appropriate experience and professional qualifications to provide the advice offered within this Report.

BDO Corporate Finance (QLD) Ltd

Mark Whittaker
Director

Scott Birkett
Director

PART II: INFORMATION SUPPORTING OUR OPINION ON THE OFFER

4.0 Overview of the Offer

This section sets out an overview of the Offer and is structured as follows:

- ▶ Section 4.1 provides a brief description of the Offer;
- ▶ Section 4.2 describes the key parties involved in the Offer;
- ▶ Section 4.3 summarises the conditions precedent to the Offer;
- ▶ Section 4.4 details the rationale for the Offer; and
- ▶ Section 4.5 summarises Golden Investment's intentions should the Offer be accepted.

This section is a summary only and should not be treated as a complete description of the Offer. The Shareholders should refer to the Bidder's Statement and subsequent disclosures for detailed and additional information relating to the Offer and the key parties involved.

4.1 Summary of the Offer

On 19 November 2018, Golden Investments announced an unsolicited off-market takeover offer for all the shares in Stanmore that Golden Investments does not already own at an offer price of \$0.95 per share paid in cash. Golden Investments also announced that it had acquired a relevant interest in 19.9% of Stanmore's shares on issue. Specifically, Golden Energy and Resources Limited ('GEAR') announced that it has unconditionally agreed to acquire 50,108,395 Stanmore shares from Greatgroup Investments Limited ('Greatgroup') for \$0.95 and that Golden Investments has agreed to acquire these shares from GEAR after the completion of the Offer.

On the same date, the Board of Stanmore advised Stanmore shareholders to take no action in relation to the Offer.

The Bidder's Statement was lodged with ASIC and sent to Stanmore on 19 November 2018. The Bidder's Statement was dispatched to Stanmore shareholders on 3 December 2018.

The Offer extends to all shares issued before the end of the Offer period pursuant to the exercise of Stanmore performance rights which are on issue at 26 November 2018. Golden Investments is not offering to acquire any of the Stanmore performance rights.

The Offer opened on 3 December 2018, and will close on 3 January 2019 unless withdrawn or extended prior to closing.

Shareholders should refer to the Bidder's Statement and subsequent disclosures for more detailed information in relation to the Offer.

4.2 Description of the Key Parties involved in the Offer

This section is a summary based on information set out in the Bidder's Statement. Shareholders should refer to section 5 of the Bidder's Statement for further information.

4.2.1 Golden Investments

Golden Investments is a recently incorporated private company in Singapore. Golden Investments has been incorporated for the sole purpose of acquiring Stanmore shares and paying the Offer Price to Shareholders who accept the Offer. As a special purpose vehicle, Golden Investments has no assets (other than its nominal share capital) or liabilities.

Golden Investments is owned 51% by GEAR and 49% by Ascend Global. The proportions may vary depending on the level of acceptances received under the Offer as GEAR and Ascend Global have committed to provide equity funding to Golden Investments to pay the Offer consideration and GEAR will provide the first 51% of funding.

4.2.2 Golden Energy and Resources Limited

Golden Energy and Resources Limited ('GEAR') is a Singaporean company which is principally engaged in the exploration, mining, processing and marketing of thermal coal sourced from its coal mining concession areas covering an aggregate area of approximately 42,904 hectares in South Kalimantan, Central Kalimantan, Jambi and South Sumatra in Indonesia.

GEAR is listed on the SGX Mainboard, with a market capitalisation as at 10 December 2018 of USD\$403.8 million and is approximately 87% owned by entities affiliated with the Widjaja family of Indonesia.

The consolidated income statements of GEAR for the financial years ended 31 December 2017 and 9 months ended 30 September 2018 are summarised in Table 4.1 below.



Table 4.1: Summarised GEAR Consolidated Income Statement

	12 Months Ended 31-Dec-17 Audited (USD'000)	9 Months Ended 30-Sep-18 Unaudited (USD'000)
Revenue	763,806	768,304
Profit before tax	157,641	121,546
Net profit after tax	104,435	83,302

Source: GEAR annual report 31 December 2017 and GEAR 3Q2018 Results Announcement and News Release.

The consolidated balance sheets of GEAR as at 31 December 2017 and 30 September 2018 are summarised in Table 4.2 below.

Table 4.2: Summarised GEAR Consolidated Balance Sheet

	As at 31-Dec-17 Audited (USD'000)	As at 30-Sep-18 Unaudited (USD'000)
Assets		
Cash and cash equivalents	188,701	168,063
Total current assets (excluding cash)	242,385	315,036
Total non-current assets	321,991	537,027
Total Assets	753,077	1,020,126
Liabilities		
Total current liabilities	222,560	292,879
Total non-current liabilities	87,462	260,237
Total Liabilities	310,022	553,116
Net assets	443,055	467,010

Source: GEAR annual report 30 September 2018 and GEAR 3Q2018 Results Announcement and News Release.

As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in GEAR's annual reports which include the full statements of Comprehensive Income, Balance Sheet and Statements of Cash Flows. GEAR's 2017 accounts were audited by Ernst & Young LLP. BDOCF has not performed any audit or review of any type on the historical financial information of GEAR. We make no statement as to the accuracy of the information provided, however we have no reason to believe the information is misleading.

4.2.3 Ascend Global Investment Fund SPC

Information on Ascend Global Investment Fund SPC ('Ascend Global') is set out in the Bidder's Statement. In summary, Ascend Global:

- ▶ Is an investment fund with assets under management of US\$93 million as on 31 December 2017;
- ▶ Is managed by Ascend Capital, a Singapore incorporated company registered with the Monetary Authority of Singapore as a Registered Fund Management Company;
- ▶ Has two sub funds Asian Distressed Segregated Portfolio ('ADSP') and Strategic Segregated Portfolio ('SSP') having total net assets of US\$85.5 million and US\$7.2 million respectively as at 31 December 2017; and
- ▶ Will invest in Golden Investments through ADSP.

4.3 Key Conditions of the Offer

The Offer is subject to certain conditions that are set out in full in the Bidder's Statement. In summary, these include:

- ▶ FIRB approval;
- ▶ At the end of the Offer period, Golden Investments has a relevant interest in more than 50% of the Stanmore shares on issue;
- ▶ No prescribed occurrences, as defined in the Bidder's Statement, occur between the announcement date and the end of the Offer period;
- ▶ No new regulatory impediments, as defined in the Bidder's Statement, occur between the offer announcement date and the end of the Offer period;
- ▶ No material adverse change to Stanmore;
- ▶ Stanmore not undertaking any restricted or frustrating actions; and
- ▶ Stanmore having not made any misleading announcements to ASX.

We recommend that Shareholders consider all conditions of the Offer set out in the Bidder's Statement.

4.4 Golden Investments' Rationale for the Offer

The below paragraphs summarise Golden Investments major shareholders' rationale for the Offer based on information set out in the Bidder's Statement.

GEAR is a thermal coal producer in Indonesia. By acquiring an interest in Stanmore, GEAR hopes to enhance its overall asset portfolio in the current commodity price environment, by diversifying and expanding its coal product suite and geographical presence.

As an investment fund, Ascend Global aims to enhance its investment exposure to the commodity sector through acquiring an interest in Stanmore. The partnership with GEAR to acquire an interest in Stanmore assists Ascend Global to gain access and exposure to the Australian coal industry which it currently does not possess.

4.5 Golden Investments' Intentions in Relation to Stanmore

Golden Investments' intentions in relation to Stanmore are set out in full in the Bidder's Statement. Golden Investments' stated intentions for Stanmore differ according to whether Golden Investments acquires:

- ▶ An interest sufficient to allow Golden Investments to proceed with a compulsory acquisition;
- ▶ A controlling interest but is unable to proceed with a compulsory acquisition; and
- ▶ Less than 50% of Stanmore.

A summary of each of the above categories is set out below. Shareholders should refer to section 7 of the Bidder's Statement for further information.

4.5.1 *Intention upon Golden Investments Becoming Entitled to Proceed with Compulsory Acquisition*

If Golden Investments becomes entitled to compulsorily acquire all of the Stanmore shares in accordance with the Corporations Act, its intentions for Stanmore include:

- ▶ Proceeding with compulsory acquisition of all the Stanmore shares;
- ▶ Maintaining separate corporate head office functions of GEAR and Stanmore;
- ▶ Conducting a review of the business, assets and operations of Stanmore to identify:
 - Business opportunities generated by the acquisition, areas of cost saving and businesses which may provide overall strategic and operational benefits; and
 - Any business or businesses that do not fit into the strategic plan for Golden Investments, and evaluate the best and most appropriate way of organising such a business or businesses; and
- ▶ Not currently intending to dispose of any assets of Stanmore.



4.5.2 Intention upon Golden Investments Acquiring Control but not able to Proceed with a Compulsory Acquisition

If Golden Investments obtains control of Stanmore (i.e. more than 50%) but is not entitled to compulsorily acquire the outstanding Stanmore shares, its intentions for Stanmore include:

- ▶ Subject to the Corporations Act and the constitution of Stanmore, replace some or all of the directors of Stanmore and restructure the board. Golden Investments' representation on the board will depend on the extent of Golden Investments' relevant interest in Stanmore following the Offer. Any such replacement and nominee directors have not yet been determined by Golden Investments;
- ▶ Subject to the ASX Listing Rules, ask the directors of Stanmore to review whether Stanmore should remain listed on ASX or be removed from the official list of ASX companies; and

Propose to the board of directors of Stanmore that they conduct a review of all of Stanmore's operations and, subject to the approval of Stanmore's board, allow Golden Investments to participate in that review.

4.5.3 Intention upon Golden Investments Acquiring less than a Controlling Interest in Stanmore Shares

If Golden Investments acquires less than a controlling interest in Stanmore shares, the Offer will have failed to meet Golden Investments' minimum acceptance condition as outlined in the Bidder's Statement.

However, if it were to declare the Offer free of the minimum acceptances condition and not acquire control of Stanmore, Golden Investments' intentions are to seek to obtain representation on the board of Stanmore.

Golden Investments may acquire additional Stanmore shares, including under the 'creep' provisions of the Corporations Act and by other means. In summary, the 'creep' provisions would allow Golden Investments and its associates to acquire up to 3% of Stanmore shares every six months. Golden Investments has not decided whether it will acquire further Stanmore shares, as that will be dependent upon (among other things) the extent of the voting power of Golden Investments in Stanmore and market conditions at the time.

5.2 Key Projects

This section sets out a summary of Stanmore's key projects. For further detail in relation to Stanmore's projects, refer to Palaris' Independent Technical Specialist's Report, dated 11 December 2018, attached in Appendix B.

5.2.1 Isaac Plains Complex

Located approximately 140km southwest of Mackay, the Isaac Plains Complex is an established mining operation which produces metallurgical and thermal coal products. Stanmore currently holds 2.4 million tonnes per annum ('Mtpa') of port capacity which is secured under a long-term contract. Whilst holding 1.8Mtpa in above rail capacity, Stanmore consider that further expansion capacity is available in the current market conditions and is actively securing further rail capacity.

Table 5.1 provides a summary of the coal resources and coal reserves previously publicly reported in accordance with the Australian Joint Ore Resources Committee's ('JORC') code of Reporting Exploration Results, Mineral Resources and Ore Reserves of the individual projects within Stanmore's Isaac Plains Complex.

Table 5.1: Summary of Resources and Reserves at the Isaac Plains Complex

Project name	Coal type	Coal Resources			Total resources	Coal Reserves		Total reserves
		Measured resources	Indicated resources	Inferred resources		Proved	Probable	
Isaac Plains	Coking and export grade thermal	22.2	21.3	9	52	1.8	0.9	2.7
Isaac Plains East	Coking	12.9	8.8	8	30	10.3	1.9	12.2
Isaac Downs	Coking and pulverised coal injection	18.7	3.6	1	23	-	-	-
Isaac Plains Underground	Coking and export grade thermal	-	-	-	-	-	12.9	12.9
Isaac South	Coking and export grade thermal	11.9	14.5	25	52	-	-	-
Total		65.7	48.2	43	157	12.1	15.7	27.8

Source: Stanmore FY2018 Annual Report

Each of the projects referred to in Table 5.1 are discussed further below.

Isaac Plains

On 30 November 2015, Stanmore completed the acquisition of the Isaac Plains Coal Mine from Vale S.A. and Sumitomo Corporation for an acquisition price of \$2, with Stanmore assuming liability for contracts including transport infrastructure access arrangements. The acquisition provided Stanmore with an established coking coal mine operation with the potential to continue building a strategic platform in the region.

In regards to the Isaac Plains mine, we note:

- ▶ Isaac Plains commenced production in 2006 as a truck shovel operation before being placed under care and maintenance in 2014 by the previous owners;
- ▶ Mobilisation to site commenced in January 2016, with mining commencing in February 2016;
- ▶ Run-of-mine ('ROM') coal from the mine is trucked to the coal handling preparation plant ('CHPP') and washed to form semi soft coking and thermal coal products, which are transported to the Darlymple Bay Coal Terminal ('DBCT') via the Goonyella rail system;
- ▶ Production was accelerated at Isaac Plains with a small increase in costs to maximise the financial performance of the operation in FY2018. In the second half of the FY2018 year, this resulted in the mine operating at an annualised rate of 1.9 million tonnes ('Mt') ROM coal; and
- ▶ Dragline operations will cease at Isaac Plains and transition to Isaac Plains East during December 2018.

Isaac Plains East

Stanmore completed the acquisition of the Mining Development Licences ('MDL') 135 and the rights to a part of MDL 137, which formed the basis of Isaac Plains East in September 2015. The shallow coking coal deposit is located near the existing infrastructure of Isaac Plains, with Isaac Plains East set to benefit from both operational and capital synergies through the use of acquired assets which include a Bucyrus 1370W dragline, CHPP, train load out and rail spur facilities, office facilities and workshops.

The project commenced initially with the use of a truck and excavator fleet in June 2018, with the dragline scheduled to walk to the site from Isaac Plains during December 2018. Due to the lower depth of cover and improved coal quality and yield, the company expects a reduction in operating costs and an improvement in margins to be realised during FY2019. First coal was mined from Isaac Plains East during August 2018.



Isaac Downs

On 12 June 2018, Stanmore announced that it had executed agreements with Peabody Australia to acquire MDL 137 and Exploration Permit Coal ('EPC') 728 from Millennium Coal Pty Ltd. Stanmore agreed to acquire the coking coal deposit contained within MDL 137 and an additional exploration area (EPC 728) for \$30 million cash (consisting of \$6 million payable at completion followed by a series of deferred payments totalling a further \$24 million payable over the following 12 months). An exploration programme and mine planning activities are underway at the Isaac Downs Project.

Isaac Plains South

Isaac Plains South was explored extensively between 2004 and 2013 under Bowen Central Coal Management ('BCCM'), being the joint venture management vehicle of several prior tenure holders. As part of the Isaac Plains transaction in November 2015, Stanmore became the holder of EPC 755. Stanmore is planning an exploration program for this tenement in FY2019 (15km south of Isaac Plains) to assess the opportunity to provide a further long-term ROM feed for the Isaac Plains Complex.

Isaac Plains Underground

Isaac Plains Underground is currently being assessed in a Bankable Feasibility Study ('BFS') which, according to Management, is materially complete. A financial investment decision on the project is planned for FY2019. Subject to the project's economic viability, Stanmore will look to develop the mine, which would supplement the current open cut ROM feed to fully utilise the CHPP infrastructure at the Isaac Plains Complex.

5.2.2 Exploration Projects

The Range (Thermal Coal) - A definitive feasibility study completed in 2012 covering geology, mining and infrastructure confirmed The Range as a high quality, export grade, thermal coal project with an ability to produce 94Mt of product over a 22-year life. Management are continuing their investigation into possible rail infrastructure to link the project with the Port of Gladstone.

Clifford (Thermal Coal) - The Clifford project (of which Stanmore has 60%) covers about 820km² in Queensland's Surat Basin. The joint exploration initiative with Japan Oil, Gas and Metals Nation Corporation ('JOGMEC') is targeting thermal coal deposits at depths amenable to open cut mining.

Belview (Coking Coal) - The Belview project is a large scale, metallurgical coal project located in the heart of Queensland's Bowen Basin.

Lilyvale (Coking Coal) - Located 25km north-east of Emerald, the Lilyvale project hosts the German Creek seam which has been identified as potentially amenable to underground extraction based on depth and estimated seam thickness. Geologically, the project and surrounding areas are well understood and not expected to be complex. The project is a joint venture with Bowen Coking Coal, with Stanmore's ownership representing 85%.

The Company also maintains other exploration tenements including Mackenzie (of which Stanmore owns 95%) and Tennyson. We note that Stanmore continues to monitor and assess the opportunities to develop or monetise its existing portfolio of assets, particularly with respect to The Range and Belview assets.

Table 5.2 provides a summary of the coal resources and coal reserves of Stanmore's other exploration projects.

Table 5.2: Summary Resources and Reserves for Stanmore's Other Exploration Projects

Project name	Coal type	Coal Resources				Coal Reserves		
		Measured resources	Indicated resources	Inferred resources	Total resources	Proved	Probable	Total reserves
Range	Export thermal grade	18.1	187	81	286	-	116.6	116.6
Clifford	Export thermal grade	-	200	430	630	-	-	-
Belview	Coking coal and pulverised coal injection	-	50	280	330	-	-	-
Lilyvale	Coking coal	-	-	33	33	-	-	-
Mackenzie	Coking coal and export thermal grade	-	25.7	117	143	-	-	-
Tennyson	Coking coal	-	-	161	161	-	-	-
Total		18.1	462.7	1,102	1,583	-	116.6	116.6

Source: Stanmore FY2018 Annual Report

5.3 Corporate Structure of Stanmore

According to Stanmore's FY2018 annual report, the company has 16 material subsidiaries in Australia (of which Stanmore owns 100%) whose principal activities include coal exploration and/or mining. In addition, Stanmore holds three significant interests in joint ventures.

5.4 Equity Structure of Stanmore

5.4.1 Ordinary Shares

As at 5 December 2018, Stanmore had 252,827,518 ordinary shares on issue. The top 10 Shareholders are set out in Table 5.3. Table 5.3 does not consider the impact of any changes in shareholding as a result of the Offer.

Table 5.3: Top 10 Shareholders

Shareholders	Number of Shares	Percentage Holding
1 HSBC Custody Nominees (Australia) Limited	73,020,432	28.88%
2 Citicorp Nominees Pty Limited	20,395,060	8.07%
3 Brazil Farming Pty Ltd	18,294,970	7.24%
4 St Lucia Resources International Pty Limited	13,078,270	5.17%
5 UBS Nominees Pty Ltd	10,007,667	3.96%
6 JP Morgan Nominees Australia Limited	9,186,402	3.63%
7 Latimore Family Pty Ltd	8,749,449	3.46%
8 Brispot Nominees Pty Ltd	5,229,168	2.07%
9 One Managed Inv't Funds Ltd	4,915,000	1.94%
10 Greatgroup Investments Limited	4,830,400	1.91%
Other shareholders	85,120,700	33.67%
Total shares on issue	252,827,518	100.00%

Source: Stanmore Investor Report provided by Link Market Services, as at 5 December 2018

Having regard to the information set out in Table 5.3 above, we note:

- ▶ As at 5 December 2018, Stanmore has 252,827,518 fully paid ordinary shares outstanding, of which the top ten shareholders hold 66.33%;
- ▶ Greatgroup was previously the Company's largest Shareholder, with a 21.12% interest in the Company. Greatgroup became a substantial shareholder on the 28 June 2012 after signing a \$36 million funding agreement with Stanmore. Following the transaction, Greatgroup held shares amounting to 19.99% of the Company's issued share capital and notes which on conversion could increase its holdings in the Company by 5.01%. On the 4 May 2015, Stanmore's board issued a conversion notice to Greatgroup which increased its holding to 25%; and
- ▶ As set out in section 9.1 of the Bidder's Statement, GEAR has unconditionally agreed to purchase 50,108,395 Stanmore shares (representing a relevant interest of 19.82%) from Greatgroup and has agreed to transfer those Stanmore shares to Golden Investments after the close of the Offer. Golden Investments therefore has a relevant interest in those 50,108,395 Stanmore shares.

5.4.2 Performance Rights on Issue

Long-term share-based incentives in the form of performance rights with a \$nil exercise price have been made available to Stanmore's executives which will enable them to receive ordinary shares in Stanmore upon meeting performance hurdles within a certain period. Table 5.4 sets out the Stanmore performance rights outstanding as at 23 November 2018.

Table 5.4: Stanmore's Outstanding Performance Rights

Securities	Number Outstanding	Expiry Date and Vesting Details
Stanmore Rights	100,000	50% vesting upon grant of the Range project mining lease with the remaining 50% upon the Range project achieving annualised production of 5 million tonnes per annum for 1 month. In the event of a change of control, the Stanmore Coal Board has discretion to vest.
	626,482	FY2017 vesting is based on Absolute Shareholder Total Returns ('ASTR') with price targets. Rights are performance tested at the end of three years (i.e. FY2020). In the event that no rights vest at the end of three years, the Rights may be retested for vesting after four years (FY2021) subject to escalated performance targets. Rights have been granted to key Management personnel. In the event of a change of control at the offer price, the FY2017 Rights will vest in full.
	2,611,508	FY2018 vesting is based on ASTR with price targets. In the event of a change of control the Stanmore Coal Board as discretionary to vest. Rights are performance tested at the end of three years (i.e. FY2021). In the event that no rights vest at the end of three years, the Rights may be retested for vesting after four years (FY2022) subject to escalated performance targets. Rights have been granted to key Management personnel. In the event of a change of control at the offer price, the FY2018 Rights will vest in full.

Securities	Number Outstanding	Expiry Date and Vesting Details
	1,251,497	FY2019 vesting is based on ASTR with price targets. In the event of a change of control the Stanmore Coal Board as discretionary to vest. Rights are performance tested at the end of three years (i.e. FY2022). In the event that no rights vest at the end of three years, the Rights may be retested for vesting after four years (FY2023) subject to escalated performance targets. Rights have been granted to key Management personnel. In the event of a change of control, the Stanmore Coal Board has discretion to vest.
Total	4,589,487	

Source: Appendix 3B - DRP (23 November 2018)

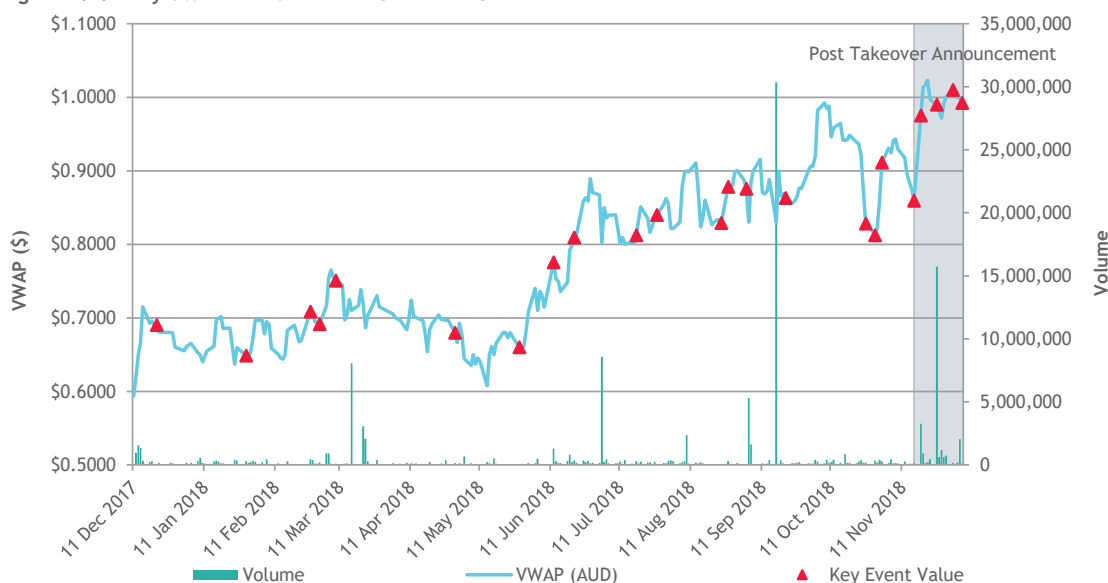
ASTR targets are determined by Directors at the beginning of each measure period and are aligned with the experiences and expectation of shareholders over the life of the measurement period.

5.5 Share Performance of Stanmore

5.5.1 Share Price Performance

Figure 5.2 displays the daily volume weighted average price ('VWAP') and daily volume of Stanmore shares traded on the ASX over the period 1 December 2017 to 7 December 2018.

Figure 5.2: Daily VWAP and Volume of Stanmore Shares Traded from 1 December 2017 to 7 December 2018



Source: Capital IQ as at 7 December 2018

Over the period graphed in Figure 5.2 above, Stanmore's daily VWAP displays a period low of \$0.5635 on 7 December 2017 and a period high of \$1.0233 on 22 November 2018.

In addition to the share price and volume data of Stanmore shown above, we have also provided additional information in Table 5.5 below to assist readers to understand the possible reasons for the movement in Stanmore's share price over the period analysed. The selected ASX announcement references in Table 5.5 below correspond to those displayed in Figure 5.2 above.

Table 5.5: Selected Stanmore ASX Announcements from 1 December 2017 to 7 December 2018

Date	Announcement
07/12/2017	Stanmore released its half year EBITDA guidance update. Stanmore noted that its coal exports from DBCT are being impacted by port congestion which is expected to defer two shipments resulting in a revision to the underlying guidance from \$23-26 million to \$17-20 million for the December 2017 half year.
21/12/2017	The Stanmore board announce the appointment of Stewart Butel as Chairman effective from 1 February 2018.
29/01/2018	Stanmore released the December 2017 quarterly production report. Stanmore noted that Isaac Plains East pre-production capital of \$9.7 million has commenced and a 40%+ increase in ROM is expected in FY2019.
26/02/2018	Stanmore released the FY2018 half year results. Reported profit of \$8.0 million for the half year ended 31 December represented a significant improvement over the corresponding period loss.
02/03/2018	Stanmore announced that Mastermyne Group Limited has been awarded the role as the contract partner for an early contractor involvement process for the proposed Isaac Plains Underground project.
09/03/2018	S&P Dow Jones Indices announced the removal of Stanmore from the All Ordinaries.

Date	Announcement
30/04/2018	Stanmore released the March 2018 quarterly production report. Stanmore noted that operations in Isaac Plains East should commence in July 2018 and product guidance of 1.2Mt for FY2018 was reconfirmed.
28/05/2018	Stanmore released an updated JORC status for Isaac Plains Complex.
12/06/2018	Stanmore announced the acquisition of the Wotonga South coking coal deposit which will be part of Stanmore's Isaac Plains South Project. The tenements are expected to allow Stanmore to develop an open cut mining operation with the ability to extract circa 15 - 20Mt of coal.
21/06/2018	NRW Holdings Limited announces that its wholly owned subsidiary Golding Contractors has reached an agreement with Stanmore to commence production at Isaac Plains East in July 2018.
18/07/2018	Stanmore released the June 2018 quarterly production report. Stanmore note that Isaac Plains East operations commenced in June with first coal expected in August. In addition, Stanmore noted that ROM coal mining in the quarter was 43% ahead of the prior quarter and in-line with full year guidance.
27/07/2018	Stanmore announced coal resources for the Isaac Plains South project.
24/08/2018	Stanmore announced their annual coal resources and coal resource summary. They noted that they have added significant resources over the last 12 months and the total coal resources across all tenements held totalled 1.7 billion tonnes.
27/08/2018	Stanmore released the FY2018 Financial Report and investor presentation. Stanmore noted that revenue was up 51% on FY2017 and reported net profit after tax ('NPAT') of \$5.966 million for the year ended 30 June 2018. Additionally, Stanmore note a maiden dividend of 2 cents per share.
04/09/2018	Stanmore announce, subject to approval from shareholders at the 2018 annual general meeting ('AGM'), a dividend reinvestment plan ('DRP').
21/09/2018	Stanmore released their 2018 Annual Report. Additionally, they announced the AGM was to take place on 26 October 2018 in Brisbane.
26/10/2018	Stanmore released the results of the AGM. Resolutions relating to the DRP, adoption of the new company constitution, remuneration report and re-election of directors were all passed.
30/10/2018	Stanmore released the September 2018 quarterly production report. Stanmore noted record ROM production at an annualised run-rate of 2.7Mtpa at the Isaac Plains Complex since Isaac Plains East commenced coal mining.
02/11/2018	Stanmore released an operational update. Stanmore increased its FY2019 production guidance from 1.8Mtpa to 2.0Mtpa at a \$86/tonne ('t') underlying free-on-board ('FOB') cost (excluding state royalties).
16/11/2018	Stanmore announced the mining services contract extension at Isaac Plains East for an additional 5 years to 2024. Additionally, Stanmore announced the resignation of Andrew Martin as a director.
19/11/2018	Golden Investments announced a \$0.95 cash per share off-market takeover offer for 100% of Stanmore. Stanmore in response recommend shareholders take no action. Stanmore also provide guidance for FY2019, with forecast underlying EBITDA expected to be between \$130 million and \$150 million, based on upgraded forecast production of 2.0Mtpa.
26/11/2018	Stanmore confirms the payment of the FY2018 final dividend and issuing of ordinary shares as per the DRP. The Board of Stanmore also releases a note recommending that shareholders reject the takeover offer.
03/12/2018	Golden Investments gives notice that it has completed sending its bidders statement dated 19 November 2018 to all the holders of ordinary shares in Stanmore.
07/12/2018	Stanmore announce resignation of Chris McAuliffe as a Director. Mr McAuliffe was a nominee director of Greatgroup.

Source: Stanmore ASX Announcements from 1 December 2017 to 7 December 2018

In Table 5.6 below we have set out Stanmore's VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 19 November 2018, being the date Golden Investments publicly announced the Offer.

Table 5.6: Stanmore's VWAP for Specified Periods Prior to 19 November 2018

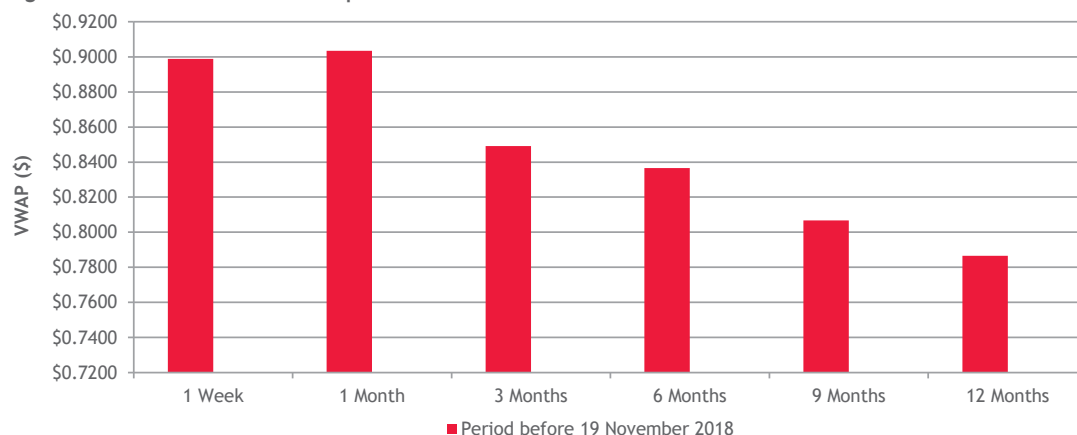
Period before 19 November 2018	VWAP (AUD)
1 Week	\$0.8988
1 Month	\$0.9033
3 Months	\$0.8491
6 Months	\$0.8366
9 Months	\$0.8068
12 Months	\$0.7868

Source: Capital IQ as at 23 November 2018

1 VWAP data may differ from the data set out in the Bidder's Statement due to differences in databases used. For the purposes of the analysis set out in this Report, the differences are immaterial.

The information presented in Table 5.6 is shown graphically in Figure 5.3 on the page below.

Figure 5.3: Stanmore's VWAP for Specified Periods Prior to 19 November 2018



Source: Capital IQ as at 23 November 2018

5.5.2 Liquidity of Stanmore Shares on the ASX

The rate at which equity instruments are traded is generally referred to as the 'liquidity' of the equity instruments. Changes in liquidity may impact the trading price of equity instruments. This is particularly dependent on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

Table 5.7 summarises the monthly liquidity of Stanmore shares from 1 December 2017 to 10 December 2018.

Liquidity has been summarised by considering the:

- ▶ Volume of Stanmore share trades per month;
- ▶ Value of total trades in Stanmore shares per month;
- ▶ Number of Stanmore shares traded per month as a percentage of total Stanmore shares outstanding at the end of the month; and
- ▶ Volume weighted average price per month.

Table 5.7: Liquidity of Stanmore shares on the ASX

Month	Volume	Turnover (A\$)	Shares Outstanding	Volume / Shares Outstanding	Monthly VWAP (A\$)
December (to 10th)	2,721,820	2,720,755	252,827,520	1.08%	\$0.9996
November 2018 (19th to 30th)	23,863,520	23,594,085	252,080,940	9.47%	0.9887
November 2018 (to 18th)	2,282,290	2,065,117	252,827,520	0.90%	0.9048
October 2018	5,405,680	5,009,848	251,800,980	2.15%	0.9268
September 2018	39,404,000	32,895,515	251,800,980	15.65%	0.8348
August 2018	5,384,740	4,724,102	251,800,980	2.14%	0.8773
July 2018	12,360,310	10,021,525	251,800,980	4.91%	0.8108
June 2018	5,786,520	4,550,519	251,800,980	2.30%	0.7864
May 2018	2,506,700	1,630,801	251,800,980	1.00%	0.6506
April 2018	1,968,170	1,367,621	251,800,980	0.78%	0.6949
March 2018	16,619,580	11,843,896	251,800,980	6.60%	0.7126
February 2018	2,904,260	2,003,117	251,800,980	1.15%	0.6897
January 2018	4,104,960	2,713,853	251,800,980	1.63%	0.6611
December 2017	6,037,800	3,930,507	251,800,980	2.40%	0.6510
Total	131,350,350	109,071,262	251,849,290	52.15%	\$0.8304

Source: Capital IQ as at 10 December 2018

1 We have had regard to changes in liquidity due to the announcement of the Offer on 19 November 2018. Relevant dates have been split in Table 5.7 to capture the effect of this announcement.



Assuming a weighted average number of 251,849,290 Stanmore shares on issue over the period, approximately 52.15% of the total shares on issue were traded over the period 1 December 2017 to 10 December 2018. In our view, this indicates that Stanmore shares display a moderate level of liquidity.

5.6 Historical Financial Information of Stanmore

This section sets out the historical financial information of Stanmore. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Stanmore's annual reports, including the full Statements of Profit or Loss and Other Comprehensive Income, Statements of Financial Position and Statements of Cash Flows.

Stanmore's financial statements have been audited by BDO Audit Pty Ltd. BDOCF has not performed any audit or review of any type on the historical financial information of Stanmore and we make no statement as to the accuracy of the information provided. However, we have no reason to believe that any of the information provided is false or misleading.

5.6.1 Statements of Profit or Loss and Other Comprehensive Income

Table 5.8 summarises the statement of comprehensive income of Stanmore for the 12 month periods ended 30 June 2016, 2017 and 2018.

Table 5.8: Stanmore Statement of Comprehensive Income

	12 Months Ended 30-Jun-16 Audited (\$'000)	12 Months Ended 30-Jun-17 Audited (\$'000)	12 Months Ended 30-Jun-18 Audited (\$'000)
Revenue			
Sales - thermal coal	4,580	17,097	53,323
Sales - semi soft coal	8,120	120,749	137,509
Toll loading revenue	-	-	17,249
Total revenue	12,700	137,846	208,081
Cost of sales			
Mining costs	(14,159)	(52,049)	(77,897)
Processing costs	(1,548)	(14,862)	(17,964)
Transport and logistics	(1,624)	(12,694)	(18,638)
State royalties	(602)	(11,329)	(15,661)
Toll loading costs	-	-	(13,893)
Other cost of sales	(6,667)	(13,123)	(11,737)
Gross profit/(loss)	(11,900)	33,789	52,291
Other income			
Rehabilitation re-measurement	9,053	(1,357)	281
Onerous contract re-measurement	11,376	538	4,040
Gain on bargain purchase	565	-	-
Other income	2,465	-	-
Other expenses			
Pre-production mining expenses	(6,650)	-	-
Fair value movement - vendor royalty - contingent consideration	-	(14,457)	(25,828)
Provision for impairment and write off - exploration asset	-	(917)	(8)
Provision for impairment - development assets	(13,883)	8,512	-
Depreciation and amortisation	(1,306)	(3,332)	(5,207)
Employee expenses	(3,475)	(2,910)	(3,365)
Acquisition costs on business combination	(2,538)	-	-
Other expenses	(671)	(4,123)	(3,378)
Profit/(loss) before income tax and net finance expenses	(16,964)	15,743	18,826
Finance income	355	212	293
Financial expenses			
Interest paid	(2,085)	(4,566)	(2,224)
Interest amortisation unwinding	-	(2,043)	(2,676)
Movement in foreign currency	-	1,029	(306)
Borrowing costs	(1,052)	(3,957)	(3,873)
Profit/(loss) before income tax expense	(19,746)	6,418	10,040
Income tax benefit/(expense)	-	5,617	(4,074)
Net profit/(loss for year)	(19,746)	12,035	5,966

Source: Stanmore FY2016, FY2017 and FY2018 Annual Reports

With reference to Table 5.8 above, we note the following:

- ▶ Revenue increased in FY2017 from \$12.7 million to \$137.9 million, and by a further 51% to \$208.1 million in FY2018. Comparably low revenue in FY2016 was due to the Isaac Plains mine transitioning to operation, with the first commercial sale of product coal post Stanmore ownership, achieved in May 2016. The mine was also impacted by heavy rain in FY2016. Strong growth in FY2017 was driven by rising spot prices for coal and a significant increase in total sales tonnes during the year. The increase in FY2018 was driven by further increases in the price for coal in addition to increased sales during the period. We also note that the \$17.2 million toll loading revenue in FY2018 relates to a third-party agreement that has now concluded;
- ▶ The majority of the cost of sales accounts have increased broadly in-line with the increase in production volumes during the FY2017 and FY2018 periods. However, underlying FOB costs of \$110.0/t in 2018 were \$5.9/t higher than FY2017 underlying costs of \$104.5/t (including state based royalties). The Company expects underlying costs to reduce on migration of operations from Isaac Plains to Isaac Plains East;
- ▶ The submission of a Plan of Operations with the QLD state government in FY2016 saw the assessed value of a rehabilitation liability for Isaac Plains Complex revised downwards from that initially recognised on acquisition, with changes acknowledged in the profit or loss. An increase in the provision in FY2017 resulted in an expense of \$1.4 million;
- ▶ The write-back of onerous contract provisions relates to the difference between initial recognition of contracts acquired, including rail haulage, port allocations, water supply, electricity supply and accommodation, determined by the purchase price allocation and the assessed business plan of Stanmore to utilise the contracts. The significant revaluation in FY2016 relates to re-measurements of the assessed level of onerous contracts following the release of the maiden JORC reserve for Isaac Plains East in April 2016, subsequent extension of the mine life and planned production of the Isaac Plains Complex (further background on onerous contracts is provided in Section 5.6.2 below);
- ▶ FY2016 pre-production mining expenses of \$6.7 million relate to costs incurred during transition from care and maintenance to operations at the Isaac Plains mine. The costs represent all-in costs such as take-or-pay contractual commitments prior to returning to commercial production;
- ▶ The recognition of increases of \$14.4 million and \$25.8 million in the value of contingent consideration for the Isaac Plains mine in 2017 and 2018 relates to royalty stream payable as a result of improved forward hard coking coal prices. The royalties become payable in the event that benchmark hard coking coal prices are above the \$160/t (adjusted for CPI) and coal is produced and sold from either Isaac Plains or Isaac Plains East (Stanmore shareholders should refer to Stanmore's FY2018 Annual Report for more information regarding the contingent consideration);
- ▶ The \$13.9 million impairment provision against development assets in FY2016 relates to the Range thermal coal project. The impairment reflected the uncertain commercialisation potential of the Range given the coal market, and views on greenfield projects with environmental approval and infrastructure constraints. In FY2017, a decision was taken to partially reverse the impairment charge by \$8.5 million. The reassessment was undertaken due to the improved outlook for the Range and long-term coal prices;
- ▶ Increasing depreciation and amortisation expenses from FY2016 to FY2018 relate primarily to rising property, plant and equipment depreciation (given mining property fixed assets are depreciated on a units of production basis over the life of the economically recoverable resources);
- ▶ Employee expenses relate to salaries and wages, employee superannuation and share-based payments expected to be settled within 12 months of the end of each financial year;
- ▶ Borrowing costs relate to the costs of refinancing the Taurus bonding and working capital facility. Interest expenses relate to the cost of borrowing against the facility;
- ▶ Movement in foreign currency relates primarily to coal sales revenue being received in USD. The foreign exchange movement relates predominately to sales which are booked on Bill of Lading ('BoL') date, and then received at a later date. Foreign currency movement also occurs when funds held in Stanmore's USD account are transferred into Australian dollar to pay for Australian dollar denominated operating costs;
- ▶ Acquisition costs and gain on bargain purchase in FY2016 relate to the purchase of the Isaac Plains mine; and
- ▶ We note that the income tax expense benefit of \$5.6 million in FY2017 is related to the realisation of previous years' losses and a deferred tax asset ('DTA') being brought to account. The \$4.1 million income tax expense in FY2018 represents a 30% tax on profit before income tax plus the tax effect of non-deductable expenses and movements in deferred tax assets and liabilities.

5.6.2 Statements of Financial Position

Table 5.9 summarises Stanmore statements of financial position as at 30 June 2016, 2017 and 2018.

Table 5.9: Stanmore's Statements of Financial Position

	As at 30-Jun-16 Audited (\$'000)	As at 30-Jun-17 Audited (\$'000)	As at 30-Jun-18 Audited (\$'000)
Assets			
Current assets			
Cash and cash equivalents	12,080	27,515	19,817
Trade and other receivables	22,285	16,641	22,427
Restricted cash	76	-	-
Inventories	5,079	27,460	20,967
Other current assets	2,845	2,279	2,583
Total current assets	42,365	73,895	65,794
Non-current assets			
Trade and other receivables	738	-	-
Inventories	-	-	4,364
Property, plant and equipment	33,445	35,249	36,444
Capitalised development costs	7,175	15,700	13,410
Exploration and evaluation assets	23,584	27,008	39,393
Intangible assets	4,786	4,282	3,778
Deferred tax assets	-	6,746	2,672
Other non-current assets	181	223	2,234
Total non-current assets	69,909	89,208	102,295
Total assets	112,274	163,103	168,089
Current Liabilities			
Trade and other payables	22,552	22,282	27,028
Interest-bearing loans and borrowings	-	15,601	-
Onerous contracts provision	5,153	2,416	1,790
Rehabilitation provision	1,687	1,161	3,160
Vendor royalties - contingent consideration	-	3,089	6,966
Total current liabilities	29,392	44,549	38,944
Non-current liabilities			
Provision for employee benefit	-	-	220
Onerous contracts provision	21,576	19,844	14,612
Rehabilitation provision	22,221	23,717	15,423
Vendor royalties - contingent consideration	-	8,175	25,728
Total non-current liabilities	43,797	51,736	55,983
Total liabilities	73,189	96,285	94,927
Net assets	39,085	66,818	73,162
Equity			
Issued capital	97,368	113,200	113,200
Share based payment reserve	4,377	774	1,152
Accumulated losses	(62,660)	(47,156)	(41,190)
Total equity attributable to owners of Stanmore Coal Limited	39,085	66,818	73,162

Source: Stanmore FY2016, FY2017 and FY2018 Annual Reports

With reference to Table 5.9 above, we note the following:

- ▶ Isaac Plains first fully operational year (under Stanmore ownership) in FY2017 resulted in a \$31.5 million increase in total current assets, due to increased cash and cash equivalents and inventory positions. In FY2018 however, total current assets decreased as a result of:
 - \$14.0 million in cash being used in the investment in Isaac Plains East, planned maintenance of the major equipment and exploration activities;
 - Stanmore repaying the working capital facility. This resulted in the \$15.6 repayment of Stanmore's interest bearing loans and borrowings. We note that Stanmore has a bank guarantee and revolving working capital facility of US\$29 million and US\$22 million respectively; and
 - A \$6.5 million reduction in inventories during FY2018;

- ▶ In accordance with AASB 102, Stanmore recognised non-current inventories relating to deferred stripping costs. This balance reflects the overburden in advance from pre-stripping at Isaac Plains which is not expected to be mined within the next 12 months as mining operations are moving to Isaac Plains East;
- ▶ Property, plant and equipment consists largely of Stanmore's recognition of \$24 million in property plant and equipment following the acquisition of Isaac Plains coal mine in FY2016. The effect of subsequent years' depreciation expenses has been offset by additions through the ordinary course of business;
- ▶ Intangible assets were recognised upon acquisition of the Isaac Plains coal mine in FY2016 and relate to future rebates on the cost of coal railings based on an agreement with the rail infrastructure owner. The asset is amortised on a straight-line basis over its life in accordance with the anticipated profile of benefits received, which has seen Stanmore recognise \$504k in amortisation expense in FY2017 and FY2018;
- ▶ Deferred tax assets of \$6.7 million and \$2.7 million in FY2017 and FY2018 respectively are recognised for deductible temporary differences and unused tax losses;
- ▶ Other non-current assets relate to term deposits held or cash backed exploration permit securities paid to the Department of Natural Resources, Mines and Energy ('DNMR'). Term deposits are held in order to cash-back bank guarantees that Stanmore holds. Exploration permit securities represent cash paid to DNMR that is held against the Company's performance of obligations as the holder of exploration permits;
- ▶ The \$12.4 million increase in exploration and evaluation assets in FY2018 was due primarily to The Range project being reclassified from capitalised developments costs to exploration and evaluation assets. We note however, that the decrease in capitalised development costs from this was largely offset by transfers from exploration and evaluation to capitalised development costs and other additions following the classification of Isaac Plains East from exploration to development;
- ▶ Following the acquisition of Isaac Plains in 2016, Stanmore recognised contingent consideration for vendor royalties that relate to royalty streams payable to the vendors of Isaac Plains. The \$21.4 million increase in current and non-current vendor royalties in FY2018 relate to revised long-term pricing assumptions;
- ▶ The provision for onerous contracts (current and non-current) relate to the transaction to acquire the Isaac Plains project in November 2015. Stanmore acquired various long-term contracts necessary for mining activities at Isaac Plains including rail haulage, port allocations, water supply, electricity supply and accommodation. Based on the initial Isaac Plains mining plan, a portion of the contracts acquired were estimated to be underutilised and the fixed charges incurred above the deemed requirement were recognised as an onerous contract liability. The \$5.9 million decrease in the aggregate onerous contract liabilities provision in FY2018 is due to the settling of onerous contracts and adjustments arising from re-measurement; and
- ▶ The provision for rehabilitation relates to area disturbed during operation of the mine that have not yet been rehabilitated. In FY2018, a \$6.3 million decrease in the provision was recognised due to rehabilitation works being undertaken. Additional rehabilitation liability was also recognised following the transition of mining to Isaac Plains East and the disturbance incurred for FY2018 for this area.

5.6.3 Statements of Cash Flows

Table 5.10 summarises Stanmore's Statement of Cash Flows for the 12 month periods ended 30 June 2016, 2017 and 2018.

Table 5.10: Stanmore's Summarised Statements of Cash Flows

	12 Months Ended 30-Jun-16 Audited (\$'000)	12 Months Ended 30-Jun-17 Audited (\$'000)	12 Months Ended 30-Jun-18 Audited (\$'000)
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	10,993	130,183	201,668
Payments to suppliers and employees (inclusive of GST)	(38,947)	(143,507)	(173,149)
Interest received	257	212	293
Interest and other finance costs paid	(5,876)	(4,698)	(6,938)
Net cash (outflow)/inflow from operating activities	(33,573)	(17,810)	21,874
Cash flows from investing activities			
Payments for property, plant and equipment	(8,278)	(8,191)	(6,923)
Net (payments)/receipts for exploration, evaluation and development assets	(4,658)	(2,512)	(8,026)
Receipts relating to vendor payments	43,416	13,430	978
Payments for other assets	(26)	-	-
Net cash (outflow)/inflow from investing activities	30,454	2,727	(13,971)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)	-	14,703	-
Net proceeds from borrowings	-	15,815	22,084
Repayment of borrowings	-	-	(37,685)
Net cash (outflow)/inflow from financing activities	-	30,518	(15,601)
Net increase/(decrease) in cash held	(3,119)	15,435	(7,698)
Net cash at beginning of year	15,199	12,080	27,515
Net cash at end of year	12,080	27,515	19,817

Source: Stanmore FY2016, FY2017 and FY2018 Annual Reports

With reference to Table 5.10 above, we note the following:

- ▶ The vendors of Isaac Plains agreed to pay a series of compensation payments, the majority up front with the balance paid in instalments, to cover certain underutilised contracts and general working capital requirements. Receipts relating to vendor payments of \$43.4 million were used to fund operating activities in FY2016, with operating cash outflows largely attributable to pre-production costs and recommission capital expenditure at Isaac Plains. The payments from vendors enabled Stanmore to ramp-up operations with several shipments made to customers prior to the 2016 financial year-end;
- ▶ Negative operating cash flows in FY2017 were funded from borrowings and share issues. Investment in overburden movement and coal stockpiles of \$22.4 million were a key driver of negative cash from operating activities during the year; and
- ▶ High operating cash flows of \$21 million in FY2018 as a result of high coal prices and increased production, allowed Stanmore to fully repay its working capital facility leaving the Company debt free. Additionally, it allowed for an outflow in investing activities which were primarily attributable to Isaac Plains East, planned maintenance of major equipment and exploration activities.

6.0 Industry Overview

The information presented in this section has been compiled from a range of publicly available sources, together with information taken from various databases to which we subscribe.

6.1 Coal Overview

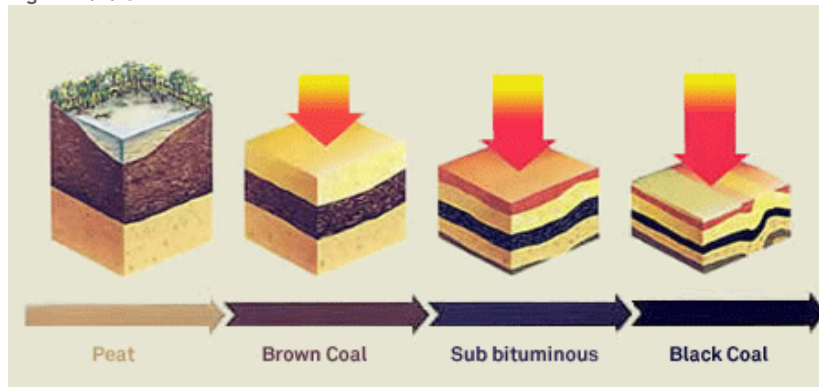
6.1.1 Coal Properties and Uses

Coal is combustible, sedimentary, and organic rock formed from ancient vegetation that has been compressed and transformed by the combined effects of microbial action, pressure, and heat over millions of years. This process is known as 'coalification'.

Peat, the precursor of coal, is initially converted into lignite or brown coal and is considered to have low organic 'maturity'. Over many more millions of years, the continuing effects of temperature and pressure progressively change the lignite and increase its maturity, transforming it into the range known as sub-bituminous coals. As this process continues, further chemical and physical changes take place until these coals become blacker, harder, and more mature, at which point they are classified as bituminous or hard coals. Under the right conditions and after a sufficient period of time, progressive increases in organic maturity will ultimately lead to anthracite.

Figure 6.1 below illustrates the coalification process from peat to black coal.

Figure 6.1: Coalification Process



Source: Australian Coal Association

The degree of coalification undergone by a coal, as it matures from peat to anthracite, has an important bearing on its physical and chemical properties, and is typically referred to as the 'rank' of the coal.

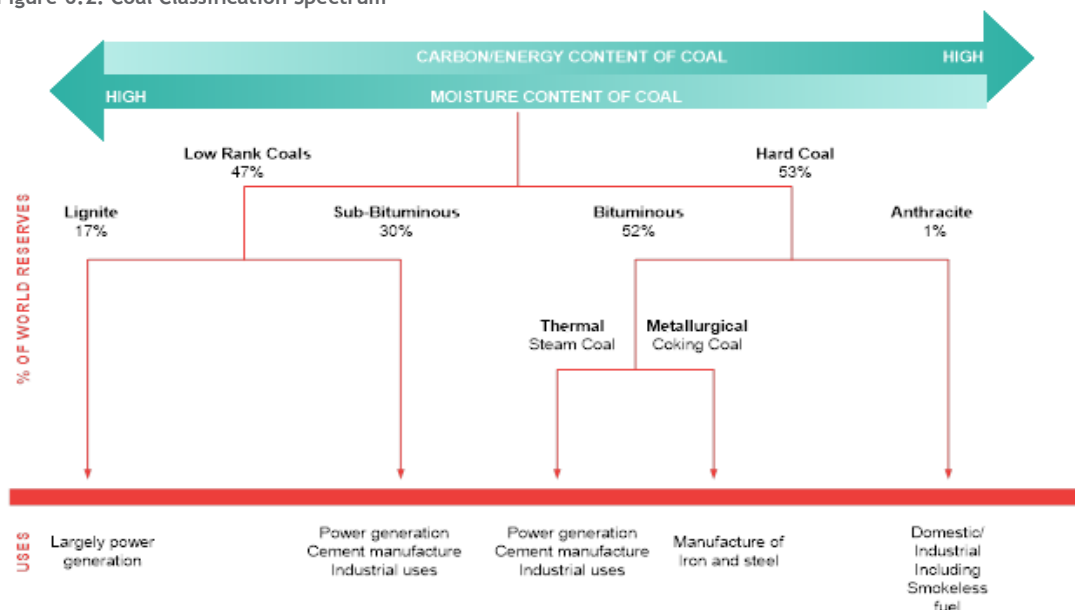
Lower rank coals, such as lignite and sub-bituminous coal are typically softer, friable materials with a dull, earthy appearance. These coals have low energy content due to high moisture levels and low carbon content.

Sub-bituminous coal is generally unlikely to be of sufficient energy or combustion characteristic to satisfy export markets. Sub-bituminous coal is difficult to stockpile and/or transport due to its tendency to self-combust and its high moisture content. Accordingly, sub-bituminous coal is typically consumed at the point at which it is mined.

Higher rank coals, such as bituminous coal and anthracite, are typically harder and stronger and tend to have a black vitreous lustre. Higher rank coals have a high energy content due to low moisture levels and a high carbon content. Anthracite is the type of coal with the highest carbon content and the lowest moisture level and is therefore the type of coal with the highest energy content.

Figure 6.2 below illustrates the coal classification spectrum.

Figure 6.2: Coal Classification Spectrum



Source: World Coal Association

The world market for coal primarily consists of higher rank coals, including thermal coal and coking coal.

Coking (or metallurgical) coal, due to its high carbon content and coking characteristics, is generally used for the production of metallurgical coke, which is used as a reductant in the production of iron and steel. Coking coal is further categorised in order of its level of carbon content as follows:

- ▶ Hard coking coal (which has the highest carbon content) is more favoured in the production of coke and therefore trades at a premium to lower grade coking coals; and
- ▶ Semi-soft coking coals and PCI (which have a lower carbon content) are predominantly used for blending with hard coking coal where they are used as an auxiliary fuel source to increase the effectiveness of blast furnaces, ultimately resulting in lower production costs.

Thermal (or steam) coal, which generally contains less carbon than all types of coking coal, is used in the generation of electricity.

The markets for coking coal and thermal coal generally have different demand determinants and operate independently.

6.1.2 Global Coal Reserves¹

As at the end of 2017, it is estimated that there are over 1,035 billion metric tonnes of proven coal reserves worldwide.² Approximately 76.6% of the world's proven recoverable coal reserves are located in the following five countries:

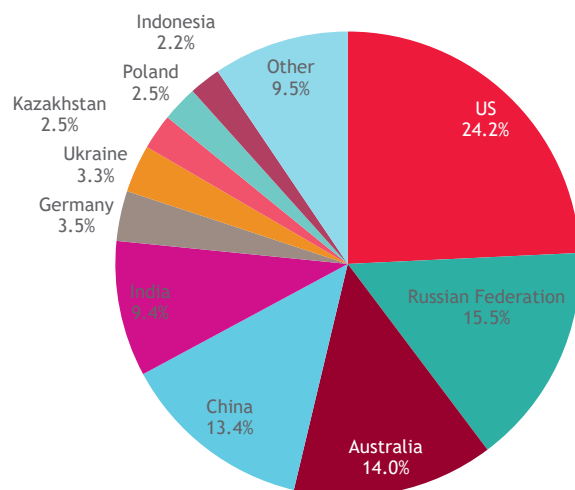
- ▶ United States of America (24.2%);
- ▶ Russian Federation (15.5%);
- ▶ Australia (14.0%);
- ▶ People's Republic of China (13.4%); and
- ▶ India (9.4%).

Figure 6.3 below shows the geographic spread of proven coal reserves by country as at the end of 2017.

¹ Proved reserves include reserves that are not only considered to be recoverable but that can also be recovered economically. This means that proved reserves take into account what current mining technology can achieve and the economics of recovery. Proved reserves will therefore change according to the price of coal. If the price of coal is low, proved reserves will decrease.

² BP Statistical Review of World Energy June 2018

Figure 6.3: Global Proven Coal Reserves by Country at the end of 2017



Source: BP Statistical Review of World Energy 2018

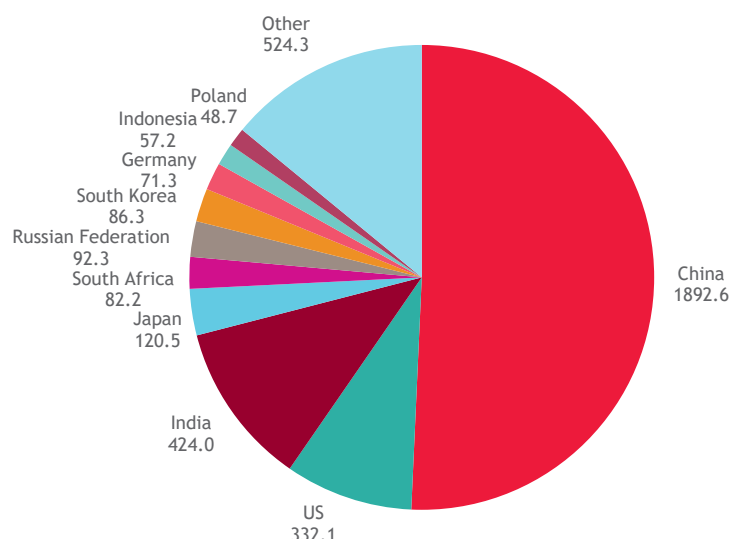
6.1.3 Global Coal Consumption

Coal's share of global primary energy consumption fell to 27.6% in 2017, the lowest since 2004. The five largest users of coal - China, India, the United States, Japan and Russian Federation - account for approximately 77% of total global coal use. The biggest market for coal is in Asia-Pacific which accounted for 75% of global coal consumption in 2017.

Global coal consumption grew by 1% in 2017, the first growth since 2013. Consumption growth was largely driven by India, with China consumption also up slightly following three successive annual declines during 2014-2016. OECD consumption fell for the fourth year in a row.

Figure 6.4 below sets out coal consumption in 2017 by the top coal users.

Figure 6.4: Coal Consumption in 2017 (million tonnes)



Source: BP Statistical Review of World Energy 2018

6.1.4 Coal Prices

Most coal traded in international markets is bought and sold pursuant to term contract arrangements between the world's major producers (such as BHP Billiton, Glencore, Rio Tinto and Vale) and the world's major buyers (such as Indian, Chinese, Korean and Japanese steel mills). The term contract arrangements set out a number of key terms including:

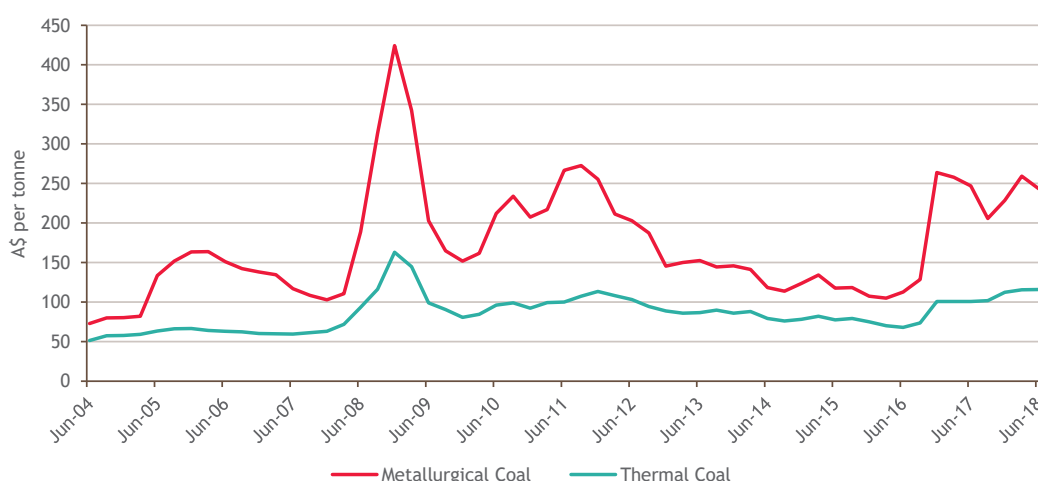
- ▶ The benchmark prices at which coal will be traded;
- ▶ The volume of coal to be traded;
- ▶ The energy content of the coal to be traded or metallurgical qualities;
- ▶ The method and cost of transportation; and
- ▶ Any other specifications as required.

Existing term contracts generally serve as the reference point when negotiating updated term contract arrangements.

The benchmark prices negotiated and agreed between the major producers and buyers generally determine the price at which subsequent coal contracts will settle at following adjustments for the specific energy or metallurgical quality specifications of the coal.

Figure 6.5 below shows the average export price for thermal coal and metallurgical coal from the quarter ended 30 June 2004 to the quarter ended June 2018 in Australian dollars per tonne.

Figure 6.5: Average Export Price of Coal (June 2004 - June 2018)



Source: Resources and Energy Quarterly September 2018, Australian Department of Industry, Innovation and Science

Figure 6.5 above shows that the average spot price of thermal and metallurgical coal has been volatile.

6.1.5 Australian Industry Outlook³

Metallurgical Coal

Metallurgical coal export earnings are forecast to decline by 3.8% to \$36 billion in 2018-19, and by a further 16% to \$31 billion in 2019-20. This is despite a forecast rise in production and export volumes, which according to the Australian Department of Industry, Innovation and Science, is expected to be more than offset by the impact of a forecast decline in prices.

Thermal Coal

Australia's thermal coal export earnings are forecast to grow by 13% to a record \$25 billion in 2018-2019. Despite a forecast decline in spot prices, export earnings are expected to be supported by the high contract price settled for the 2019-19 Japanese fiscal year (March 2018 to April 2019). According to the Department of Industry, Innovation and Science, an estimated 40% of Australian thermal coal is sold under term contracts, with the remainder sold on the spot markets. Thermal coal export earnings are forecast to decline by 24% to \$19 billion in 2019-20, as both contract and spot prices decline.

³ Australian Department of Industry, Innovation and Science, Resources and Energy Quarterly - September 2018

7.0 Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

RG 111 outlines a number of methodologies that a valuer should consider when valuing securities or assets for the purposes of, among other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The valuation methodologies we have considered in this Report include the discounted cash flow ('DCF'), capitalisation of maintainable earnings ('CME'), asset-based valuation ('ABV') and market-based valuation ('MBV') methodologies.

RG 111 does not prescribe which methodology should be used by the expert, but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued.

7.1 Discounted Cash Flows ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and

Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

7.2 Capitalisation of Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

7.3 Asset Based Valuation ('ABV')

An ABV is used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets. However, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

7.4 Market Based Valuation ('MBV')

An MBV methodology determines a value for an entity by having regard to the value at which securities in the entity have recently been purchased. This approach is particularly relevant to:



- ▶ Entities whose shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares is traded and the shares are traded over a sufficiently long period of time; and/or
- ▶ Entities for which it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares in circumstances where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

7.5 Industry Based Metrics (Comparable Analysis)

It is often appropriate to have regard to industry specific valuation metrics in addition to the traditional valuation approaches outlined above. These metrics are particularly relevant in circumstances where it is reasonably common for market participants to have regard to alternative measures of value.

For resource companies, it is common for market analysts to have regard to multiples related to resources and tenement size.

8.0 Valuation of Stanmore

This Section sets out our valuation of the shares in Stanmore as follows:

- ▶ Section 8.1 sets out our view of the most appropriate methodology to value Stanmore;
- ▶ Section 8.2 sets out an overview of the Palaris Independent Technical Specialist Report;
- ▶ Section 8.3 sets out our DCF valuation of the Isaac Plains Complex;
- ▶ Section 8.4 sets out our ABV valuation of Stanmore's remaining assets and liabilities;
- ▶ Section 8.5 sets out our valuation of Stanmore having regard to a sum-of-parts approach;
- ▶ Section 8.6 sets out our valuation of Stanmore having regard to a MBV approach;
- ▶ Section 8.7 sets out a comparison of our valuation methodologies; and
- ▶ Section 8.8 sets out our conclusion on the value of Stanmore for the purposes of this Report.

8.1 Our Valuation Approach for Stanmore

In our view it is appropriate to adopt a sum-of-parts valuation approach for Stanmore (refer Section 8.5 below). The sum-of-parts approach involves separately valuing each asset and liability of the Company. We have considered each of the valuation methodologies outlined in Section 7 above and determined, in our view, the most appropriate methodology for calculating the value of each of Stanmore's parts. Broadly, our sum-of-parts valuation utilises the following valuation methodologies:

- ▶ Isaac Plains Complex DCF Valuation: We have valued Stanmore's Isaac Plains Complex adopting a discounted cash flow methodology. The Isaac Plains Complex includes producing, near-term, and predevelopment assets (refer to Section 5.2.1 for more information). We consider Isaac Plains, Isaac Plains East, and Isaac Downs as producing and near-term assets. For these advanced assets, it is common for a DCF methodology to be adopted (refer Section 8.3 for our DCF valuation of the Isaac Plains Complex). In our view, the understanding of the assets and their parameters is sufficiently advanced to support a DCF valuation. We consider Isaac South and Isaac Plains Underground as pre-development assets and have excluded these projects in our DCF valuation of the Isaac Plains Complex (refer below for our treatment of pre-development assets);
- ▶ Mineral Assets ABV Valuation: We have adopted the technical valuations for the other resources/tenements held by Stanmore ('Stanmore's Mineral Assets'), as provided by the specialist technical valuer Palaris (refer Section 8.4.1 for details of the values of these tenements/resources). In addition to incorporating the value of Stanmore's other tenements, this value also includes the additional resource that Palaris have advised should not be included in the Isaac Plains Complex DCF Valuation; and
- ▶ Other assets/liabilities ABV Valuation: We have adopted an ABV valuation methodology for the other identifiable assets and liabilities of Stanmore (refer Section 8.4.3).

We have additionally considered an MBV approach for Stanmore (refer Section 8.6 below). It is generally possible to complete a MBV of a company when there is a readily observable market for the trading of the company's shares. The shares of Stanmore are listed on the ASX and it is possible to observe the market price of trades in Stanmore shares. The MBV provides information relating to a valuation of Stanmore shares on a minority interest basis.

Having regard to the sum-of-parts valuation and our MBV, we have formed a view on the most appropriate value to adopt for each Stanmore share, on a controlling interest basis, for the purpose of this Report (refer Section 8.8).

8.2 Overview of Palaris' Technical Expert Report ('Palaris Report')

In completing our work, we have had regard to the Palaris Report dated 11 December 2018 which, broadly, sets out:

- ▶ Palaris' view on the physical and operational inputs adopted in the Isaac Plains Complex financial model ('Financial Model'); and
- ▶ Palaris' view of an appropriate technical value for Stanmore's Mineral Assets.

Mr John Pala of Palaris supervised Palaris' valuation of Stanmore's Mineral Assets and evaluation of the operational and physical inputs of the Financial Model. Mr John Pala was assisted in completing the Palaris Report by various Palaris team members. Based on our enquiries and the information provided to us, we regard Palaris and the authors of the Palaris Report to be *Independent Specialists* as referred to in the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Specialist Reports ('the VALMIN Code').

Regarding the Palaris Report we note:

- ▶ Palaris has prepared the Report in accordance with:
 - The VALMIN Code;
 - The JORC Code; and
 - ASIC RG 111 - Content of Specialist Reports, and ASIC RG 112 - Independence of Specialists;



- ▶ Palaris is independent with respect to Stanmore and confirms that there is no conflict of interest with any party involved in the Offer and neither Palaris nor any of its personnel involved in the preparation of the Palaris Report have any material interest in Stanmore;
- ▶ Neither Palaris nor the authors of the Palaris Report have (or have had previously) any material interest in Stanmore or the mining properties in which Stanmore has an interest. No member or employee of Palaris has (or has had) any material shareholding in Stanmore; and
- ▶ The statements and opinions contained in the Palaris Report are given in good faith and in the belief that they are not false or misleading.

Based on our enquiries and the information provided to us, we regard Palaris to be an independent specialist and in our view, it is appropriate for us to consider the work of Palaris in completing this valuation work. Palaris understand the purpose of the valuation work set out in this Report.

We confirm that we have been provided with express written consent by Palaris to refer to and rely on the Palaris Report for the purposes of our valuation work in this Report. We have made reasonable enquiries of Palaris and are satisfied that the work and valuations in the Palaris Report are suitable for use in this Report. Notwithstanding this, we do not take responsibility for the work of Palaris.

Any references to Palaris' work set out in this Report are in a summary form only and does not substitute for a complete reading of the Palaris Report. Our summary does not include all of the information that may be of interest to Shareholders. The Palaris Report is attached to this Report as Appendix B. We recommend that Shareholders read the Palaris Report in full and in conjunction to this Report and related statements.

8.3 DCF Valuation of the Isaac Plains Complex

Our DCF valuation of the Isaac Plains Complex is set out as follows:

- ▶ Section 8.3.1 sets out the basis of the Financial Model adopted for our DCF valuation of the Isaac Plains Complex;
- ▶ Section 8.3.2 sets out the key assumptions of our DCF valuation of the Isaac Plains Complex;
- ▶ Section 8.3.3 sets out our DCF valuation of the Isaac Plains Complex; and
- ▶ Section 8.3.4 sets out our sensitivity analysis of our DCF valuation of the Isaac Plains Complex.

8.3.1 Basis of the Financial Model Adopted for the DCF

A detailed cash flow model for the Isaac Plains Complex's producing and near term assets (i.e. Isaac Plains, Isaac Plains East and Isaac Downs), was prepared by the directors of Stanmore ('the Financial Model'). The Financial Model estimates the future cash flows expected from coal production at the Isaac Plains Complex over a 13-year mine life, based on the estimated JORC compliant resources. The Financial Model was prepared based on estimated production profiles, operating costs, and capital expenditure. The Financial Model was prepared in real terms (rather than nominal) and includes the Company's corporate costs. We have discounted all cash flows to 1 December 2018.

We have assessed the reasonableness of the Financial Model provided to us and the material assumptions that underpin it. We have made certain adjustments to the Financial Model where it was considered appropriate. In particular, we have adjusted the Financial Model to reflect any changes to technical assumptions as a result of Palaris' review, in addition to any changes to the economic and other input assumptions that we consider appropriate as a result of our research. We have adjusted the Financial Model to remove the corporate costs incurred and have therefore presented the value of corporate costs separately in our sum-of-parts valuation.

We undertook the following analysis on the Financial Model:

- ▶ Analysed the Financial Model to confirm its integrity and mathematical accuracy (to a material level);
- ▶ Appointed Palaris as technical expert to review, and where required, provide changes to the technical assumptions underpinning the Financial Model;
- ▶ Conducted independent research on certain economic and other inputs such as commodity prices, exchange rates, and the discount rate applicable to the future cash flows of the Isaac Plains Complex;
- ▶ Held discussions with Stanmore's management and advisors regarding the preparation of the forecasts in the Financial Model and its assumptions; and
- ▶ Performed a sensitivity analysis on the value of the Isaac Plains Complex as a result of varying selected key assumptions and inputs.

We have not undertaken a review of the cash flow forecasts in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* and do not express an opinion on the achievability of the forecast. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the Financial Model has been based have not been prepared on a reasonable basis.

8.3.2 Key Assumptions of our DCF Valuation of the Isaac Plains Complex

Physical and Operational Assumptions

The Palaris Report sets out Palaris' view of the key operational and physical assumptions within the Financial Model. For the purposes of the analysis set out in this Report we have adopted the Palaris assumptions as provided in the Palaris Report. Palaris' assessment of the inputs of the Isaac Plains Complex Financial Model did not identify any material issues. Palaris considers the inputs and costs indicated in the mine plan as achievable and reasonable. Users of this Report must read the Palaris Report (refer to Appendix B) to understand the basis for the assumptions.

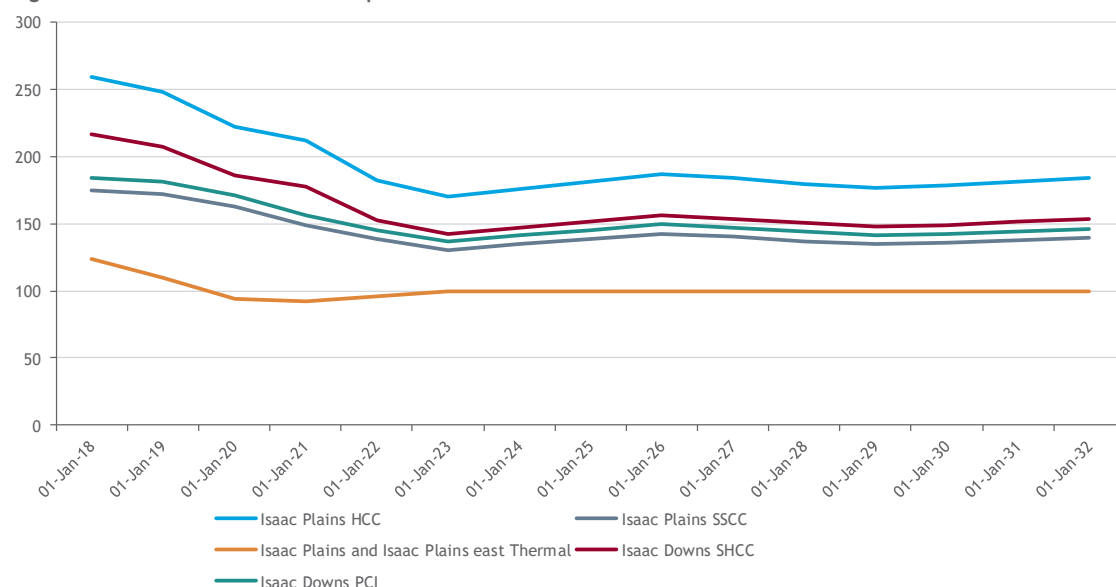
Forecasted Exchange Rate

We have adopted forecast USD/AUD exchange rates based on Wood Mackenzie June 2018 forecasts. The adopted forecast provides a five-year FX forecast to FY2022, with the FY2022 FX rate adopted as the long-term FX rate.

Forecasted Coal Prices

We have adopted forecast benchmark coal prices based on Wood Mackenzie June 2018 forecasts. A price discount/premium to the benchmark prices was then adopted to account for the variation of coal quality in the Isaac Plains Complex relative to the benchmark coal, as instructed by Palaris. The adopted forecasts coal prices within the Financial Model for the Isaac Plain Complex's LOM is outlined in Figure 8.2 below.

Figure 8.2: Coal Price Forecasts Adopted in the Financial Model



Source: Wood Mackenzie as at June 2018 and Isaac Plains Complex Financial Model

1 Stanmore Directors, on behalf of BDO CF, have acquired permission to incorporate Wood Mackenzie data into the Isaac Plains Complex Financial Model for inclusion in this report. Stanmore has received a hold harmless letter from Wood Mackenzie in regards the BDOCF's use of the data.

Production and Development Timing

The Isaac Plains Complex consists of various projects in various stages of production. Figure 8.3 sets out the commencement and ceasing of production at each the individual sites comprising the Isaac Plains Complex.

Figure 8.3: Isaac Plains Complex Production Schedule

Production Timing	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
Asset														
Isaac Plains														
Isaac Plains East														
Isaac Downs														

Source: Stanmore's Financial Model

Royalties

The *Mineral Resources Regulation 2013* sets out the Queensland coal royalty rate. The state royalty is based on the average price (AUD) per tonne of coal within the period and are determined as follows:

- ▶ Up to and including \$100 - 7% of value;
- ▶ Over \$100 and up to and including \$150:
 - First \$100 - 7% of value;
 - Balance - 12.5% of value;
- ▶ More than \$150:
 - First \$100 - 7% of value;
 - Next \$50 - 12.5% of value; and
 - Balance - 15% of value.

Stanmore also has a number of private royalty agreements that have been included within the Financial Model. Palaris has reviewed state and private royalties included within the Financial Model as outline in Section 9.2.3 of the Palaris Report.

Depreciation

Isaac Plain Complex fixed assets are depreciated on a double declining basis over a useful life of 15 years. Any remaining value is written off at the end of the mine life.

Working Capital

Working capital adjustments are based on receivables of 20 days, and payables of 30 days across all the coal assets of the Isaac Plains Complex.

Tax Rate and Tax Losses

The tax rate adopted is consistent with the statutory Australian corporate tax rate of 30% for entities with an aggregated annual turnover of greater than \$50 million.

We note Stanmore, and all subsidiaries of Stanmore, are consolidated for tax purposes. We have adopted a total tax loss for the consolidated entity of \$38.0 million which is assumed to be fully utilised to offset tax expenses. We note the Financial Model forecasts all tax losses to be utilised in FY19.

Discount Rate

The discount rate represents the rate of return that capital providers expect from their capital contribution and is typically based on the weighted average cost of capital ('WACC') for the asset being valued. In broad terms, the WACC considers the rate of return required by capital providers given the riskiness of the future cash flows and the cost of financing using debt instruments for the relevant asset.

In selecting a discount rate appropriate for the Isaac Plains Complex, we have considered the following:

- ▶ The required rate of return of comparable companies in the coal mining industry;
- ▶ The capital structure of comparable coal mining companies;
- ▶ The projected cash flows of the Isaac Plains Complex, including sensitivity of the projection to the assumed price and operating costs;
- ▶ The current operational status of the Isaac Plains Complex;
- ▶ The cost of equity derived from applying the capital asset pricing model ('CAPM') methodology (a commonly used methodology for deriving the cost of equity). In relation to CAPM, we note the cost of equity capital is determined by multiplying the market risk premium by an appropriate beta and adding the risk-free rate. Our view on the appropriate inputs to the CAPM to apply in the circumstances are as follows:
 - A risk-free rate of 2.76% based on the Australian Government 15-year bond rate as at 1 December 2018;
 - An equity market risk premium of 6.0%;
 - A beta in the range of 1.0 to 1.3;
- ▶ The CAPM assumes investors are diversified and not concerned with the specific risk of a particular investment. In our view, investors may apply a company specific risk premium to reflect certain risks that cannot be readily allowed for in the base case cash flows for a project. In the case of the Isaac Plains Complex, we note that these risks may include the following:
 - The projected cash flows of the project, including the sensitivity of the projections to the assumed price and production volumes; and
 - The other mine planning matters and risks identified in the Palaris Report;
- ▶ The statutory Australian corporate tax rate of 30%; and

- ▶ A value for imputation credits (γ) of nil. This assumption has been made with reference to the fact that imputation credits for Australian companies are available to domestic investors only and that not all investors in Stanmore are Australian. The marginal investor is likely to be an investor who is not entitled to claim imputation credits.

Taking the above factors into consideration as well as the nature of the Isaac Plains Complex and its exposure to macroeconomic factors, we believe it is not unreasonable to adopt a real after-tax discount rate for the Isaac Plains Complex in the range of 9.0% to 11.0%. We have set out a sensitivity analysis on the discount rate in Section 8.3.4 to assist users of this Report that may have an alternative view on an appropriate discount rate or would like to understand the impact of applying an alternative discount rate.

8.3.3 DCF Valuation of the Isaac Plains Complex

Table 8.1 sets out our valuation of the Isaac Plains Complex using a DCF valuation methodology having regard to the assumptions set out in Section 8.3.2 of this Report. The low value utilises the high end of our discount rate range while the high value utilises the low end of our discount range.

Table 8.1: DCF Valuation Results of the Isaac Plains Complex

	Low (\$ Million)	High (\$ Million)
Isaac Plains	13.6	13.2
Isaac Plains East	155.0	157.4
Isaac Downs	175.8	198.5
Isaac Plains Complex	344.4	369.1

Source: Palaris and BDOCF analysis

Table 8.1 shows that our calculated DCF valuation of the Isaac Plains Complex is between \$344.4 million to \$369.1 million. For completeness, we note that these DCF values exclude corporate overheads (refer to Section 8.4.2).

8.3.4 Sensitivity Analysis of the DCF Valuation of the Isaac Plains Complex

The DCF valuation of the Isaac Plains Complex is based on a number of assumptions which are subject to a significant amount of uncertainty and variance. We have completed a sensitivity analysis on the value of the Isaac Plains Complex based on our base case DCF valuation.

The following variables have been adjusted in isolation, all other things held equal:

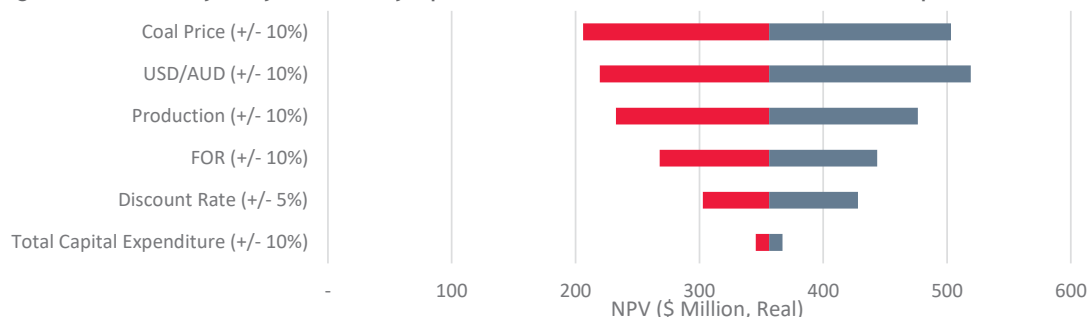
- ▶ A +/- 10% change in forecasted coal prices;
- ▶ A +/- 10% change in forecasted USD/AUD exchange rate;
- ▶ A +/- 10% change in coal production;
- ▶ A +/- 10% change in the FOR costs;
- ▶ An absolute +/- 5% change in discount rate; and
- ▶ A +/- 10% change in the total capital expenditure.

Users of this Report should note that:

- ▶ In reality, the variables described above would have compounding or offsetting effects and are unlikely to move in isolation;
- ▶ The variables for which we have performed sensitivities are not the only variables which are subject to deviation from the forecast assumptions;
- ▶ The sensitivities we have performed do not cover the full range of possible variances from the base case assumptions assumed (i.e. variances could be greater than the percentage increase or decreases set out in this analysis). Variances could result where the value of the Isaac Plains Complex becomes nil.

Figure 8.4 summarises the impact of the above mentioned variables on our DCF valuation of the Isaac Plains Complex, holding all factors constant, except the relevant sensitivity variable.

Figure 8.4: Sensitivity Analysis of the Key Inputs for the DCF Valuation of the Isaac Plains Complex



Source: BDOCF analysis

8.4 Valuation of Stanmore's Remaining Assets and Liabilities

Our ABV valuation of Stanmore's remaining assets and liabilities is set out as follows:

- ▶ Section 8.4.1 sets out the Palaris' valuation of Stanmore's Mineral Assets;
- ▶ Section 8.4.2 sets out our consideration for Stanmore's Corporate Overheads; and
- ▶ Section 8.4.3 sets out our valuation of Stanmore's other assets and liabilities.

8.4.1 Valuation of Stanmore's Mineral Assets

Table 8.2 summarises Palaris' valuation of Stanmore's Mineral Assets.

Table 8.2: Palaris' Valuation of Stanmore Mineral Assets

Project ¹	Low (\$million)	High (\$million)	Preferred Valuation Method
Isaac South	13.9	40.6	Yardstick
Isaac Plains Underground	10.7	31.2	Yardstick
The Range	10.8	17.2	Yardstick
Clifford	6.7	14.3	Yardstick
Mackenzie	2.4	7.4	Yardstick
Belview	13.2	17.0	Yardstick
Tennyson	2.5	5.6	Yardstick
Lilyvale	1.4	7.7	Yardstick
Isaac Downs (Wotonga South) ²	7.8	11.7	Appraised Value
New Cambria	0.1	0.9	Market Comparable
Total Tenements Value	69.5	153.6	-

Source: The Palaris Report

¹ All valuations were undertaken on a 100% equity basis. Clifford, Mackenzie, and Lilyvale have been adjusted to match Stanmore's interest in each tenure by 60%, 95%, and 85% respectively.

² Resources valued under Isaac Downs (Wotonga South) in the above table are excluded from the Isaac Plains Complex Financial Model mine plan.

Palaris' analysis indicates a valuation of Stanmore's interest in the Mineral Assets between \$69.5 million and \$153.6 million.

Stanmore shareholders should refer to the full Palaris Report in Appendix B for further information on the technical valuation of Stanmore's exploration licenses.

8.4.2 Consideration of Stanmore's Corporate Overheads

As detailed in Section 8.3.1, we have assessed the reasonableness of the Financial Model and the material assumptions that underpin it. The Financial Model includes estimates of the corporate overheads to be incurred by Stanmore during the forecast period. These corporate overheads consist of all administration costs that cannot be directly attributable to the operations at the Isaac Plains Complex. For the purposes of the analysis set out in this Report, we have removed all corporate overheads and have separately assessed their value.

Corporate overheads have been estimated at a base rate of \$5.14 million per annum and scaled down if coal production does not exceed a minimum amount. It is noted that included in the annual corporate overheads, there is approximately \$2.39 million attributed to business development expenses. These expenses generally relate to the development of other projects and new ventures. This amount has been excluded as we have assumed these costs are incurred to further develop assets and enhance their value. The net annual corporate overheads have been discounted



at a rate of 10% (being the mid-point discount rate). The discounted value for the corporate costs assuming on this basis is approximately \$17.9 million.

8.4.3 Value of Stanmore's Other Assets and Liabilities

The net value we have adopted for the other assets and liabilities held by Stanmore we have determined after considering the Company's unaudited management accounts as at 30 November 2018. We have then also made enquiries of the Directors and management of Stanmore in relation to any material adjustments required to be made to reflect the fair market value of these assets and liabilities for the purposes of this Report.

Cash/Debt Balance

Based on our queries and information provided to us by Stanmore's management, we have been informed that Stanmore's cash balance as at 30 November 2018 is approximately \$20.1 million, with a draw down on working capital facilities of \$21.9 million.

Wotonga South Payments

The Financial Model also includes payments to Peabody Australia for the acquisition of Wotonga South, comprising of MDL 137, EPC 728, announced on 12 June 2018. Payments outstanding consist of approximately \$15 million in H2 FY19 and approximately \$5 million during FY2020. For more information about the Wotonga South acquisition, refer to Section 5.2.1 of this Report. The payments to Peabody has been separated from the Financial Model and included separately as a liability. The cashflows have been discounted at a rate of 10% (being the mid-point discount rate). The discounted value for the Wotonga South Payments is approximately \$13 million.

Other Assets and Liabilities

All the other assets and liabilities items from Stanmore's balance sheet have either been factored in as working capital, accounted for in Palaris' valuation of pre-development and exploration assets, or have been allowed for within the Financial Model.

Table 8.3 summaries the value of Stanmore's other assets and liabilities.

Table 8.3: Value of Stanmore's Other Asset and Liabilities

	Value (\$ Million)
Cash and Cash Equivalent	20.1
Interest Bearing Liabilities	(21.9)
Wontonga South Payments	(13.0)
Value of Stanmore's Other Asset and Liabilities	(14.8)

Source: Stanmore's Management Accounts as at 30 November 2018

We have also been informed by the Directors that there are no other material assets, liabilities or off-balance sheet assets and liabilities or unrecognised liabilities as at the date of this Report that have not been included in the management accounts as at 30 November 2018.

8.5 Sum-of-Parts Valuation of Stanmore

Our sum-of-parts valuation of Stanmore is set out as follows:

- ▶ Section 8.5.1 sets out our valuation of Stanmore; and
- ▶ Section 8.5.2 sets out our valuation of an ordinary share in Stanmore.

8.5.1 Sum-of-Parts Valuation of Stanmore

Our sum-of-parts valuation of Stanmore is set out in Table 8.4 below.

Table 8.4: Equity Value of Stanmore

	Reference	Low (\$ Million)	High (\$ Million)
Isaac Plains Complex	Section 8.3.3	344.4	369.1
Value of Stanmore's Mineral Assets	Section 8.4.1	69.5	153.6
Capitalised Corporate Overheads	Section 8.4.2	(17.9)	(17.9)
Other Assets and Liabilities	Section 8.4.3	(14.8)	(14.8)
Equity Value of Stanmore		381.2	490.0

Source: BDOCF analysis

Table 8.4 shows that our equity value of Stanmore is between \$381.2 million to \$490.0 million.

8.5.2 Value of a Stanmore Share

The value set out in Table 8.5 above incorporates the value of all Stanmore equity instruments on issue, including ordinary shares, and performance rights.

Table 8.5: Value of Stanmore's Ordinary Shares

	Reference	Low (\$ Million)	High (\$ Million)
Total SOP value of Stanmore	Section 8.5.1	388.4	500.8
Total number of Stanmore Shares	Section 5.4	257,589,487	257,589,487
Value per Stanmore Share (\$/share)		1.48	1.90

Source: BDOCF analysis

1 Inclusive all performance rights (4,589,487). In the event of a control interest transaction, all Stanmore performance rights automatically vest. As we are valuing Stanmore on a controlling interest basis, we consider it appropriate to assume 100% of the performance rights will vest.

Table 8.5 sets out our value of Stanmore's ordinary shares within the range of **\$1.48 to \$1.90** per share. We note that our sum-of-parts valuation of Stanmore provides a value per share for Stanmore on a controlling interest basis.

8.6 Market Based Valuation of Stanmore (Minority basis)

Our market based valuation of Stanmore prior to the Offer is set out as follows:

- ▶ Section 8.6.1 sets out Stanmore's recent share trading data;
- ▶ Section 8.6.2 sets out Stanmore's liquidity of ordinary shares; and
- ▶ Section 8.6.3 sets out our view as to the MBV of Stanmore prior to the Offer.

8.6.1 Analysis of Stanmore's Share Trading Data

Stanmore's ordinary shares are listed on the ASX and trade under the ticker 'SMR'. Information relating to the recent share trading data of Stanmore's ordinary shares along with an analysis of recent announcements made by Stanmore to the ASX are set out in Section 5.5.1 of this Report.

For the purposes of our MBV, we have assessed the VWAP of Stanmore shares over 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 19 November 2018, being the date the Offer was announced.

Table 8.6: Stanmore's VWAP for Specified Periods Prior to 19 November 2018

Period before 19 November 2018	VWAP (\$)¹
1 Week	0.8988
1 Month	0.9033
3 Months	0.8491
6 Months	0.8366
9 Months	0.8068
12 Months	0.7868

Source: Capital IQ as at 23 November 2018

1 VWAP data may differ from the data set out in the Bidder's Statement and Target's Statement due to differences in databases used. For the purposes of this Report, the differences are immaterial

We note the following:

- ▶ Stanmore's closing share price increased from \$0.8300 on 16 November 2018 to \$0.9850 on 19 November 2018 following the announcement of the Offer;
- ▶ The daily VWAP of Stanmore shares over the last 12 months before 19 November 2018 was lowest on 27 November 2017 at \$0.5387 and highest on 8 October 2018 at \$0.9922; and
- ▶ The VWAP of Stanmore shares over the periods specified before 19 November 2018 ranges from \$0.7868 to \$0.9033.

8.6.2 Liquidity of Stanmore Shares

Information on the liquidity of Stanmore shares is set out in Section 5.5.2 of this Report.

Assuming a weighted average number of 251,800,980 Stanmore shares on issue, approximately 41.61% of the total shares on issue were traded over the period from 1 December 2017 to 19 November 2018. In our view, this indicates that Stanmore shares display a moderate level of liquidity.

8.6.3 Conclusion on MBV (Minority Basis)

Having regard to the information set out above, in our view it is appropriate to adopt a value of \$0.84 to \$0.90 per Stanmore ordinary share on a minority interest basis for our market based valuation. The low end of our range reflects the 6-month VWAP prior to the announcement of the Offer while the high end of the range reflects the 1-month VWAP prior to the announcement of the Offer.

8.7 Comparison of our Sum-Of-Parts Approach and MBV of Stanmore

As stated in Section 8.1 above, it is our view that it is appropriate to consider the MBV relative to our Sum-of-Parts approach. In relation to our sum-of-parts and MBV, we note:



- ▶ Our sum-of-parts approach provided a value of a Stanmore share within the range of \$1.48 to \$1.90 per share (refer Section 8.5) on a controlling interest basis;
- ▶ Our adopted MBV of a Stanmore share is within the range of \$0.84 to \$0.90 per share (refer Section 8.6) on a minority interest basis; and
- ▶ Our MBV value range falls below the range adopted for our sum-of-parts approach, representing a discount between the low and high estimates of approximately 76% to 111% to our sum-of-parts valuation range.

In considering a comparison of the MBV and sum-of-parts approach, in our view it is not unusual to expect the MBV value range to be at a discount to the sum-of-parts valuation range. The reason for this is that share prices from market trading typically do not reflect the market value for control of a company while the sum-of-parts valuation is on a controlling interest basis. A controlling interest in a company is generally regarded as being more valuable than that of a minority interest as it may provide the owner with:

- ▶ Control over the operating and financial decisions of the company;
- ▶ The right to set the strategic direction of the company;
- ▶ Control over the buying, selling and use of the company's assets; and
- ▶ Control over the appointment of staff and setting of financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. Empirical research suggests that control premiums are typically within the range of 20% to 40%. We have provided additional discussion on control premiums in Appendix A.

In the case of Stanmore, the difference between the sum-of-parts valuation and MBV is higher than what is able to be explained from typical control premium ranges. Possible explanations for the difference include investor uncertainty in relation to Stanmore's ability to ramp-up its operations at Isaac Plains East to its stated underlying EBITDA of \$130 million to \$150 million and/or investors having a more bearish view on coal prices, a key input into our DCF valuation.

8.8 Conclusion on the Value of Stanmore Shares

In our view, for the purpose of our assessment of the Offer set out in this Report, it is appropriate to adopt a value in the range of \$1.48 to \$1.90 per Stanmore share on a controlling interest basis. This valuation range was determined having regard to our sum-of-parts methodology. We believe this value is appropriate having regard to the work of Palaris and the other information available for us to utilise for our sum-of-parts valuation. We have set out a sensitivity analysis in Section 8.3.4 to assist users of this Report that may have an alternative view on certain key assumptions adopted for our work.

Appendix A: Control Premium Analysis

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with control over the operating and financial decisions of the company, the right to set the strategic direction of the company, control over the buying, selling and use of the company's assets, and control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

Generally, control premiums may be impacted by a range of factors including the following:

- ▶ Specific acquirer premium and/or special value that may be applicable to the acquirer;
- ▶ Level of ownership in the target company already held by the acquirer;
- ▶ Market speculation about any impending transactions involving the target and/or the sector that the target belongs to;
- ▶ The presence of competing bids; and
- ▶ General market sentiment and economic factors.

To form our view of an appropriate range of control premium applicable to Stanmore for the purposes of this Report, we have considered information which includes:

- ▶ Recent independent expert's reports which apply control premiums in the range of 20% to 40%;
- ▶ Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- ▶ Our own research on control premiums implied by the trading data of ASX listed companies within the coal mining industry subject to control transactions. We have additionally had regard to broader comparable ASX listed companies within the mining industry. The average and median control premium found in our research are approximately within the range of 20% and 40%, based on one-day, one-week, and one-month prior trading prices;
- ▶ Various valuation textbooks; and
- ▶ Industry practice.

Having regard to the information set out above, in our view, it is appropriate to consider control premiums within the range of 20% to 40% for the purposes of assessing the Offer within the context of this Report.



Appendix B: Independent Technical Expert's Report - Palaris Report

Report

Stanmore Coal - ITE Service

Commissioning Party	BDO Corporate Finance (QLD) Ltd.
Client	Stanmore Coal Ltd.
Site	QLD
Date	11 December 2018
Doc No.	SMC4979-01

IMPORTANT NOTICE

The Client

BDO Corporate Finance Queensland (BDO) have commissioned Palaris Australia Pty Ltd (Palaris) to prepare an Independent Technical Specialists Report (ITSR) on the Stanmore Coal Ltd (SCL) suite of assets. This report includes a technical assessment of all the assets and inputs for assets considered appropriate for a discounted cash flow (DCF) valuation. It also includes an independent assessment of tenements that are unable to be valued using the DCF methodology for the purpose of determining 'fair value' (as prescribed under the Valmin Code).

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ABBREVIATIONS AND DEFINITIONS

The following is a list of abbreviations and definitions used in this report;

Term	Definition
BCM	Bank cubic meters
BFS	Bankable feasibility study
CHPP	Coal Handling and processing plant
DBCT	Dalrymple Bay Coal Terminal
Drilled Coal Inventory	All classified coal estimated in addition to JORC Coal Reserves and JORC Coal Resources
EA	Environmental authority
EIS	Environmental impact statement
EMS	Environmental management system
EPBC Act	Commonwealth Environmental Protection and Biodiversity Conservations Act 1999
EPC	Exploration Permit for Coal
FA	Financial assurance
FTE	Full time employee
FX	Foreign exchange
FY	Financial year
HSEC	Health, safety, environment and community
HV	High Voltage
ID	Isaac Downs
IP	Isaac Plains
IPC	Isaac Plains Complex
IPE	Isaac Plains East
IS	Isaac South
JORC	Joint Ore Reserves Committee Code, 2012
JORC Coal Reserve	An 'Ore Reserve' as defined in the JORC Code, 2012
JORC Coal Resource	An 'Inferred Mineral Resource', an 'Indicated Mineral Resource' or 'Measured Mineral Resource' as those terms are defined in the JORC Code, 2012, or all three together, depending on the context.
Kt	Thousand metric tonnes
LOM	Life Of Mine

Term	Definition
LOM Plan	Plan prepared by Stanmore Coal as its central operating plan for the expected life of mine of the relevant asset
MDL	Mineral Development Licence
MDLA	An application for a Mineral Development Licence
MIA	Mine Industrial Areas
ML	Mining Lease
Mt	Million metric tonnes
Mtpa	Million metric tonnes per annum
OEM	Original equipment manufacturer
OH&S	Occupational health and safety
Other Modelled Coal	All non-classified coal modelled within tenement limits in addition to JORC Coal Reserves JORC Coal Resources and Drilled Coal Inventory
Palaris	Palaris Australia Pty Ltd
PFS	Prefeasibility Study
ROM	Run of Mine
SCL	Stanmore Coal Pty Ltd
Total Modelled Coal	The sum of JORC Coal Reserves, JORC Coal Resources, Drilled Coal Inventory and Other Modelled Coal
Tph	Tones per hour
VALMIN Code	The 2015 edition of the Australasian code for public reporting of technical assessments and valuations of mineral assets

EXECUTIVE SUMMARY

BDO Corporate Finance Queensland (BDO) have commissioned Palaris Australia Pty Ltd (Palaris) to prepare an Independent Technical Specialists Report (ITSR) on the Stanmore Coal Ltd (SCL) suite of assets. This report includes a technical assessment of all the assets and inputs for assets considered appropriate for a discounted cash flow (DCF) valuation. It also includes an independent assessment of tenements that are unable to be valued using the DCF methodology for the purpose of determining 'fair value' (as prescribed under the Valmin Code).

Exploration Asset Valuation

This report includes a market valuation of ten non-producing projects. Valuation date nominated is 1 December 2018. The reports has been prepared in accordance with the VALMIN Code (2015). The valuation includes two pre-development projects, Isaac South and Isaac Plains Underground, and eight exploration projects. A summary of the projects (and associated tenements) is provided below. Eight of the projects have JORC Resource estimates. Isaac Downs (EPC728) and New Cambria have been assessed as early stage exploration tenements (without JORC Resource estimates).

Valuation tenements stage assessment

Project Name	Tenements	Sedimentary Basin	Resource Estimate	Reserve Estimate	Stage Assessment
Isaac South	EPC755	Bowen	✓	✗	Pre-development
Isaac Plains Underground	ML70342, ML700018, ML700019	Bowen	✓	✓	Pre-development
The Range	EPC1112, EPC2030	Surat	✓	✓	Late stage exploration
Clifford	EPC1274, EPC1276	Surat	✓	✗	Late stage exploration
Mackenzie	EPC 2081	Bowen	✓	✗	Late stage exploration
Belview	EPC1114, EPC1186, EPC1798	Bowen	✓	✗	Late stage exploration
Tennyson	EPC1168, EPC1580	Bowen	✓	✗	Early stage exploration
Lilyvale	EPC1687, EPC2157	Bowen	✓	✗	Early stage exploration
Isaac Downs	EPC728	Bowen	✗	✗	Early stage exploration
New Cambria	EPC1113, EPC2039, EPC2371	Bowen	✗	✗	Very early stage exploration

Projects with JORC Resource estimates have been valued using the Yardstick Method. The Method is based on a resource tonne multiple. A value per JORC compliant resource tonne (\$/t) range on a reference to comparable transactions is used. The multiples are adjusted to take into account attributes of the asset including resource classification, study status, coal type and quality, access to infrastructure and other relevant attributes.

The VALMIN Code (2015) requires at least two valuation approaches to be presented. Other valuation techniques suitable for exploration projects have been assessed and presented where appropriate, including:

- Appraised Value Approach (Multiples of Exploration Expenditure)
- Geoscientific Rating Approach (Kilburn method)
- Market Comparable Approach (EPC Size & Basin)

The results of valuation approaches have been compared in all cases, and reasons for selecting a preferred valuation approach provided.

The market valuation ranges for respective exploration assets is shown in the table below. Eleven tenements have been valued with total market value ranging from \$69.5 M to \$153.6 M, and a preferred valuation of \$106.1 M.

Project	Tenements	Basin	Preferred Valuation Method	Low (\$M)	High (\$M)	Preferred (\$M)
Isaac South	EPC755	Bowen	Yardstick	13.9	40.6	25.7
Isaac Plains Underground	ML70342, ML700018, ML700019	Bowen	Yardstick	10.7	31.2	19.7
The Range	EPC1112, EPC2030	Surat	Yardstick	10.8	17.2	14.3
Clifford	EPC1274, EPC1276	Surat	Yardstick	6.7	14.3	9.6
Mackenzie	EPC 2081	Bowen	Yardstick	2.4	7.4	5.1
Belview	EPC1114, EPC1186, EPC1798	Bowen	Yardstick	13.2	17.0	13.2
Tennyson	EPC1168, EPC1580	Bowen	Yardstick	2.5	5.6	4.2
Lilyvale	EPC1687, EPC2157	Bowen	Yardstick	1.4	7.7	4.2
Isaac Downs (Wotonga South)	EPC728*	Bowen	Appraised Value	7.8	11.7	9.7
New Cambria	EPC1113, EPC2039, EPC2371	Bowen	Market Comparable	0.1	0.9	0.4
Total				69.5	153.6	106.1

*EPC728 is not included in the Isaac Downs Base Case

Valuation date: 1 December, 2018
Currency: 2018 Australian dollars (A\$)
Ownership basis: 100% of asset with the exception of Clifford (60%), Mackenzie (95%) and Lilyvale (85%) and at the asset level only.
Note: Ownership percentages have not been independently verified.

Case Summary

This report includes a technical assessment and DCF inputs for the following assets. These are considered at an appropriate stage for a DCF valuation.

Producing Assets - LOM

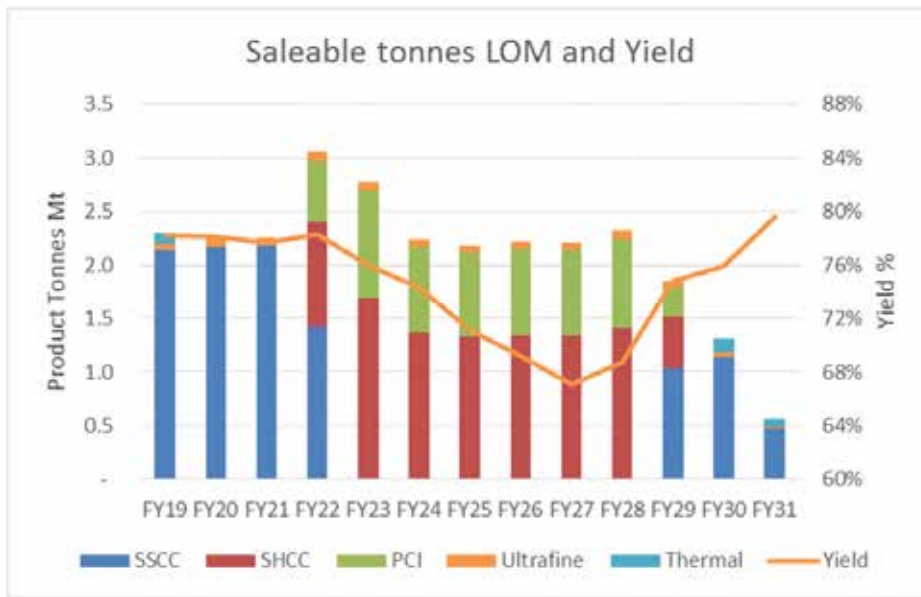
Tenement	Working Name	Sedimentary Basin
ML70342, ML700016, ML700017, ML700018, ML700019	Isaac Plains Complex	Bowen
MLD137, EPC755	Isaac Downs	Bowen

A base case and upside case were presented by SCL for the Isaac Plains Complex LOM plan (inclusive of Isaac Plains (IP), Isaac Plains East (IPE) and Isaac Downs (ID)). The main difference between the cases was the upside case included the expansion of Isaac Downs beyond ML137, the limit of the stated Resources. As such the base case has been used for the DCF inputs as the upside case as an opportunity only. A summary of the projected ROM tonnes mined and product mix are included in the following graphs. Note: FY19 throughout this report is based on the full financial year.



Source: Stanmore Coal LOM Base Case - Mining Inputs 04.12.18

Base Case ROM and strip ratio - Isaac Plains Complex (including Isaac Downs)



Source: Stanmore Coal LOM Base Case - Mining Inputs 04.12.18

Base Case Product tonnes - Isaac Plains Complex (including Isaac Downs)

The Isaac Downs asset is included with the Isaac Plains Complex since SCL are able to achieve the planned approvals, studies and minor infrastructure construction within the timeframe included in the LOM base case. This was demonstrated with the IPE asset which commenced mining within 6 months of the BFS study being completed.

Financial

The projected base case operating and capital expenditure presented by SCL have been reviewed and assessed to be reasonable. The LOM expenditure is summarised in the following two tables. The financial model and operating costs developed by SCL have been reviewed and considered reasonable.

Capital and Operating Expenditure (FY19 - FY25)

	Units	FY19	FY20	FY21	FY22	FY23	FY24	FY25
ROM Tonnes	M tonnes	2.6	2.8	2.9	3.8	3.5	2.9	3.0
Strip Ratio (ave)	Bcm/tonne	8.5	12.7	15.1	6.6	7.5	9.2	12.6
Yield	%	78%	78%	78%	78%	76%	74%	71%
Mining cash Costs	\$/Product t	57.7	77.3	89.2	45.2	48.4	55.2	77.3
Coal Processing	\$/Product t	13.1	12.5	12.0	11.6	12.0	12.4	13.0
Free on Rail cash costs	\$/Product t	70.9	89.7	101.2	56.8	60.4	67.6	90.3
Transportation	\$/Product t	15.1	15.9	15.8	14.8	14.6	16.1	16.4

	Units	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Marketing & Logistics & Corporate	\$/Product t	2.6	2.6	2.6	2.0	2.2	2.6	2.7
Royalties	\$/Product t	23.7	21.4	18.5	15.9	13.5	14.0	14.6
FOB cash cost	\$/Product t	112.3	129.7	138.1	89.5	90.7	100.4	124.0
Total Capital	\$M	28.8	24.2	25.5	35.1	9.8	8.8	8.9

Capital and Operating Expenditure (FY26 - LOM)

	Units	FY26	FY27	FY28	FY29	FY30	FY31	LOM
ROM Tonnes	M tonnes	3.1	3.2	3.3	2.4	1.7	0.7	36.0
Strip Ratio	Bcm/tonne	11.8	11.6	11.3	12.7	13.9	9.6	10.8
Yield	%	69%	67%	69%	75%	76%	80%	74%
Mining Costs*	\$/Product t	77.4	75.3	71.5	82.4	75.1	62.8	68.6
Coal Processing	\$/Product t	13.5	13.8	13.5	12.3	14.3	15.5	12.8
Free on Rail	\$/Product t	90.8	89.1	85.0	94.8	89.4	78.3	81.4
Transportation	\$/Product t	16.2	17.7	16.9	15.6	15.6	15.6	16.4
Marketing & Logistics & Corporate	\$/Product t	2.7	2.7	2.6	2.9	2.7	2.0	2.6
Royalties	\$/Product t	15.0	13.9	13.5	15.2	13.6	11.7	16.5
FOB	\$/Product t	124.7	123.4	118.0	128.4	121.2	107.6	116.9
Total Capital	\$M	9.0	9.0	12.2	8.5	10.6	6.7	197.1

*Mining LOM costs includes rehabilitation costs until FY35

Royalties have been reviewed and considered reasonable. Pricings discounts to benchmark have been reviewed and are considered reasonable.

Geology

SCL's assets in the Moranbah Area target seams in the Rangal Coal Measures. The Leichhardt seam is the primary target in all areas, with additional resources gained from the proposed Isaac Downs Mine. While the geology is fairly contiguous, common faulting results in a moderate level of complexity.

The resources in the operating assets (including Isaac Downs) are presented below.

Resources - as at May, 2018

Property	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Isaac Plains ¹	22.2	21.3	9	52.5
Isaac Plains East ²	12.9	8.8	8	29.7
Isaac Downs ³	18.7	3.7	0.3	22.7 ⁴

Isaac Plains and Isaac Plains East produce a semi-soft coking coal. Thermal coal is produced from Isaac Plains as a secondary product. Potential semi-hard coking coal and PCI can be produced from Isaac Downs, depending on washing strategies, and further carbonisation studies.

Isaac Plains Complex - Producing Asset

Mining

Mining at the Isaac Plains Complex is currently carried out with typical open cut mining methods; using a dragline supported by truck/shovel operations for coal mining and pre-stripping in advance of the dragline. A mining contractor operates and maintains the CHPP and Dragline assets as well as supplying and operating all other equipment required to operate the mine. The mining method currently employed at the Isaac Plains Complex is used throughout the coal mining industry and is well known and considered low risk.

Mining at Isaac Plains (IP) originally commenced in 2006 with an average production output of 2.8 Mt ROM per year. After SCL acquired the project in 2015, Isaac Plains reduced output to approximately 1.2-1.8 Mt ROM per annum in order to control costs in a low coal price environment.

Operations have recently commenced in the Isaac Plains East (IPE) pit and all operations will transition from the Isaac Plains pit to the Isaac Plains East pit in FY19. SCL plans to integrate the recently acquired Isaac Downs (ID) asset into the Isaac Plains Complex in FY22 as this has a lower strip ratio than the existing Isaac Plains Complex. When ID has been mined out, the operations will continue again in Isaac Plains East and then Isaac Plains.

Geotechnical

A geotechnical assessment was undertaken by GeoTek Solutions prior to the commencement of Isaac Plains East pit. GeoTek anticipated that geotechnical conditions at Isaac Plains East would be similar to those encountered at Isaac Plains. No major geotechnical issues are anticipated and existing geotechnical controls used at Isaac Plains should be effective at Isaac Plains East.

¹ Xenith, 2018a - Isaac Plains Coal Resource Estimate, May 2018; includes underground resources

² Xenith 2018b - JORC Resource Update, May 2018

³ Peabody Energy, 2018 - MDL137 Wotonga (South) Resource Statement, publ. Mar. 2018; prepared by Kane Maxwell

⁴ SCL report 22.9 Mt; an addition error is noted in source documentation

Known faulting extends across the entire area that has either been intersected by mining or located in seismic surveys. Occasionally, soft walling has been used at Isaac Plains to manage faults running almost parallel to pit high and end walls. SCL has identified further blocks in IPE that may require soft walling to control geotechnical conditions near known faulting.

Productivity

After comparing the dragline productivity assumptions against Palaris' productivity database, the dragline assumptions are regarded as reasonable.

Comparing SCL's excavator productivity assumptions against the Palaris' database showed that the assumed base case productivities for the EX5500 are in line with industry practice initially. Increased production assumptions in FY20-21 will require improvement in SCL's mining practices. If this were not achieved, additional contractor equipment and cost will need to be incurred.

Productivity rates are considered reasonable.

Mine Plan

The LOM mine schedule incorporates mining from Isaac Plains, Isaac Plains East and Isaac Downs from FY19 to FY31.

Opportunities

Due to the recent acquisition of the full Isaac Downs project, integrated planning has only recently commenced on Isaac Downs. Opportunity for further optimisation exists for the full Isaac Plains complex that will develop as part of the mine planning process.

The timing for commencement of mining at Isaac Downs will have a significant impact on the amount of waste to be moved. Lower strip ratio areas of Isaac Downs could be mined ahead of higher strip ratio areas in IPE if mining could be commenced prior to FY22.

Reserves

Measured Group Pty Ltd have prepared a reserves report for Isaac Plains Complex (IP and IPE). As of the date of this report, no JORC Reserves have been declared for Isaac Downs.

ROM Coal Reserves for the Isaac Plains Complex (30 August 2018)

	Category	LHD/LHU (Mt)	LHL (Mt)	Total (Mt)
Isaac Plains Mine	Proved	1.74	0.05	1.79
	Probable	0.85	0.08	0.93
	Total	2.58	0.13	2.72
Isaac Plains East	Proved	10.27	0	10.27
	Probable	1.88	0	1.88
	Total	12.15	0	12.15
Isaac Plains Complex (Total)	Proved	12.01	0.05	12.06
	Probable	2.73	0.08	2.81
	Total	14.74	0.13	14.87

Note: Tonnages and qualities in the above table are expressed on a ROM basis, incorporating the effects of mining losses and dilution, and on a 7.0% ROM moisture basis

Source: Open Cut Coal Reserves Estimate, Isaac Plains Complex Stanmore Coal Limited 30th August 2018, Measured Group Pty Ltd.

Marketable Coal Reserves for the Isaac Plains Complex (30 August 2018)

	Category	Semi-soft Coking Coal (Mt)	Thermal Coal (Mt)	Total (Mt)
Isaac Plains Mine	Proved	0.97	0.34	1.31
	Probable	0.55	0.15	0.70
	Total	1.52	0.49	2.01
Isaac Plains East	Proved	7.90	0.13	8.02
	Probable	1.46	0.02	1.48
	Total	9.36	0.14	9.50
Isaac Plains Complex (Total)	Proved	8.87	0.46	9.33
	Probable	2.02	0.17	2.19
	Total	10.88	0.63	11.51

Note: Tonnages and qualities shown in the above table are expressed on an as-received, product moisture basis of between 10.5% and 11.0% for semi soft coking coal, and between 9.0% and 9.5% for thermal coal, and account for product yield.

Source: Open Cut Coal Reserves Estimate, Isaac Plains Complex Stanmore Coal Limited 30th August 2018, Measured Group Pty Ltd.

Environment, Tenure and Approvals

Operating Projects

The Isaac Plains complex operates under multiple State and Federal Government approvals in relation to environment, tenure, native title and cultural heritage. A number of these approvals are still required to be obtained or amended in order to allow the full development of this area.

SCL is aware of the processes required to obtain these approvals and has commenced the necessary baseline / technical studies to support applications. From the information currently available there is unlikely to be any material issues to SCL in obtaining these approvals.

Rehabilitation is being undertaken however, no areas within the Isaac Plains complex have progressed through the State government's progressive rehabilitation certification process. SCL has provided \$11.6 M in financial assurance to the State government via a bank guarantee to account for its current rehabilitation requirements. Changes in the method via which financial assurance is calculated will occur once provisions of the *Mineral and Energy Resources (Financial Provisioning) Bill 2018* commence in 2019. These changes may increase SCL's costs due to the loss of current discounts but are unlikely to be material.

Pre-Development Projects

Isaac Plains Underground and Isaac South are subject to multiple State and Federal Government approvals in relation to environment, tenure, native title and cultural heritage. With particular reference to environment and tenure approvals a number of these are still required to be obtained in order to allow these projects to transition to a production phase.

SCL is aware of the processes required to obtain these approvals and has commenced the necessary baseline / technical studies to support applications. From the information currently available there is unlikely to be any material issues to SCL in obtaining these approvals.

Exploration Projects

SCL has the necessary tenures and approvals in place to continue conducting exploration activities.

Mine Infrastructure

The general status of existing infrastructure, including power, water, MIA and haul roads is considered sufficient to meet the requirements of the operation. It is considered that adequate capital and operating expenditure has been allocated to service the LOM plan.

Processing

The Isaac Plains Coal Handling and Preparation Plant facility was commissioned in 2006. The process flowsheet is a conventional design and includes a dual product dense medium cyclone circuit, a Teetered Bed Separator and a fine coal flotation circuit. The plant produces both a Primary High Yield Coking Coal (PHY) as primary product and Primary High Quality Thermal Coal (PHQ) as a secondary product.

A detailed report prepared by Ausenco has investigated the suitability of Isaac Plains Underground (IPU) and Isaac Plains East (IPE) at 500 tph for a minimum of 7,000 hours pa to process up to 3.8 Mt ROMpa in FY22. ROM production has ramped up during September, October and November 2018, and throughputs in the range 520 to 540 ROM tph have been achieved through the CHPP as delays due to “No Coal” have reduced significantly.

SCL is currently addressing modifications required to address plant bottlenecks. This approach seems reasonable, and given that annual throughput in excess of 3.5 Mt ROM/y is not required until FY22, the operation should have ample time to assess the positive impacts of the modifications and work practices and recalibrate focus and capital expenditure priorities as required.

The CHPP operation is considered sufficient to satisfy the requirements of the LOM budget, with adequate capital and operating cost allocations provisioned.

Port & Rail

Isaac Plains is serviced by a dedicated rail loop linking to the main Goonyella rail corridor and Dalrymple Bay Coal Terminal (DBCT).

SCL has the following arrangements in place for transport to DBCT:

Transportation contracts

Element	Term Expiry	Capacity
Port	2024 / 2028 + evergreen extension options	2.4 Mtpa
Above Rail	2024, with extension options	Up to 1.8 Mtpa, with additional capacity requested
Below Rail	2020, with renewal rights	1.2 Mtpa, with additional capacity requested

As announced recently, SCL has recently secured an additional 1.2 Mtpa of port capacity, providing a total of 2.4 Mtpa for the Isaac Plains Complex. Additional above and below rail capacity is currently being progressed to align with the newly acquired port capacity. There is a low likelihood of the additional above and below rail capacity not being secured to match the total port capacity, however this may be secured at a somewhat higher price than the current arrangements.

Additional capacity is required to meet short term peaks in production in some years. On the basis that these volumes are reasonably small in the context of the supply chain capacity, SCL has submitted applications to DBCT and APCT for further additional capacity to meet forecast production from the pre-development projects including Isaac Plains UG. The ability for SCL to obtain this capacity at DBCT will be contingent on the timing of commitment to these contracts and supply and demand at that time. In the event that capacity is not available at DBCT, SCL has registered interest at APCT. Palaris views that there is a risk of not being able to secure this capacity at DBCT.

Risk

No fatal flaws have been identified although key risks include the following (in order from highest material value).

Risks		
Area	Issue	Risk
Mining cost	Dragline planned to operate for additional 12 years LOM. Dragline is currently 40 years old and there is a risk that mining costs will increase (excavator operation instead of dragline operation) if the dragline suffers catastrophic breakdown	Medium
LOM costs	FOB costs are lower in FY22 and FY23 based on higher ROM and Product tonnes uncovered through maximum overburden removal production. Risk that production rates are not achieved and forecast tonnes are not achieved, increasing FOB costs in these years	Medium

Opportunity

SCL has two pre-development assets and eight exploration tenements and whilst further work will be required in terms of exploration and studies there is a high likelihood that there will be both a longer mine life than the one shown in the financial analysis and new stand-alone mines.

1 INTRODUCTION

1.1 Background

BDO Corporate Finance Queensland (BDO) have commissioned Palaris Australia Pty Ltd (Palaris) to prepare an Independent Technical Specialists Report (ITSR) on the Stanmore Coal Ltd (SCL) suite of assets. This report includes a technical assessment of all the assets and inputs for assets considered appropriate for a discounted cash flow (DCF) valuation. It also includes an independent assessment of tenements that are unable to be valued using the DCF methodology for the purpose of determining 'fair value' (as prescribed under the Valmin Code).

In November 2018 Golden Investments (joint venture between Golden Energy and Resources (GEAR) and Ascend Global Fund) made a bid for the takeover of the company (the Proposed Offer).

Palaris understands that this Independent Technical Specialists Report will be included in its entirety in the Independent Expert's Report being prepared by BDO. The Independent Expert's Report will be included in the target statement in relation to the proposed offer. This Independent Experts report will provide an opinion to SCL shareholders of whether the proposed offer is, fair or is not, and reasonable to the shareholders. Palaris understands this will be a public document.

The assets included in the ITSR are shown in Table 1.1.

Table 1.1 SCL tenements

Tenement	Working Name	Sedimentary Basin	Type of Asset
ML70342, ML700016, ML700017, ML700018, ML700019	Isaac Plains Complex	Bowen	Producing asset
MLD137, EPC755, EPC728	Isaac Downs	Bowen	Development project
EPC755	Isaac South	Bowen	Pre-development project
ML70342, ML700018, ML700019	Isaac Plains UG	Bowen	Pre-development project
EPC1112, EPC2030	The Range	Surat	Late stage exploration
EPC1274, EPC1276	Clifford	Surat	Late stage exploration
EPC 2081	Mackenzie	Bowen	Late stage exploration
EPC1114, EPC1186, EPC1798	Belview	Bowen	Late stage exploration
EPC1168, EPC1580	Tennyson	Bowen	Early stage exploration
EPC1687, EPC2157	Lilyvale	Bowen	Early stage exploration
EPC1113, EPC2039, EPC2371	New Cambria	Bowen	Very early stage exploration

1.2 Purpose of Report

The purpose of the report is to provide an ITSR on all of the SCL assets in accordance with requirements of the VALMIN Code (2015).

Please note:

- Under section 12.1 of the VALMIN Code (2015), John Pala has acted as an independent Representative Expert nominated by Palaris with no interest in the mineral asset, nor any association that may lead to bias
- Palaris understands that (in accordance with Clause 23 of the Valmin Code) the nature of the proposed work does not involve valuation of Securities, rather valuation of related assets
- Palaris is not the holder of an Australian Financial Services Licence

1.3 Public Reporting

1.3.1 Written Engagement

A written agreement between Palaris and BDO was executed by both parties prior to undertaking this engagement.

1.3.2 Cost and Independence

Palaris Australia (Palaris) is an independent mining consultancy based in Newcastle, NSW Australia and was commissioned by BDO on a fee for service basis according to Palaris standard scheduled of rates. The Palaris fee for the preparation of this report totalled AUD207,374 + GST. Palaris will derive no benefit based on the outcome of the technical assessment or valuation or the success or failure of the transaction for which this report was required.

This report has been based on a site visit, management meetings and discussions as well as a technical review by a team of consultants and associated network over a three week period.

Personnel preparing this report satisfy the requirements of independence under the VALMIN Code (2015) Section 4.2.

1.3.3 Provision of Previous Reports

The report has been based on data and information provided by SCL or available in the public domain. SCL has confirmed that all material data and information relevant to the ITSR for all mining tenements has been provided to Palaris.

Palaris does not accept responsibility for any errors or omissions in the supplied information or data and does not accept any consequential liability arising from third party use of it. Palaris reserves the right to change its assessment and subsequent ITSR should any of the fundamental information or data provided by SCL be significantly or materially revised.

Palaris has not previously undertaken a valuation analysis or reporting in relation to the coal mining assets of SCL and all opinions, findings and conclusions expressed in this report are those of the specialists who completed this report.

Table 1.2 outline all previous work that Palaris have completed for SCL.

Table 1.2 Previous Palaris Stanmore Coal Project List

Report Number	Project Name	Date
SMC4847	Independent Peer review of UG cost estimation	Sep-18
SMC4354	Minyango Due Diligence	Jun-17
SMC4341	Isaac Plains east IPR	Nov-17
SMC4323	Isaac Plains East Model review and OP readiness	Jun-17
SMC4186	Rehabilitation Liability DD	Jan-17
SMC4179	Isaac Plains Reconciliation process	Feb-17

With respect to legal matters pertaining to SCL, Palaris refers to the BDO documents as this ITSR specifically excludes all aspects of legal issues, land titles and commercial agreements, except such aspects as may directly influence technical, operational or cost issues. Palaris is not qualified to express legal opinion and has not sought any independent legal opinion on the ownership rights and obligations relating to the Coal Assets under licence or any other fiscal or legal agreements that SCL may have with any third party in relation to the SCL assets. Dispensation has been granted in this regard from inclusion in this report.

1.3.4 Materiality

Palaris believes that it has taken into consideration all available information and data relevant to the preparation of the independent technical assessment and valuations, as required by VALMIN Code, 2015. A list of specific information taken into consideration and the source of this information is contained in Section 21. Palaris is of the view that issues of material consequence are properly considered in this report.

1.4 Process

Palaris developed sufficient technical understanding of all SCL operating assets, advanced projects and exploration tenements to enable analysis and compilation of the ITSR. This technical understanding occurred through the following process:

- Meetings with SCL and BDO management to understand the assets for valuation and associated production, development and business strategies.
- Inspection of the Isaac Plains Complex and processing and infrastructure facilities
- Analysis of exploration results (drillings, sampling and quality assurance / quality control data, resource modelling, resource estimation, classification and reporting)
- Analysis of operating LOM plans (physicals, capital expenditures, operating expenditures)
- Analysis of relevant technical documents including:

- Geological reports and models
 - Most recent studies for all assets
 - JORC Resource and Reserve reports for each asset
 - Schedules for operating and advanced projects (OC using Spry) and UG using Xpac
 - Mining operations and proposed development options
 - Coal preparation facilities, handling and transport
 - Environmental tenure, approvals and risks
 - Financial models
 - Key assumptions underpinning the assessment
- Assessment and benchmarking of SCL asset production assumptions, mining rate and production schedules against asset historical performance and industry benchmarks
 - Assessment of forward capital and operating costs for reasonableness against historical performance and industry benchmarks.
 - Assessment of material technical issues that were likely to impact the LOM of the SCL operating assets and pre-development projects

Technical information provided by SCL was taken on good faith and was not independently verified by Palaris by means of an independent re-estimation of Coal Resources, Coal Reserves or schedules.

Palaris considered the technical information supplied by SCL to be appropriate for independent peer review and public reporting purposes.

1.5 Declaration

1.5.1 Standard

This report has been prepared in accordance with the VALMIN Code (2015). The information in this report that relates to Technical Assessment and Valuation of Mineral Assets reflects information compiled and conclusions derived by the Palaris team under supervision of John Pala, who is a Member of The Australasian Institute of Mining and Metallurgy and a permanent employee of Palaris Australia Pty Ltd.

John Pala has sufficient experience relevant to the Technical Assessment and Valuation of the Mineral Assets under consideration and to the activity which he is undertaking to qualify as a Practitioner as defined in the 2015 edition of the 'Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets'. John Pala consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

1.5.2 Contributing Authors

Palaris is a team of multidisciplinary and highly experienced professionals providing a range of services to the resources industry. The Company specialises in due diligence assessments, mineral project evaluations, technical geological and mining consulting.

The relevant qualifications and areas of contribution of the Palaris team that undertook this project are summarised in Table 1.3 below.

Table 1.3 Contributors qualifications and contributions

Team Member	Qualifications	Years of Industry Experience	Professional Membership	Areas of Contribution
John Pala	BE Mining, NSW Mine Managers Certificate of Competency, JORC competent	35	AusIMM (Member)	Valuation
Glen Fewings	BE Chem (Hons), DipOHSM	35	ACPS (Immediate Past Chairman)	Processing and Infrastructure
John Bamberry	BAppSc (Hons) NSWIT, PhD UOW, Dip. Business, JORC competent	30	Member AIG	Geology of all producing assets and pre-development assets
Tracey Rock	BE Mining, GDipEc, JORC competent	25	AusIMM (Member)	Financials of OC assets
Brad Willis	BSc (Hons), GCertAppFin, JORC competent	20	AusIMM (Member)	Technical Assessment and Valuation of exploration assets
Scott Dale	B App Sc - Environmental Heath, GDip - Business Management	20	EIANZ (Member)	Environment, Tenure and Approvals
Michael Ryan	BComm, LLB(Hons), CA, AAICD	20	Nil	Rail and Port
Joel Plavecky	MBA (Oil & Gas), BE Mining, NSW Mine Managers Certificate of Competency	17	Nil	Mining of UG assets
Martin Hibberd	BE Mining, NSW Under Managers Certificate of Competency, B Ec, GDipAppFin	17	Nil	Technical Assessment and Valuation
James Smith	BSci/BTeach, GDip Mine Eng, MBusiness	16	AusIMM (Member)	Producing Assets - Mining
Heath Shepherd	BSc (Hons), MMinEng (Mine Geomechanics) UNSW	10	AusIMM (Member)	Technical Assessment and Valuation of exploration assets
Angus Lamond	BE Mining, NSW Open Cut Mine Managers Certificate of Competency	8	Nil	Technical Assessment of pre-development assets
Matthew Whittenbury	BE Mining (Hons), GCertCom	7	AusIMM (Member)	Technical Assessment of exploration assets

1.5.3 Corporation and Licences

Report is issued by Palaris Australia Pty Ltd, Level 1, 384 Hunter Street Newcastle NSW 2300, Australian Business Number (ABN) 13 093 424 867.

1.5.4 Sign-Off

The expert is a member of the AusIMM and is subject to its code of ethics.



John Pala
Managing Director
Palaris Australia Pty Ltd

11 December, 2018

1.6 Valuation Risks

This section includes the overall valuation risks for the tenements included in the Exploration Projects section of this report, Isaac South, Isaac Plains Underground and Isaac Downs (EPC 728). Specific risks identified for Isaac South and Isaac Plains Underground are included in Section 17 and risks identified for each exploration project are included separately in Section 19.

The valuation considered the available data at valuation date as well as the prevailing rules and regulations at that point in time. This valuation takes no account of changes in key valuation determinates (e.g. coal pricing, government regulations etc.) after valuation date. The risks around deriving an accurate valuation as at valuation date are outlined below.

All mineral projects involve risk. These can be considered as general risks and project specific risks. General risks which could impact on the valuation estimate include:

- Coal selling price and exchange rate fluctuations could fail to support mine development for any identified resources
- Access to transport infrastructure may be constrained
- Taxation or political risks - cost imposts could be imposed which prevent the establishment of a viable mining operation

Project Specific Risks include:

- Resource risk - further exploration might not confirm the existence of economic resources or reserves. Palaris regards this risk as a significant risk and the highest risk to the projects
- Geological risks - further exploration or mining operations might reveal the presence of structures or deposit features such as unfavourable coal quality which make mining/

marketing unviable. Palaris regards this risk as a significant risk and the second highest risk to the projects

- Environmental risks - environmental studies might result in substantial constraints to recovery of coal resource
- Approval risk - approval might not be granted or contain untenable operating conditions
- Constraints which may arise through overlapping tenements
- Market Factors were applied to two of the valuation techniques; the selection of this multiple was a subjective assessment relying on judgement and experience of the authors
- The Applied Valuation technique considered a cost estimate of the historic exploration expenditure associated with each tenement. A discount / premium to the exploration spend was made via the Palaris derived PEM factor which took into consideration geological prospectivity and exploration results, coal type as well as infrastructure access. The estimate of the PEM was reliant on judgement and experience of the authors
- Development of the Surat Basin Projects is contingent on the development of the Surat Basin Rail Project or an alternative development
- All valuation techniques relied on calculations as well as subjective assessments based on the authors' experience and judgement

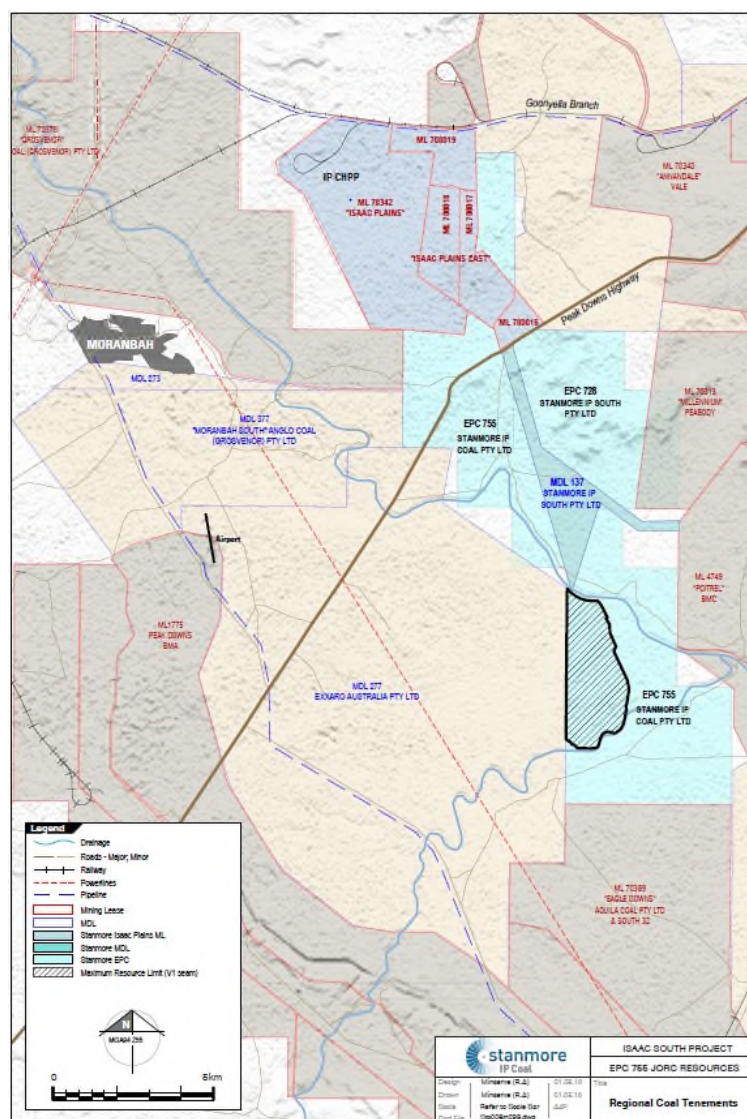
Palaris has made certain assumptions about the levels of risk in arriving at its valuation. Further information could show the Palaris assumptions to be invalid. Any consideration of the Palaris Valuation estimate should take into consideration the level of risk associated with the assumptions made.

PRODUCING ASSETS

The assets included in this section are described in Table A.1 and shown in Figure A.1

Table A.1 Producing Assets

Tenement	Working Name	Sedimentary Basin
ML70342, ML700016, ML700017, ML700018, ML700019	Isaac Plains Complex	Bowen
MLD137, EPC755, EPC728	Isaac Downs	Bowen



Source: Stanmore Coal: Resource and Reserve update

Figure A.1 Isaac Plains Complex - Regional Tenements

2 GEOLOGY AND COAL QUALITY

2.1 Summary

The operating assets of SCL include Isaac Plains and Isaac Plains East mines. In 2015, SCL completed acquisition of Isaac Plains and Isaac Plains East. The Isaac Plains mine commenced operations in 2006, and at the time of acquisition, the former owners (Vale S.A. and Sumitomo Corporation) had placed the mine into care and maintenance. At that time, the JORC resources for the site were 30 Mt with open cut reserves of 5.0 Mt⁵. At the time of writing, the Isaac Plains mine is extracting coal from the few remaining strips in Isaac Plains. First coal from Isaac Plains East (formerly “Wotonga”) was mined in August, 2018.

SCL hold title to EPC 755 and recently acquired the Wotonga South project (MDL 137) and adjacent EPC 728. SCL have rebranded Wotonga South as “Isaac Downs”, and this encompasses MDL 137, and parts of EPC’s 755 and 728. Coal resources have been defined within MDL 137⁶ (north of the Isaac River) and in also in the southern part of EPC 755⁷ (Isaac South; see Section 11.2).

2.2 Geology

2.2.1 Regional Geology

The SCL mines are located in the northern part of the Bowen Basin, Australia’s premier source of coking coals.

The Early Permian to Middle Triassic age Bowen Basin occupies about 160,000 km² and has a maximum sediment thickness of 10 km. The basin is subdivided into a number of structural units with two major depositional centres in the Denison Trough to the west, and the Taroom Trough to the east. In each of these sub-basins, considerable thicknesses of coal-bearing units are developed in multiple coal measure sequences, as shown in Figure 2.1.

The coal measure sequences include, in descending order:

- Rangal Coal Measures and its lateral equivalents
- Fort Cooper Coal Measures its lateral equivalents
- Moranbah Coal Measures/German Creek Formation
- Collinsville, Blair Athol and Wolfgang Coal Measures
- Reids Dome Beds and equivalents

The coal seams in the Bowen Basin exhibit major variations in rank and quality, affected by both the depositional and tectonic history of the basin. SCL’s mines and pre-development projects target seams in the Rangal Coal Measures. While the coals in this sequence vary considerably in

⁵ SCL ASX Announcement, dated 30th July, 2015

⁶ Peabody, 2018 - MDL 137 Wotonga (South) resource statement, May 2018

⁷ JB Mining, 2018 - EPC755 Isaac Plains South - Resource Statement as at June, 2018

rank, they are characterised by a low level of reactive macerals and low sulphur content. As such, they are of major economic importance as a source of coking, PCI and thermal coals⁸.

The Bowen Basin initiated with rifting in the Early Permian, resulting in isolated fault-bounded basins, filled with volcanics and sediments. Cessation of rifting in the Middle Permian resulted in thermal relaxation and widespread marine conditions until the Late Permian. Progressive infill of the basin affected deposition of widespread coal measures, such as the Moranbah and Rangal Coal Measures.

Thrust faulting into the western part of the basin during Middle Triassic added structural complexity to the basin, followed by intrusion of sills and dykes in the mid-Cretaceous.

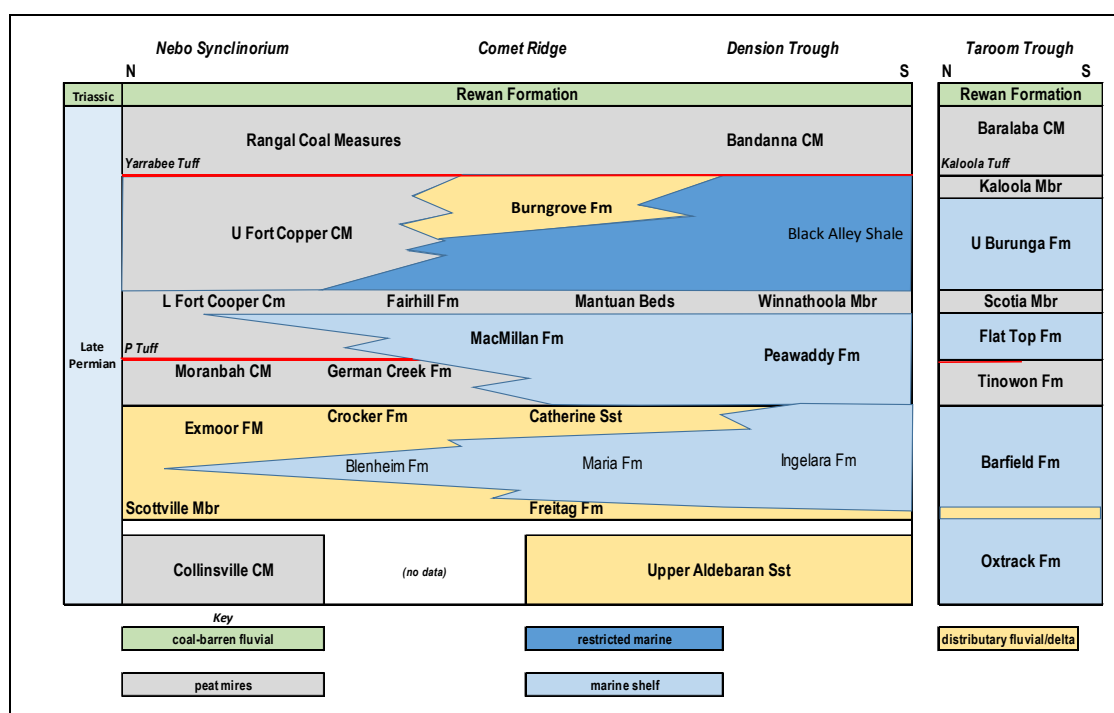


Figure 2.1 Stratigraphic chart of the Bowen Basin (modified from Silwa and Esterle, 2016⁹)

2.2.2 Local Geology

Figure 2.2 illustrates the solid geology (source: Bowen Basin regional geology, DNRM). The SCL properties in the Moranbah area are located on belts of sub-cropping Rangal Coal Measures, which are dislocated, and/or repeated by regional thrust faults (Burton Range, Isaac Thrusts).

⁸ Mutton, 2003 - Queensland Coals, Physical and Chemical Properties, Colliery and Company Information, DNRM

⁹ Silwa, R and Esterle, J. 2016 In The APPEA Journal (56(2) 598-598

The Burton Range Thrust separates the Isaac Plains and Isaac Plains East deposits, and forms a subsurface limit to open cut and underground resources at Isaac Plains. Southwards, this thrust passes through to the eastern parts of EPC 755.

A parallel thrust, Isaac Thrust, defines the boundary of the Isaac Downs deposit (formerly Wotonga South) and has a subparallel trend to the Burton Range Thrust (Figure 2.2).

The seams in the Rangal Coal Measures in the area dip eastwards at shallow angles, generally in the range 4 to 10 degrees. Local geological structure is complicated by normal and reverse faulting, which is commonplace through the Isaac Plains - Isaac South area.

The local stratigraphy of the Isaac Plans Complex and Isaac Downs is summarised in Table 2.1.

At Isaac Plains and Isaac Plains East, Quaternary-Tertiary age sediments are thin (1-5 m), and conceal subcrops of the Rangal Coal Measures (50-90 m thick) and Rewan Group (0- 50 m thick). At Isaac Downs, base of weathering is ~20 m depth.

Table 2.1 Stratigraphic units - Isaac Plains Complex

Unit	Description	Stratigraphic units
Quaternary - Tertiary	Sand, gravel, alluvium, basalt	
Rewan Group	Interbedded sandstone, siltstone	
Rangal Coal Measures	Sandstone, siltstone, carbonaceous mudstone, coal	Leichardt seam Upper Vermont seam
Fort Cooper Coal Measures	Siltstone, sandstone, tuff, coal	Yarrabee Tuff Lower Vermont seam Girrah seam

The Leichhardt seam is currently mined at SCL's mines. The Leichhardt seam, at Isaac Plains, is fairly uniform and comprises a single seam commonly 3.5 m thickness. The seam splits in the northern part of Isaac Plains mine into the Leichhardt Upper (2.3 m thick) and Leichhardt Lower (0.7 m thick) seams.

The Vermont seam group occurs 25 to 30 m below the Leichhardt seam and ranges in thickness from five to seven metres. In this area, it is generally of poor quality due to high ash content. The Vermont seam coalesces with the underlying Girrah seam belonging to the Fort Cooper Coal Measures and forms a high-ash, banded seam up to 20 m thickness. No resources in the Vermont seam have been defined in SCL's current mine leases.

At Isaac Plains East, Quaternary-Tertiary sediments tend to be thicker (10 m average), and the target Leichhardt seam is typically 2.8 m thickness. A thin seam (Leichhardt Lower) occurs nine metres beneath the main Leichhardt seam, is 0.8 m thick and is not considered a "resource". Local thickening and thinning of the main Leichhardt seam around faulting occurs in both Isaac Plains and Isaac Plains East.



Figure 2.2 Isaac Plains Complex - solid geology

The main difference between Isaac Downs and Isaac Plains Mine area is that the Leichhardt seam occurs in close proximity to the Vermont seam, and as such, the Vermont seam is considered as part of the mining sequence.

The seam sequence at Isaac Downs is listed in Table 2.2. The Leichhardt seam consists of three plies (LU, LL and LL1). In consideration of this deposit, working sections have been identified and include LULL (LU/LL combined), LL1VU1 (LL1 plus VU1) and LL1VU (LL1 to VU2 combined). Respective average thicknesses of the LULL, LL1VU1 and LL1VU working sections are 3.1, 2.2 and 3.0 m. In places the working sections are separated by thin interburden, which for the most part, are <0.5 m thick.

Table 2.2 Coal seams - Isaac Downs

Isaac Downs	Ply	Typical thickness (m)	Raw ash (ad) (%)
Leichhardt seam	LU	1.5	15.8
	LL	1.9	16.6
	LL1	0.8	18.3
Vermont	VU1	1.3	10.7
	VU2	0.45	23.2
Yarrabee Tuff			

2.2.3 Structure

The dip of the Leichhardt seam in Isaac Plains is three degrees eastwards, and five to ten degrees eastwards in Isaac Plains East. Dip of the seams at Isaac Downs is two-three degrees.

Isaac Plains and Isaac Plains East are separated by the Burton Range Thrust, which dips at shallow angles to the east and is interpreted to have a throw of 180 m. The thrust fault is significant in that the Leichhardt seam at Isaac Plains East, is thrust over the same seam at Isaac Plains to the west.

In addition to this fault, reverse and normal faults are present across both mine sites. Reverse faults tend to strike north-south, whereas normal faults are generally of east-west orientation. Sixty faults have been defined in the geological model for Isaac Plains, and these faults range from a <1 up to 30 m throw¹⁰. Sixteen significant faults with throws greater than ten metres have been defined in the Isaac Plains area¹¹.

¹⁰ Xenith, 2018a - Isaac Plains Coal Resource Estimate, May 2018.

¹¹ Xenith, 2018b - JORC Resource Update, May 2018

These faults compartmentalise pits along strike, and influence local thickening and steepening of dips, in part. The extent of faults that are included in geological models, is shown in Figure 2.3. Faulting has also been defined in the Isaac Downs and Isaac South areas.

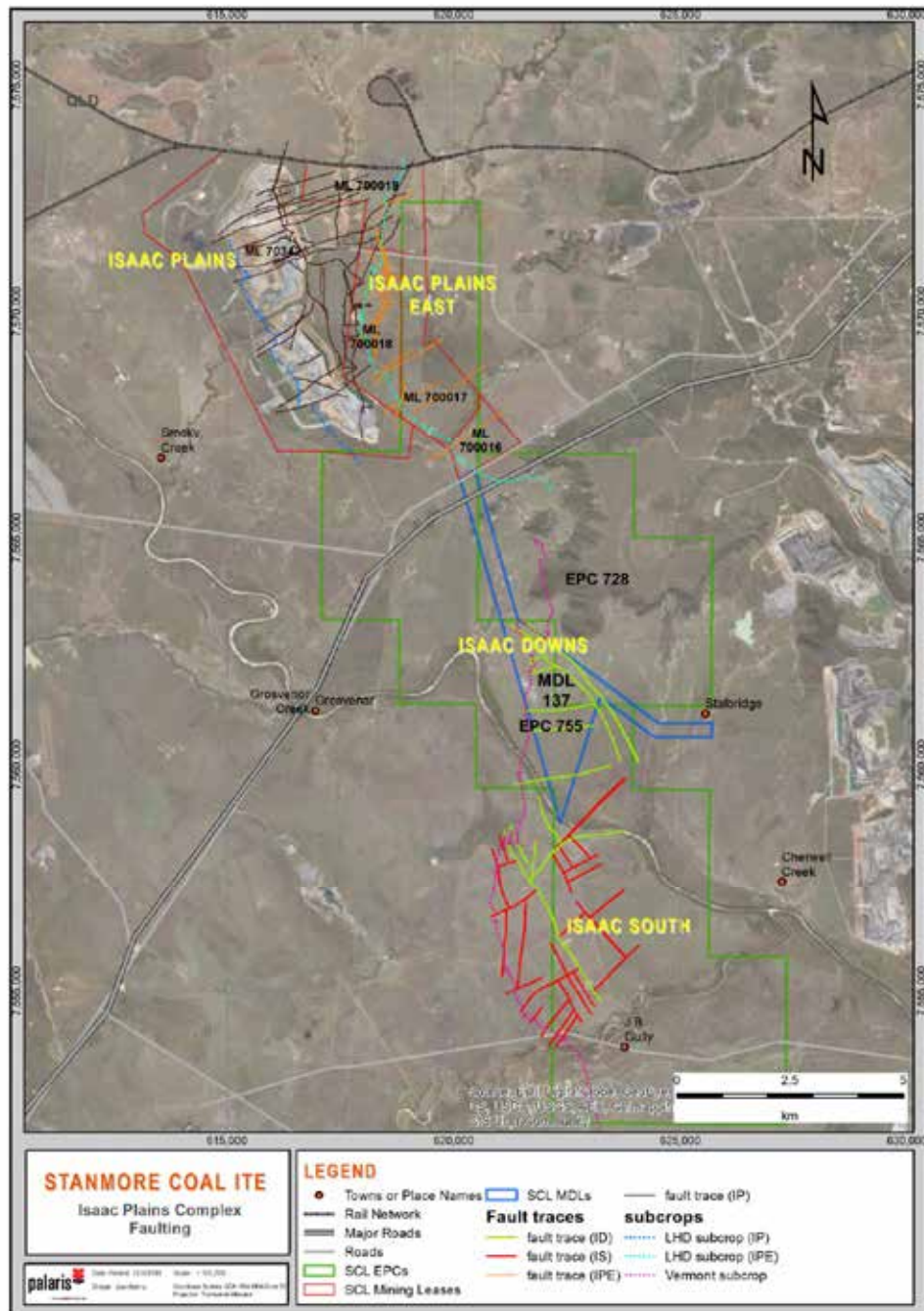


Figure 2.3 Faults in Isaac Plains area

2.2.4 Igneous Intrusions

Localised intrusions have been identified in the northern and south parts of Isaac Plains and Isaac Plains East. These intrusions locally affect coal quality, and occur as sills or dykes. Coal affected by these intrusions has been drilled, and limits of intrusions well-defined by geophysical surveys. These bodies have only a minor impact on sterilisation of resources.

No igneous intrusions have been identified in Isaac Downs.

2.3 Exploration and Geological Modelling

2.3.1 Isaac Plains and Isaac Plains East

In the 1960's and 1970's, Utah Development and Thiess Mitsui explored large exploration permits leading to the identification of many of the mines and projects that exist within the area. For the most part, this exploration was focused on shallow coal less than 60 m deep.

The Leichhardt seam was intersected in 16 holes drilled in the northern part of the area by Nebo Coal in EPC667.

Significant exploration activity was undertaken by Bowen Central Coal Management commencing in April, 2004 to prove up the reserves of the Isaac Plains Mine. This work consisted of 559 holes (35,754 m) to define an initial 48.8 Mt resource. Other significant work undertaken by Bowen included seven HQ cores, seventeen 200 mm cores at five sites, and 89 x 100 mm cores. LOX drilling was undertaken in 149 holes, with lines 60 m apart. Geophysical surveys includes 18 km of 2D MiniSosie and ground magnetic surveys.

In 2008, Bowen drilled an additional 278 holes (19,206 m) on behalf of Isaac Plains Coal Management (JV between Vale and Aquila).

SCL commenced exploration in Isaac Plains shortly following acquisition in 2015. Drilling work undertaken by SCL is summarised in Table 2.3. This has comprised a combination of open holes, largely to define structure and seam continuity, and cored holes for coal quality and geotechnical investigations.

In 2017, this included drilling to test geotechnical conditions, coal quality and gas. All holes drilled by SCL, with exception of a few, were geophysically logged within multi-density, caliper, gamma and verticality tools, with select holes logged with sonic (multi-wave or full-wave form), acoustic scanner and neutron.

Due to the structural complexity of the deposit, seismic surveys have also been undertaken to define the extent of faulting and seam continuity. The surveys have included 2D and 3D seismic, the latter focused on Isaac Plains underground resource. A summary of the seismic surveys is presented in Table 2.4.

Table 2.3 Summary of drilling undertaken by SCL for Isaac Plains and Isaac Plains East

Period	Isaac Plains	Isaac Plains East
2015/16	66 open holes 9 core holes	13 open holes 12 part core holes 100 LOX holes
2016/17	14 open holes 5 core holes	28 open holes 9 part core holes 71 LOX holes
2017	19 part cores holes (underground area) 14 chip holes	24 open holes 8 part core holes 22 LOX holes

Table 2.4 Summary of seismic undertaken over Isaac Plains and Isaac Plains East

Year	Extent	Lines
2004	8.7 km	3
2005	9.3 km	3
2016	32.0 km	15
2017	6 km ²	-

In addition to drilling and seismic, ground magnetic surveys have been used to delineate igneous intrusions, and further assist in fault interpretation.

2.3.2 Isaac Downs

Ninety four drill holes exist within MDL137 extents, and comprise twenty coal quality holes, four water monitoring boreholes and seventy chip holes. Forty nine of these holes were drilled prior to 2004; eleven core holes were drilled between 2004 and 2016, and 57 % of the holes are accompanied by geophysical logs.

Vibroseis seismic surveys were undertaken by MGC Resources Pty Ltd in the 1990's in the areas surrounding MDL137.

2.4 Geotechnical

Geotechnical tests have been undertaken on cores for both evaluation of open cut and underground resources at Isaac Plains. These have included unconfined compressive strength, point load, slake durability and tri-axial tests. Additionally, interpretation of geophysics and referral to geotechnical specialists have been included in the process of building up geotechnical models of the resource.

Standard geotechnical logging and sampling techniques have been applied to cored holes within MDL137. Geotechnical characterisation in both Isaac Downs and Isaac South requires further work to describe the characteristics of overburden and interburden materials, effect of faults and other structural defects on wall stability, determine influence on pit floor and dump stability of the Yarrabee Tuff and investigate connectivity of the groundwater table and Isaac River.

2.5 Coal Quality

2.5.1 Isaac Plains and Isaac Plains East

Raw coal quality of the Leichhardt seam in both mine areas is presented in Table 2.5. In its raw form, the coal is a medium ash, medium volatile bituminous coal with low sulphur content and high energy.

Table 2.5 Raw quality of Leichhardt seam, based on resource areas

Property	Isaac Plains ¹²	Isaac Plains East
In situ relative density (t/m ³)	1.42	1.40
Ash (ad) %	16.6	13.8
Moisture (ad) %	2.5	2.3
Volatile matter (ad) %	24.4	24.1
Fixed carbon (ad) %	56.2	59.7
Total sulphur (ad) %	0.39	0.48
Gross calorific value (ad) kcal/kg	6,666	7,005

Source: SCL, ASX Release, Open cut Coal Reserve Update - Isaac Plains Complex 24th Aug. 2018

The rank of the coal averages 0.98 % (R_omax) (Isaac Plains) with a slight increase at Isaac Plains East where the rank is 1.05 % (R_omax). Like the Rangal Coal Measures elsewhere, the seam contains low levels of vitrinite (nominally in the range 37-45 % by vol.).

The coal at Isaac Plains is processed to produce a primary semi-soft coking coal and a secondary thermal coal. Study work on the Isaac Plains East deposit indicates that this deposit yields a primary product to be marketed as a “weak coking coal”; product ash content from Isaac Plain East being slightly lower than that achieved from Isaac Plains.

The specifications of the Isaac Plains semi-soft and Isaac Plains East weak coking coal are presented in Table 2.6. These two coals are very similar, with the exception of ash chemistry, reflectance and vitrinite content.

¹² Includes Leichhardt split and underground resource area

Table 2.6 Product specifications for IP semi-soft and IPE weak coking coal

Analysis	Basis	IP Semi-Soft Coking Coal	IPE Weak Coking Coal
General analysis			
Total moisture %	ar	10.5	10.5
Moisture %	ad	2.5	2.5
Ash %	ar	8.6	8.7
Volatile matter %	ar	23.3	22.9
Fixed carbon %	ar	57.2	57.9
Total sulphur %	ar	0.33	0.37
Phosphorus %	ar	0.09	0.05
Gross Calorific Value kcal/kg	ar	6,824	6,802
HGI	ad	66	71
Ultimate analysis			
Carbon %	daf	87.1	87.2
Hydrogen %	daf	5.1	4.9
Nitrogen %	daf	1.8	1.8
Sulphur %	daf	0.4	0.4
Oxygen (by diff) %	daf	5.7	5.6
Carbonisation analyses			
CSN		4	4
Gieseler Plastometer			
Plastic Range °C		53	46
Max Fluidity ddpm		75	75

Source; SCL, IP and IPE coal specification

The washed coal yields and historic product splits (since Isaac Plains recommenced operations) are presented in Table 2.7, showing a ~70/30 split of semi-soft/thermal coal from a 70.4% total yield in FY2018.

The life-of-mine predicted total yield for the Isaac Plains East deposit is 74 % yield, which includes the primary semi-soft (weak) coking coal product of 9.5% (ad). This yield is aligned to a “high-yield” washing strategy, which delivers the primary coking product plus a small percentage of secondary thermal product (product split semi-soft coking coal: 97.7% thermal: 2.3%).

At Isaac Plains East, the Leichhardt seam is lower in raw ash than at Isaac Plains, is finer and has better washability¹³, and as such, the product split is favourable for greater production of semi-soft.

Table 2.7 ROM Coal, Product sales, yield and product splits - Isaac Plains mine

Financial Year	ROM coal (kt) open cut	ROM coal (kt) HW mining	Product Sales (kt)	Product Yield	Met. Split	Thermal split
2018	1,643	-	1,318	70.4	70%	30%
2017	1,521	217	1,024	74.5	75%	25%
2016	331	14	156	71.4	61%	39%

Source: SCL Annual reports, 2016-2018

Two washing strategies have been defined for the CHPP at Isaac Plains:-

- Primary high quality mode - the duller coarse fraction from the DMC product is directed to secondary thermal, resulting in an enhancement of the primary coking product
- Primary high yield mode - the coarse fraction remains in the primary coking product

Although the Leichhardt seam consists of a single seam, at Isaac Plains East, an upper two-metre section (LHD1) and lower one-metre basal section (LHD2) show different coking characteristics.

The combination of washing in the different modes, combined with selective or whole seam mining, have been reviewed in the BFS for Isaac Plains East. The top section (LHD1) is characterised by Quick Floats CSN ~3, whereas the lower section (LHD2) has a CSN is ~6. Maximum fluidity of the upper and lower sections are 40 ddpm and 300 ddpm respectively. The higher CSN in the lower ply is driven by higher vitrinite content (46 to 52%, depending on washing mode). Vitrinite content of the whole seam is lower at Isaac Plains East (38 %), compared to 45% in Isaac Plains shipments. Estimated Coke Strength after Reaction (CSR) for Isaac Plains and Isaac Plains East suggest values of 31 to 39.

As such, three products may be produced from Isaac Plains, depending on wash strategy or selective mining, and include semi-hard, semi-soft and thermal coals. SCL have adopted a strategy of producing a single 9.5% SSCC from Isaac Plains East¹⁴.

Indicative specifications of the semi-hard coking coal and the specifications of the thermal coal product are presented in Table 2.8 and Table 2.9, respectively. The semi-hard product would have a CSR in the range 40-50, and moderate caking and plastic properties.

The thermal coal is a 16 % ash export coal, on par with the NEWC Index coal (6000kcal/kg NCV).

¹³ SCL, 2017 - Isaac Plains East BFS; Chapter 5 - Processing.

¹⁴ SCL, 2018 - Management Presentation, v1.

Table 2.8 Indicative specifications; Isaac Plains East semi-hard coking coal

Parameter		Units	Basis	SHCC
Total moisture		%	ar	11.7
Proximate Analysis	Moisture	%	ad	2.1
	Ash	%	ad	9.1
	Volatile matter	%	ad	26.1
	Fixed carbon	%	ad	62.7
Total sulphur		%	ad	0.41
Phosphorus		%	ad	0.075
Gross Calorific Value		kcal/kg	ad	7,505
	Basicity Index			1.47
	Total Alkalis	% in ash	db	0.7
CSN				6.5
Gieseler Plastometer	Max. fluidity	dd/min		90-210
	Log10 (Max fluidity)			1.95 - 2.33
Petrographics	Vitrinite reflectance			1.05
	Total vitrinite	vol%		52

Source: SCL, 2017 - IPE BFS - Coal Quality & Process Review

Table 2.9 Indicative specifications- Isaac Plains thermal coal

Property	Basis	Value
Total moisture %	ar	9.5
Moisture %	ad	2.4
Ash %	ar	16.7
Volatile matter %	ar	21
Fixed carbon %	ar	52
Total sulphur %	ar	0.46
Phosphorus %	ar	0.15
Chlorine %	ar	0.15
Gross Calorific Value kcal/kg	ar	6,100
HGI	ad	65

Source: SCL, 2017 - IPE BFS - Coal Quality & Process Review

2.5.2 Isaac Downs

Raw coal quality for the seams (for Measured and Indicated resources) (Table 2.10) indicate that the coal is medium volatile bituminous coal with moderate to high ash content.

Table 2.10 Raw coal quality of Leichhardt and Vermont seams

Area	Seam	Raw ash (ad) (%)	Moisture (ad) (%)	Volatile Matter (ad) (%)
Isaac Downs	LULL	16.3	2.3	23.9
	LL1VU1	14.4	2.3	24.5
	LL1VU	23.3	2.5	21.2

Source: SCL, MDL137 Wotonga South Coal Resources

Very limited reflectance data is available for Isaac Downs¹⁵; petrographic analysis has been undertaken on samples from two holes with reflectance (R_{max}) between 1.00 and 1.08 %. The rank is similar to the coal at Isaac Plains East. However, regional rank trends increase in an easterly direction in the Bowen Basin.

Analysis undertaken by Peabody on the washability and product of Isaac Downs coal indicates that the lower two working sections may yield products with higher reactive components, as indicated by the moderate caking characteristics.

Table 2.11 Indicative yield and product ash (Peabody, 2018)

Working section	Yield (%)	Ash (%)	Volatile matter (%)	CSN
LLUL	68 %	9.4	24.0	2.0
LL1VU1	84 %	8.3	25.0	5.5
LL1VU	82 %	10.4	24.2	4.0

Source: SCL, MDL137 Wotonga South Coal Resources

Simulation study of five bore cores was undertaken by MCQR (2018)¹⁶. This analysis examined washing of the whole of the Leichhardt plus Vermont seams and determined coal/only non-diluted yields for two options:-

- High Yield Primary Product: Primary semi-soft product of 9.5 % ash (approx. 70 % yield) with a CSN ~3.5 and a secondary thermal product of 16 % ash (approx. 5% yield) (i.e., total yield 75 %)

¹⁵ Wotonga CCC database

¹⁶ MCQR, 2018 - Isaac Downs Wash Notes - Leichhardt + Vermont seams

- High Quality Primary Product: Primary semi-hard product of 8 % ash (approx. 45 % yield) with a CSN ~4.5 and a secondary PCI product of 10.5 % ash (approx. 20% yield) (i.e., total yield 65 %)

The first option is likely to yield a primary product very similar in quality to Isaac Plains semi-soft and thermal coal products. The second option could yield a semi-hard coal, and a moderate ash, medium-volatile PCI coal.

Additional work is required to characterise the products from Isaac Downs, as insufficient carbonisation data is available, to accurately describe the products from this property. The semi-hard coal is likely to be similar in specification to that of Isaac Plains East (Table 2.8).

2.5.3 Benchmarking

Figure 2.4 shows the position of Isaac Plains and Isaac Plains East semi-soft coking coals, and Isaac Plains semi-hard coking coal relative to other Australian coking coals (excludes PCI). The chart shows that the similarity of the Isaac Plains East semi-soft to Blackwater weak coking coal and similarity to semi-soft coking coals in the Moranbah area, such as Winchester South.

Isaac Downs shows similarity in composition to Blackwater semi-hard product, and similar to coals in the general area, such as Poitrel; albeit Isaac Downs being lower rank.

Figure 2.5 presents the quartile position for proximate analysis of the semi-soft coals from the Isaac Plains complex. From this chart, it can be noted that:

- Total moisture is in the fourth quartile; that is the product is slightly wetter than most coking coals
- Ash content is also in the fourth quartile, although export coking coals cover a narrow ash range
- Volatile matter is about the mean of coking coals, being a coal of medium volatile matter content

Total sulphur content of the coal is low, and less than average coking coals.

CSN and CSR are both below the average coking coal and result in a semi-soft classification. Further carbonisation studies are required for accurate delineation of the products of Isaac Downs.

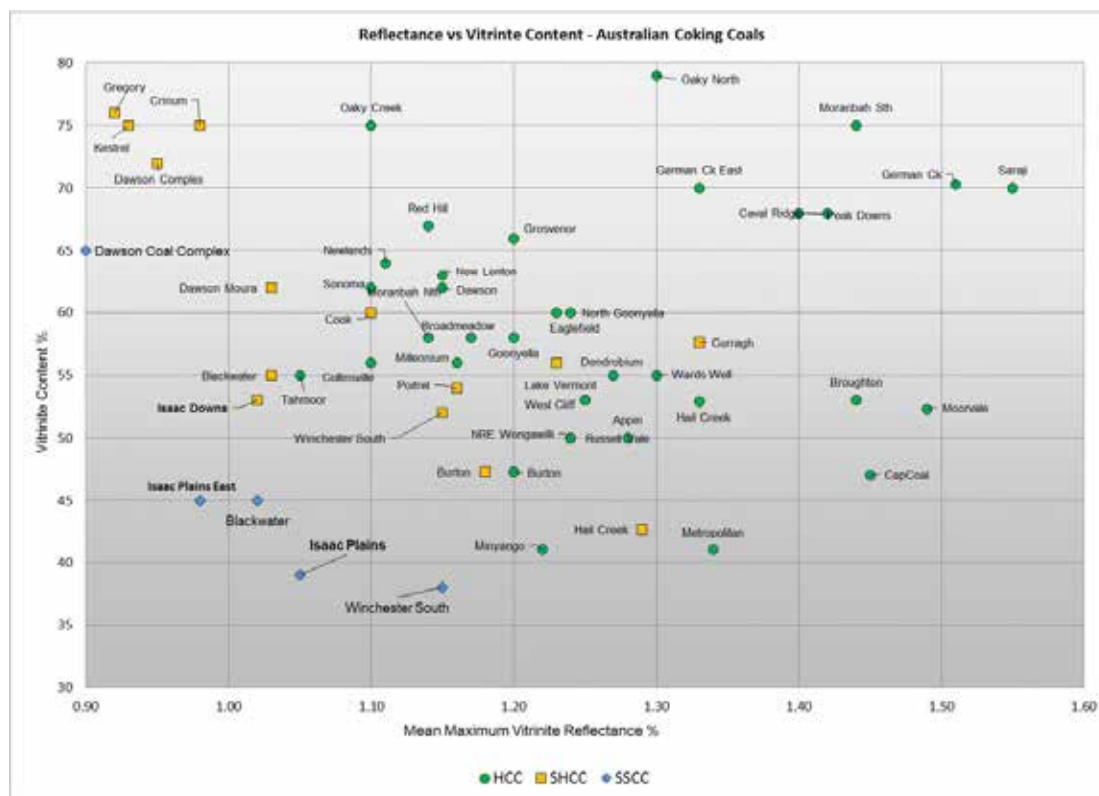


Figure 2.4 Reflectance vs vitrinite for Australian coking coal, showing position of IP, IPE and ID coals

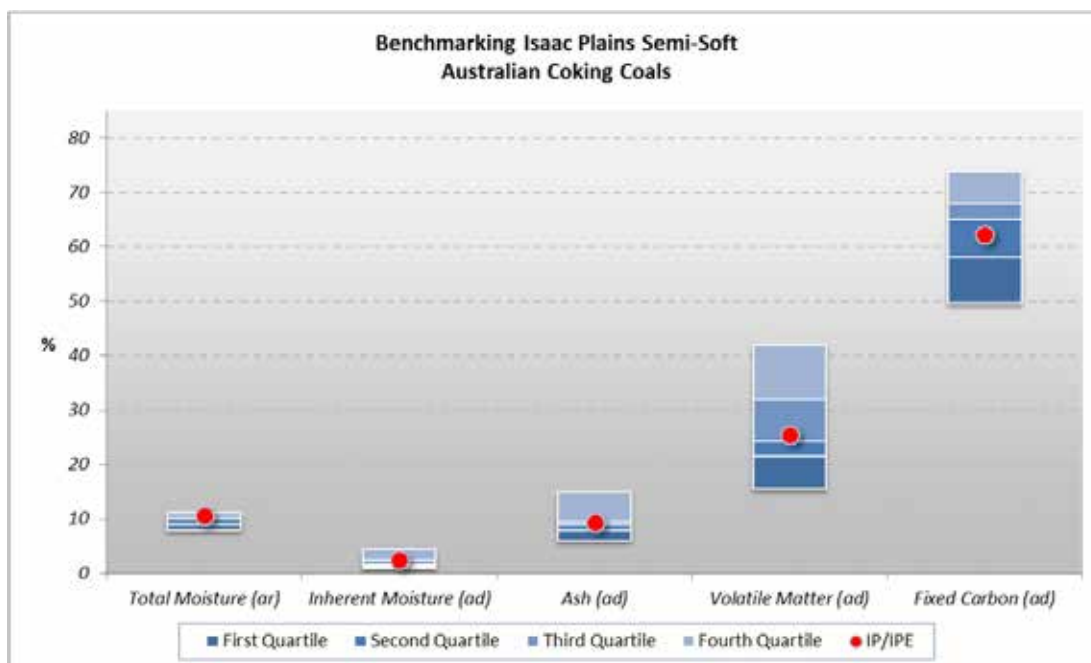


Figure 2.5 Position of Isaac Plains/Isaac Plains East (IP/IPE) relative to other Australian coking coals

Figure 2.6 and Figure 2.7 provide a position of key parameters for Isaac Downs, such as volatile matter and ash content, relative to other PCI coals. The high volatile matter yield of the potential PCI product places this coal in a less favourable position than the higher rank, high energy, low volatile matter PCI's from Queensland. The 10.5% ash content is on the high side for PCI coals, with comparable ash content to Jellinbah and Baralaba; although these coals are low to volatile matter PCI.

Isaac Downs PCI presents with favourable low sulphur content, and average energy yield for a Queensland PCI product.

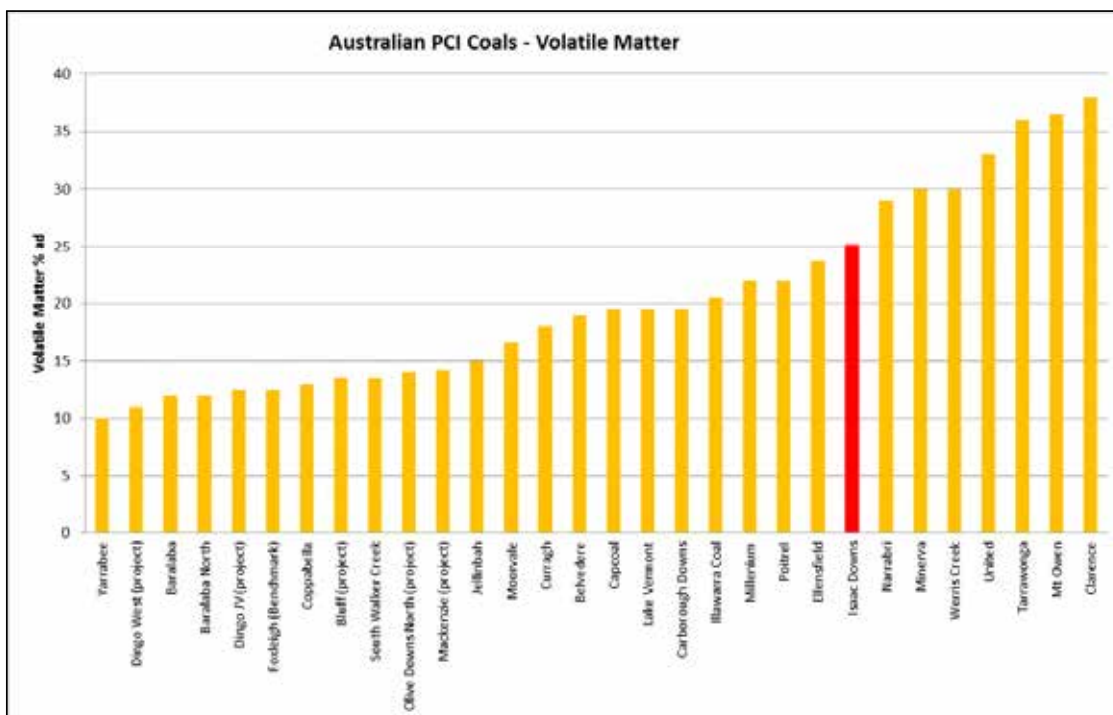


Figure 2.6 Benchmarking of volatile matter of Isaac Downs PCI coal

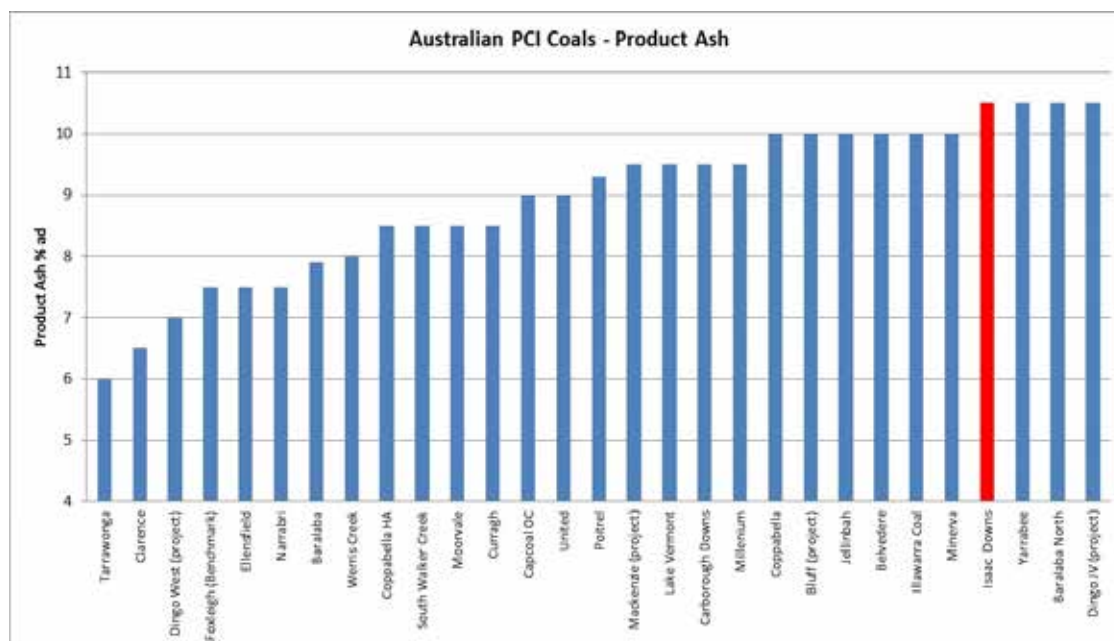


Figure 2.7 Benchmarking of ash content of Isaac Downs PCI coal

2.6 Resources

The current resources for the operating assets of SCL were reported in:-

- Xenith, 2018a - Isaac Plains Coal Resource Estimate, May 2018.
- Xenith, 2018b - JORC Resource Update, May 2018

Resources are confined to the Leichhardt seam, and its splits for both Isaac Plains and Isaac Plains East. The deeper Vermont seam is not included in these resource estimates due to poor quality.

2.6.1 Isaac Plains

The reported resources for Isaac Plains (Xenith, 2018a) include underground resources and have been categorised by depth cut-offs. The total resources are quoted at 52.5 Mt, of which 83 % is Measured plus Indicated category (Table 2.12).

The criteria and limits for defining the resources are:-

- limited to up-dip limit of face positions as at Dec. 2017
- down-dip limit defined by Burton Range thrust fault, or limit of drilling data
- northern limit defined by limit of ML70342 and Goonyella railway
- southern limit define by Burton Range thrust fault and southern pit boundary

Limiting criteria for the resources were defined by:

- Minimum thickness of 0.3 m for coal seams of open cut potential
- Minimum thickness of 1.5 m for coal seams with underground potential

- Exclusion of stone bands >0.3 m thick in the seam
- Maximum ash content of 50% (ad)
- Assumed in situ moisture content of 4.5 %.
- Maximum depth of cover of 300 m

The resource report does not directly differentiate between open cut and underground resources. The resources report is well-documented and supported by JORC Table 1 criteria.

Table 2.12 Isaac Plains resources - Open cut plus underground, as at May 2018

Tenement	Seam	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Totals
ML70342	LHD	17.9	5.7	0.2	25.9
	LHU	1	0.6	0	
	LHL	0.1	0.2	0.2	
	Subtotal	19	6.5	0.4	
ML700018 ML700019	LHD	3.3	13.6	6.5	26.5
	LHU	0	1.3	1.3	
	LHL	0	0	0.6	
	Subtotal	3.3	14.8	8.4	
Totals		22.2	21.3	9	52.5

Source; JORC Resource Update, May 2018

2.6.2 Isaac Plains East

The reported resources for Isaac Plains East (Xenith, 2018b) include underground resources and have similarly been categorised by depth cut-offs. The total resources are quoted at 29.7 Mt, of which 73 % is Measured plus Indicated category (Table 2.13).

The criteria and limits for defining the resources are:-

- limited by subcrop limit of LHD seam, or basalt-affected area
- down-dip limit limited to eastern boundary of mining lease
- northern limit defined by northern boundary of ML700019
- southern limit defined by southern limit of ML700016
- down-dip extension of seam supported by seismic surveys

Limiting criteria for the resources were defined by:

- Maximum ash content of 50% (ad)

Table 2.13 Isaac Plains East resources, as at May 2018

Isaac Plains	Seam	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total
ML700019 ML700017 ML700016	LHD	12.9	8.8	8	29.7

Source: Xenith 18b

The resource report does not specifically differentiate between open cut and underground resources. However, resources have been described as < 100 metres depth, and > 100 m depth, as indicators of open cut versus underground resources. Approximately 30% of the resource occurs at depths > 100 metres. The resources report is well-documented and supported by Table 1 criteria.

2.6.3 Isaac Downs

Peabody produced a JORC resource estimate for the Wotonga (South) project prior to the transfer of the project to SCL. These resources are documented in:-

- Peabody Energy, 2018 - MDL137 Wotonga (South) Resource Statement, publ. Mar. 2018; prepared by Kane Maxwell

The resources were confined to MDL 137, since Peabody did not hold title to adjacent tenements. Since the acquisition of Wotonga South is fairly recent, future resource estimation may well extend the resources south-eastwards into EPC 755.

The resources were defined by application of the following limits:-

- 120 m depth of cover
- Limited to crop lines
- 25 m buffer around the MDL boundary
- Limited by major bounding structure (Isaac Thrust) in the east and north
- Limited to 200 m extrapolation past last data point

The estimated resources amount ~23 Mt of open cut resource Table 2.14.

Table 2.14 Resources - Isaac Downs (Peabody, 2018).

Seam	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Subtotals
LU_LL	11.04	1.22	0.25	12.5
LL1_VU1	7.66	0.89	0	8.6
VU2	0	1.56	0.03	1.6
Totals	18.7	3.7	0.3	22.7¹⁷

¹⁷ SCL reported 22.9 Mt; there is a minor addition error in source documentation

3 ENVIRONMENTAL, TENURE AND APPROVALS

3.1 Summary

The Isaac Plains complex operates under a range of State and Federal Government approvals in relation to environment, tenure, native title and cultural heritage. A number of these approvals are still required to be obtained or amended in order to allow the full development of this area.

SCL is aware of the processes required to obtain these approvals and has commenced the necessary baseline / technical studies to support applications. From the information currently available there is unlikely to be any material issues to SCL in obtaining these approvals.

Currently, whilst rehabilitation is being undertaken, no rehabilitation areas within the Isaac Plains complex have progressed through the State government's progressive rehabilitation certification process. SCL has provided \$11.6 M in financial assurance to the State government via a bank guarantee to account for its current rehabilitation requirements. Changes in the method via which financial assurance is calculated will occur once provisions of the *Mineral and Energy Resources (Financial Provisioning) Bill 2018* commence. These changes are likely to increase SCL's costs due to the loss of current discounts but are unlikely to be material.

3.2 Tenure

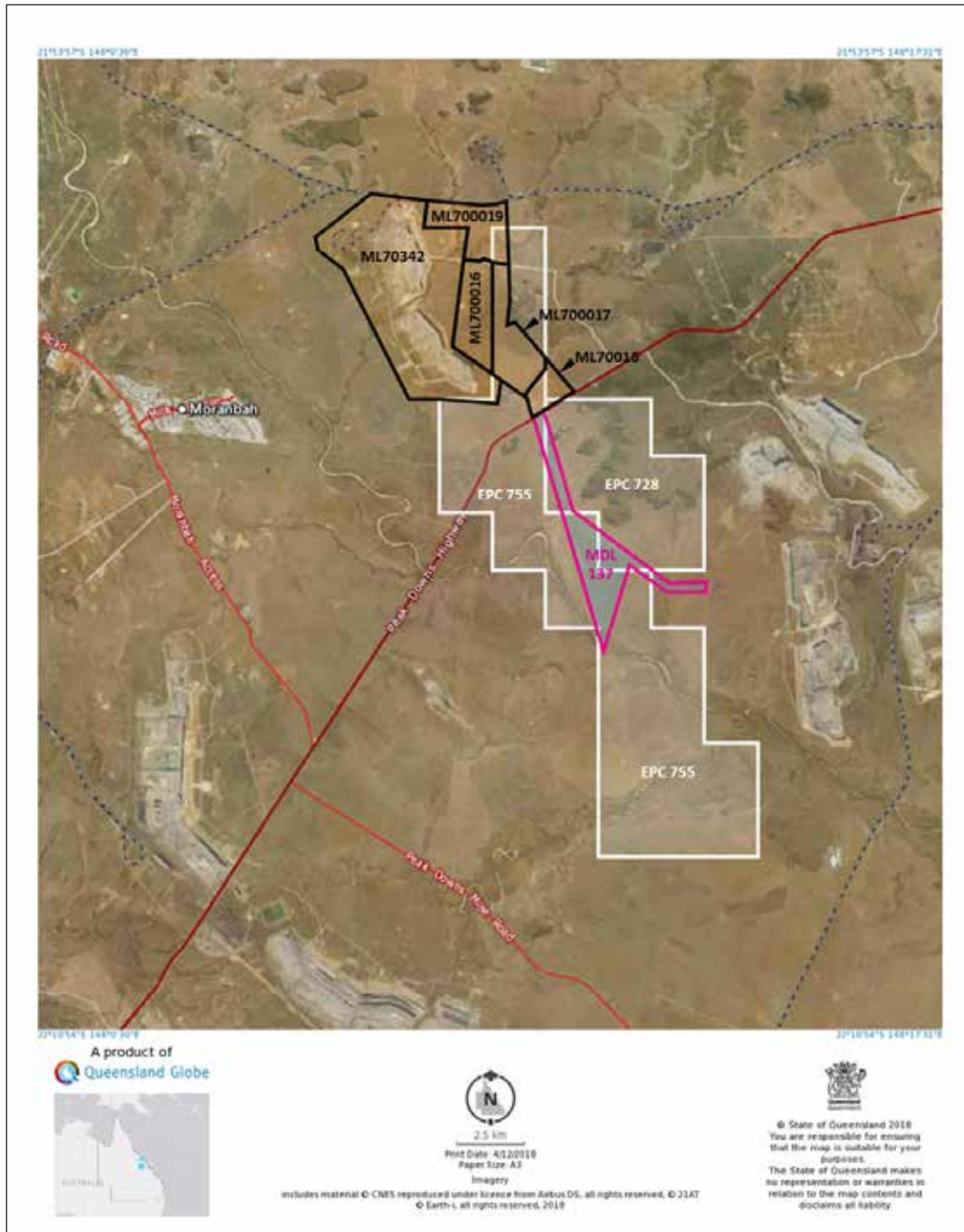
Mining tenures relating to the Isaac Plains complex cover 3,392 ha and comprise of five granted mining leases (MLs) as listed in Table 3.1. One Mineral Development Licence (MDL) and two Exploration Permits Coal (EPC) as listed in Table 3.1 have also been granted within the Isaac Plains complex however, these will need MLs to be granted before production can occur in these areas.

Table 3.1 Isaac Plains Complex Granted Tenures

Tenement	Working Name	Status	Grant Date	Expiry Date	Area (ha)
ML70342	Isaac Plains	Granted	1/12/2005	31/12/2025	2,143
ML700016	Isaac Plains East	Granted	1/03/2018	31/03/2030	139
ML700017	Isaac Plains East	Granted	1/03/2018	31/03/2030	388
ML700018	Isaac Plains East	Granted	1/03/2018	31/03/2030	369
ML700019	Isaac Plains East	Granted	1/03/2018	31/03/2030	354
MDL137	Isaac Downs	Granted	7/06/1993	30/06/2023	652
EPC755	Isaac Downs	Granted	10/4/2002	9/04/2023	NA
EPC728	Isaac Downs	Granted	17/04/2001	16/04/2021	NA

Current mining activities are undertaken within the Isaac Plains and Isaac Plains East tenures through a series of open-cut pits. The granted tenures cover all infrastructure within the vicinity

of the mine sites, including open-cut pits, coal handling and preparation plant, rail load out facilities, haul roads, power and water requirements, administration facilities, workshops and storage facilities. Figure 3.1 shows the location of the granted Isaac Plains Complex tenures.



Source: Isaac Plains Complex - Queensland Globe

Figure 3.1 Isaac Plains Complex granted Tenements

In order to undertake production activities within the Isaac Downs tenures and to connect the Isaac Downs tenures to Isaac Plains (ML70342) via a haul road, MLs will need to be granted. SCL's advice on the expected timing for lodgement of the ML applications is January 2019 with an expected grant date of December 2020.

The expenditure and rent for each of the Isaac Plains complex tenures is contained in Table 3.2.

Table 3.2 Isaac Plains Complex Expenditure and Rent

Tenement	Period	Expenditure	Annual Rent
ML70342		Not specified	\$62.30 / ha
ML700016		Not specified	\$62.30 / ha
ML700017		Not specified	\$62.30 / ha
ML700018		Not specified	\$62.30 / ha
ML700019		Not specified	\$62.30 / ha
MDL137	July 2018 - June 2023	\$330,00	\$29.25 / ha
EPC755	April 2018 - April 2023	\$225,000	\$161.30 / sub block
EPC728	April 2016 - April 2021	\$170,000	\$161.30 / sub block

3.2.1 Real Property

SCL has no landholdings within the Isaac Plain complex tenures and has negotiated conduct and compensation agreements with the following landholders:

- Fitzroy Coal Exploration Pty Ltd - Lot 4 SP252740
- M&R Flohr - Lot 5 GV132, Lot 1 SP 192459, Lot 14 SP261431, Lot 17 SP 261431
- Isaac Regional Council - Broadlea Road

There are no outstanding disputes or litigation with any landholders.

3.3 Native Title, Cultural Heritage and Social Issues

3.3.1 Native Title

Native Title has been extinguished in the Isaac Plains and Isaac Plain East granted tenures. Land subject to Native Title remains within the Isaac Downs tenures (specifically EPC755). Prior to the grant of any ML in this area an agreement with the Native Title Party (Barada Barna People) will need to be obtained. The process for obtaining an agreement is outlined in the *Native Title Act 1993* (Cth).

SCL has an existing relationships with the Native Title Party within their tenements through the development of a Cultural Heritage Management Plan (CHMP) and Cultural Heritage Management Agreement (CHMA). SCL advises that there are no disputes with the Barada Barna People.

Obtaining Native Title agreement is unlikely to pose a material issue to the Isaac Downs operations.

3.3.2 Cultural Heritage

A CHMP was negotiated with the Barada Barna People in 2010 for ML70342 and includes fee schedules for obtaining Aboriginal Parties' services prior to undertaking land disturbance activities. The CHMP was assigned to SCL in November 2015.

SCL negotiated a CHMA with the Barada Barna People in 2018 for land disturbance activities within the Isaac Plains East and Isaac Down tenures. The CHMA includes a fee schedule for obtaining Aboriginal Parties' services prior to undertaking land disturbance activities.

The fees outlined in the CHMP and CHMA are in line with industry standards and expectations.

SCL has advised that to date it has not experienced any cultural heritage issues associated with activities within the Isaac Plains Complex tenures.

Cultural heritage is not likely to pose a material issue to the Isaac Plains complex tenures.

3.3.3 Social

No social impact management plan is currently applicable to the Isaac Plains complex's activities.

Under the *Strong and Sustainable Resource Communities Act 2017 (QLD)* Isaac Plains and Isaac Plains East are designated a large resource project and SCL has the following obligations:

- The workforce cannot be 100% fly-in, fly-out and locals are given fair employment opportunities
- Local residents are not discriminated against during recruitment
- Future projects identify and manage social impacts on peoples and communities

SCL has policies and procedures in place to ensure it fulfils its obligations under the *Strong and Sustainable Resource Communities Act 2017(QLD)*.

The environmental approval pathway for the Isaac Downs tenures will be via an environmental impact statement (EIS) for which a social impact assessment will be a mandatory requirement. Consideration of both positive and negative social impacts associated with the Isaac Downs development will be considered by the State regulators post lodgement of the EIS where conditions to mitigate any social impacts will be included on the final approval.

It is unlikely that social matters will pose a material issue to SCL's operations.

3.4 Environmental Approvals

Queensland coal mining operations are subject to obtaining environmental approvals under both Federal and State legislation. At a Federal level this is administered by the Department of

Environment and Energy via the *Environment Protection and Biodiversity Conservation (EPBC) Act 1999* and at a State Level by the Department of Environment and Science via the *Environmental Protection Act 1994 (EP Act)*.

A Federal environmental approval will be required when an activity is likely to have a significant impact on a matter of national environmental significance (MNES). Whilst there are nine MNES the likely MNES associated with SCL's mining operations are:

- Listed threatened species and ecological communities
- Water resource in relation to coal seam gas development and large coal mining development

Proponents are required to undertake a self-assessment of their impacts and if they are likely to have a significant impact then they must refer their activity to the Federal government for assessment. A proponent may still refer their activity to the Federal government for assessment even if they do not believe it will have a significant impact on an MNES.

Under the EP Act, an Environmental Authority is required for activities that are defined as environmentally relevant activities under the legislation. Carrying out mining activities is an environmentally relevant activity.

Both Federal and State environmental approvals generally contain conditions that seek to manage any potential impacts to the environment (air, noise, water, land etc). Additionally, at a State level a plan of operations and payment of financial assurance (generally in the form of a bank guarantee) are required to be submitted to the state government before mining can occur. The plan of operations and financial assurance are required to be updated as development of the mine occurs.

3.4.1 Current Approvals

3.4.2 Federal

The granted Federal environmental approvals for the Isaac Plain complex tenures are as follows:

- ML70342 - EPBC Act, Not a Controlled Action Decision 2005/2070 (dated 6 May 2005)
- ML700016-ML70019 (inclusive) - EPBC Act, Controlled Action Decision 2016/7827 (dated 28 February 2018) and variation to approval conditions (dated 6 August 2018)

No third party or regulator audits have been conducted to determine compliance with the conditions attached to these approvals.

A site visit of the Isaac Plains and Isaac Plains East tenures was undertaken on 28 November 2018. No non compliances with Federal environmental approval conditions were observed during this site visit.

3.4.3 State

The granted state environmental approvals for the Isaac Plain complex tenures are as follows:

- ML70342 - Environmental Authority EPML00932713 (dated 24 January 2018)

- ML700016-ML700019 (inclusive) - Environmental Authority EPML00932713 (dated 24 January 2018)
- MDL137 - Environmental Authority EPVX03766416 (dated 25 February 2016)¹⁸
- EPC755 - Environmental Authority EPVX00880413 (dated 4 March 2015)
- EPC728 - Environmental Authority EA0001288 (dated 24 May 2018)¹

The Department of Environment and Science (DES) issued a Direction Notice (STAT1256) to Stanmore IP Coal Pty Ltd in January 2018 in relation to an allegation of unlawfully depositing a prescribed water contaminant into waters within ML70342. DES undertook a site inspection in May 2018 to determine compliance with the Direction Notice and conditions of the Environmental Authority and issued correspondence in June 2018 advising the Direction Notice was finalised and no contraventions of conditions were identified.

No other regulatory or third party audits have been conducted to determine compliance with the conditions attached to these approvals.

A site visit of the Isaac Plains and Isaac Plains East tenures was undertaken on 28 November 2018. No non compliances with State environmental approval conditions were observed during this site visit.

3.4.4 Required Approvals

3.4.5 Isaac Plains

On the basis that there is no planned expansion of open-cut mining within ML70342 then no additional approvals are required. Underground mining within ML70342 is not currently an authorised activity under issued State or Federal environmental approvals.

3.4.6 Isaac Plains East

The current authorised disturbance footprints identified in the State and Federal environmental approvals for the Isaac Plains East tenures (ML700016 to ML700019) are not currently aligned with the future proposed disturbance footprint provided by SCL. An amendment to the Environmental Authority will be required for this additional disturbance. SCL proposes to conduct a self-assessment of the additional disturbance areas to determine whether an approval is required under the EPBC Act.

Amendment of the Environmental Authority to include the additional disturbance is not considered a material issue as amendments are a recognised process under legislation. The additional disturbance areas are likely to trigger an increased offset requirement under the Environmental Authority conditions.

Additionally, as the additional disturbance relates to an area adjacent to a controlled action decision SCL should seek guidance from the Federal regulator on whether its proposed approval strategy is appropriate.

¹⁸ The environmental authority is in the process of being transferred from Millennium Coal Pty Ltd to Stanmore IP South Pty Ltd

3.4.7 Isaac Downs

No EPBC Act approval exists and given the nature of activities undertaken to date it is unlikely that a significant impact to MNES has occurred. Production activities are likely to require referral to the Federal government for assessment and approval.

A number of baseline and technical studies to support a referral application have commenced, although no results are currently available. In the absence of a technical / baseline report identifying an issue that cannot be mitigated the EPBC Act approval process is not considered a material issue.

The existing Environmental Authorities relate to exploration activities only. In order to undertake production activities new Environmental Authorities will be required. SCL proposes to follow the voluntary EIS process outlined in the *Environmental Protection Act 1994* to obtain Environmental Authorities.

To support the EIS process a number of baseline assessments and technical reports have commenced. Of note, the proposed location of the mine will result in a substantial proportion of the pit being located within the Isaac River Floodplain. SCL is proposing the construction of a levee (Q1000 level) and no voids to remain within the probable maximum flood level as possible mitigation measures.

In the absence of a technical / baseline report identifying an issue that cannot be mitigated the EIS and Environmental Authority approval process is not considered a material issue.

3.5 Offset Requirements

Controlled Action Decision 2016/7827 and Environmental Authority EPML00932713 identify the need for offsets as a result of impacts on environmental matters. Both these approvals relate to activities undertaken with the Isaac Plains East tenures.

Offsets are required for the clearing of 125 ha of habitat for the koala and greater glider, 74 ha of squatter pigeon (southern), 1.4 ha of ornamental snake and the removal of 4.4 ha of regional ecosystems.

An offset management plan is required to be developed and approved by the Federal Government prior to conducting disturbance of these habitat areas. The offset management plan must outline the required offsets to compensate for the loss of the above habitat. The offset management plan is under development.

3.6 Mine Rehabilitation

Requirements for rehabilitation are specified in the State and Federal environmental approvals issued for the Isaac Plains and Isaac Plains East tenures. As the Isaac Downs environmental approvals are still exploration related the rehabilitation requirements are minimal. Once the approvals identified in Section 3.4.4 for Isaac Downs are obtained the required rehabilitation commitments for these tenures will be known. It is a reasonable assumption at this stage that the rehabilitation requirements for Isaac Downs will be similar to the conditions contained in the existing Federal and State environmental approvals for the Isaac Plains East tenures albeit that

they will form part of a Progressive Rehabilitation Closure Plan once the *Mineral and Energy Resources (Financial Provisioning) Bill 2018* is enacted.

SCL has allocated \$65M for rehabilitation activities within the Isaac Plains complex. Rehabilitation of disturbed areas has commenced within ML70342. No rehabilitation within this area has been certified under the state government's progressive rehabilitation certification process.

SCL lodged a replacement plan of operations for the period 1 April 2018 to 30 June 2019 with the DES on 29 March 2018. This plan of operations calculated the rehabilitation liability for both the Isaac Plains and Isaac Plains East tenures up to 30 June 2019 as being \$16,585,438 (including the removal of current site infrastructure). DES accepted these calculations and applied a 30% discount to this amount on the basis of SCL demonstrating compliance with waste management and financial standing criteria which resulted in SCL being required to lodge a bank guarantee in the amount of \$11.6 M. The bank guarantee has been lodged.

Currently before the state parliament is the *Mineral and Energy Resources (Financial Provisioning) Bill 2018* which seeks to alter the way in which financial assurance is calculated and strengthen progressive rehabilitation requirements.

For existing mines, there will be a transition period in which to commence using the DES' estimated rehabilitation cost (ERC) calculator. Under the ERC calculator, SCL will no longer be eligible to receive the 30% discount they currently receive. Despite losing the 30% discount (which at a 1% interest rate would equate to approximately \$50,000 increase in costs), it is not expected that the commencement of the *Mineral and Energy Resources (Financial Provisioning) Bill 2018* will have a material impact on SCL's operations.

4 MINING

4.1 Summary

Mining at the Isaac Plains Complex is currently carried out using typical open cut mining methods with a BE1370 dragline supported by truck/excavator operations for coal mining and pre-stripping in advance of the dragline. The dragline is owned by SCL but maintained and operated by a mining contractor. The same contractor provides and operates all other equipment including an EX5500 and PC3000 excavator and multiple sized trucks. The mining method currently employed at the Isaac Plains Complex is used throughout the coal mining industry and is well known and considered low risk.

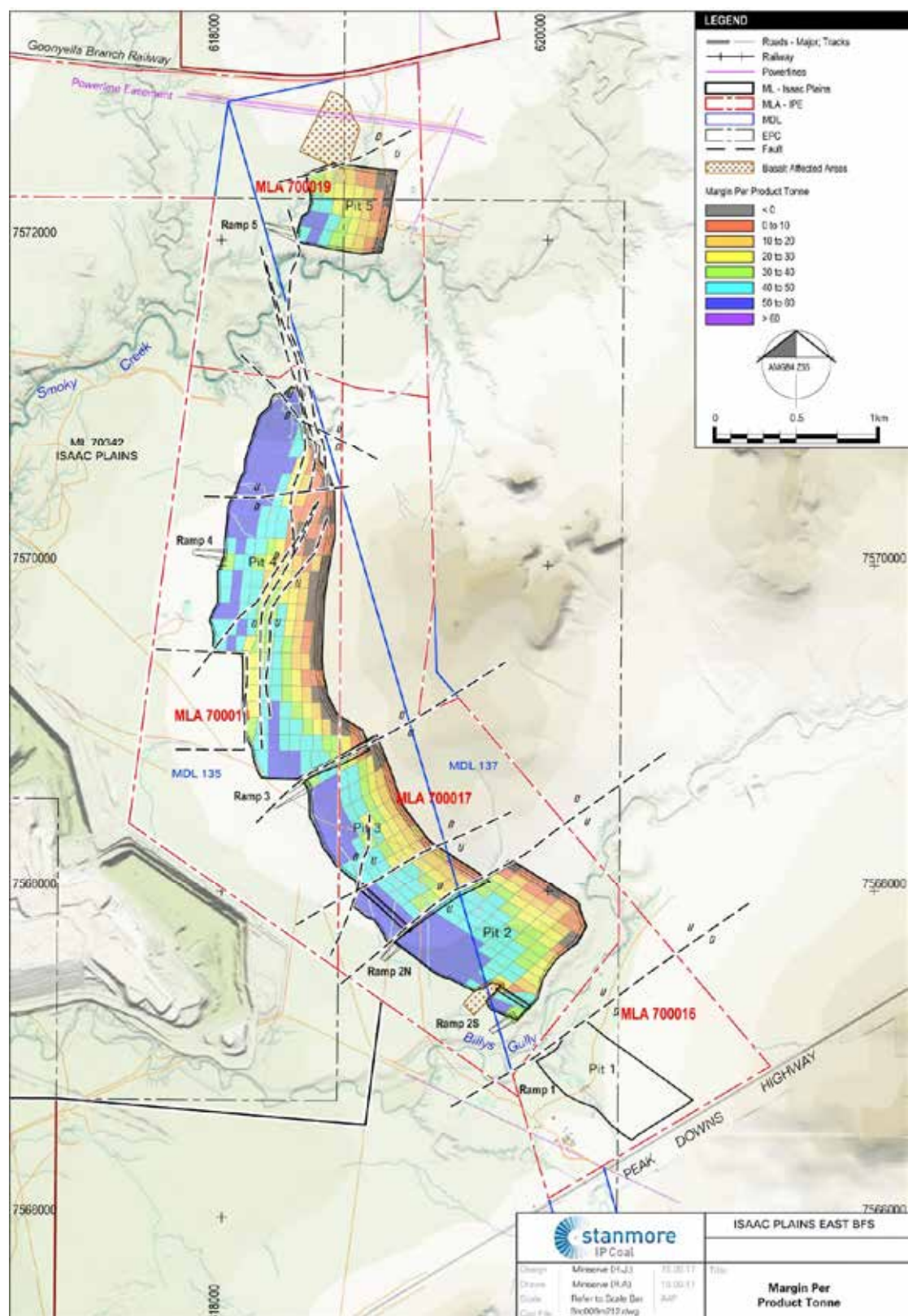
Due to the limited mine life and increasing strip ratios at Isaac Plains, operations have recently commenced in the IPE pit. All operations will transition from the IP pit to the IPE pit in FY19.

SCL plan to integrate the recently acquired Isaac Downs deposit into the Isaac Plains Complex from FY22, with the plan to transition completely to Isaac Downs, returning to Isaac Plains East and then Isaac Plains when Isaac Downs is complete.

4.2 Mine Plan

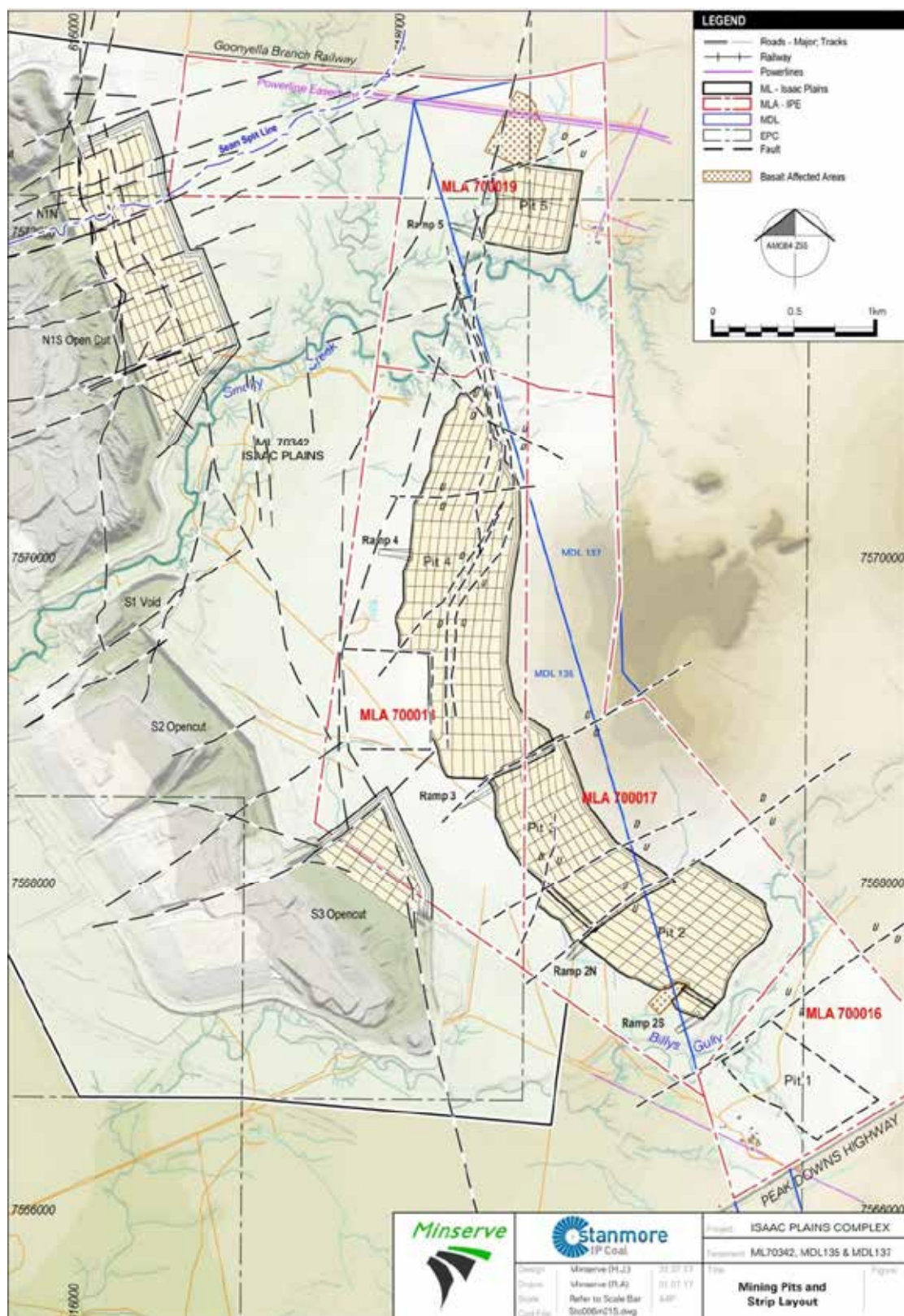
The mining sequence for Isaac Plains Complex is generally from the lowest strip ratio areas first, progressively moving towards higher ratios. Each pit has been defined by a margin ranking and is generally constrained by seam outcrops, major faults, mining tenure, approval limits or surface features such as creeks. The results of the Isaac Plains East margin from the Isaac Plains East Coal Expansion Project Study (October 2017) can be seen in Figure 4.1. These margin ranking results are mostly driven by the strip ratio and final pit limits in most cases will be determined by assumed coal price.

Figure 4.2 shows the Isaac Plains and Isaac Plains East pit and strip layout.



Source: Stanmore Coal Limited - Isaac Plains East Coal Expansion Project October 2017

Figure 4.1 Margin Per Product Tonne (October 2017)



Source: Stanmore Coal Limited - Isaac Plains East Coal Expansion Project October 2017

Figure 4.2 Mining Pits and Strip Layout (October 2017)

4.2.1 Geotechnical

A geotechnical assessment was undertaken by GeoTek Solutions prior to the commencement of IPE pit. GeoTek anticipated that geotechnical conditions at IPE would be very similar to those encountered at Isaac Plains with no major geotechnical issues anticipated and that existing geotechnical controls used at IP should be effective at IPE.

Seam dips are in general a moderate 4-6 degrees dipping to the East with a single target seam which makes dragline mining methods feasible.

Known faulting extends across the entire area that has either been intersected by mining or located in seismic surveys. Occasionally, soft walling has been used at Isaac Plains to manage faults running almost parallel to pit high and end walls. SCL has identified further blocks in IPE that may require soft walling to control geotechnical conditions near known faulting.

Each new mining area or pit is started from a Truck/shovel box cut to reduce the risk of initial low wall stability by not dumping waste material directly on top of the initial low wall. The box cut material is hauled to an adjacent ex-pit dump or established adjacent inpit dump. The first dragline strip is then cast into the box cut void.

At Isaac Downs, some areas of exposed Yarrabee Tuff in the pit floor may require pre-treatment using drill and blast to reduce the risk of in-pit dump instability. Isaac Plains has a Principal Hazard Management Plan for Geotechnical hazard management issued by Golding Contractors. The management plan requires inspections and monitoring by mine officials of the mine working area for geotechnical hazards.

Table 4.1 is a summary of the design angles for inpit and spoil dumps from the Isaac Plains Geotechnical Principal Hazard Management Plan, which are regarded as well within typical industry recommendations:

Table 4.1 Summary of Pit Design

Design Element	Parameter
Box cut low wall	
Batter angle	45 degrees
Berm width	10m
Out of pit dump set back	20m
High walls and end walls - weathered	
Batter angle	45 degrees
Bench height	40m maximum
Berm width	10m
High walls and end walls - fresh overburden	
Bench height	50m max
Batter angle	65 or 70 degrees
Berm width	15m

Source: Golding Contractors - Isaac Plains Geotechnical PHMP

4.2.2 Mining Equipment

Table 4.2 shows a summary of the major mining equipment employed at the Isaac Plains Complex. All equipment is from major recognised manufacturers and are owned or leased by Golding or SCL. The Golding equipment is in good condition. The BE1370 dragline is 40 years old, a similar age to other Bowen Basin operating draglines in similar conditions.

SCL is currently evaluating the choice of next 500t class excavator that they will purchase and Golding will operate.

Table 4.2 Isaac Plains Complex Equipment List

	Make	Model/Type	Quantity	Size and Capacity	Owner
Main Equipment					
Dragline	Bucyrus Erie	1370W	1		Stanmore
Excavator	Hitachi	EX5500-6	1	500t	Golding
Excavator	Komatsu	PC3000-6	1	250t	Golding
Excavator	Hitachi	EX1200-5	2	120t	Golding
Dump Truck	Komatsu	730E	8	190t	Golding
Dump Truck	Komatsu	730E-AC or 830E	5 or 4	180t or 220t	Golding
Dump Truck	Caterpillar	777D	4	90t	Golding
Dozer	Caterpillar	D10T	3	85t	Emeco
Dozer	Caterpillar	D11T	2	100t	Emeco
Dozer	Caterpillar	D11RCD	1	100t	Emeco
Grader	Caterpillar	16H/M	2	26t	Emeco
Water Truck	Caterpillar	777	2	90t	Emeco
Wheel Loader	Caterpillar	992K	1	90t	Emeco
Wheel Loader	Caterpillar	992G	1	90t	Golding
Excavator	Caterpillar	CAT329DL	1	90t	Golding
Additional Equipment					
Excavator	Komatsu	PC4000	1	400t	Emeco
Dump Truck	Caterpillar	793C	3	220t	NRW
Dump Truck	Caterpillar	793A	1	220t	NRW
Dozer	Caterpillar	D10T	3	85t	Emeco
Dozer	Caterpillar	D11T	2	100t	Emeco

		Make	Model/Type	Quantity	Size and Capacity	Owner
Additional Equipment						
Dozer	Caterpillar		D11RCD	1	100t	Emeco
Grader	Caterpillar		16H/M	2	26t	Emeco

Note: Source: Stanmore/Golding Mining Services Contract

4.3 Mine Schedule

The mining schedules for the Isaac Plains Complex have been developed using Spry scheduling software. Mining quantities have been imported into Spry and various databases including calendars, utilisation tables, productivity tables and other mining assumptions have been setup.

The basic mining sequence for the Isaac Plains Complex is to work the various pits in order of strip ratio. The lowest strip ratio areas of IPE will be worked first before the equipment will relocate to Isaac Downs after the pit has been approved. Once Isaac Downs has been mined out, the mining equipment will return to IPE to mine the remaining higher strip ratio areas.

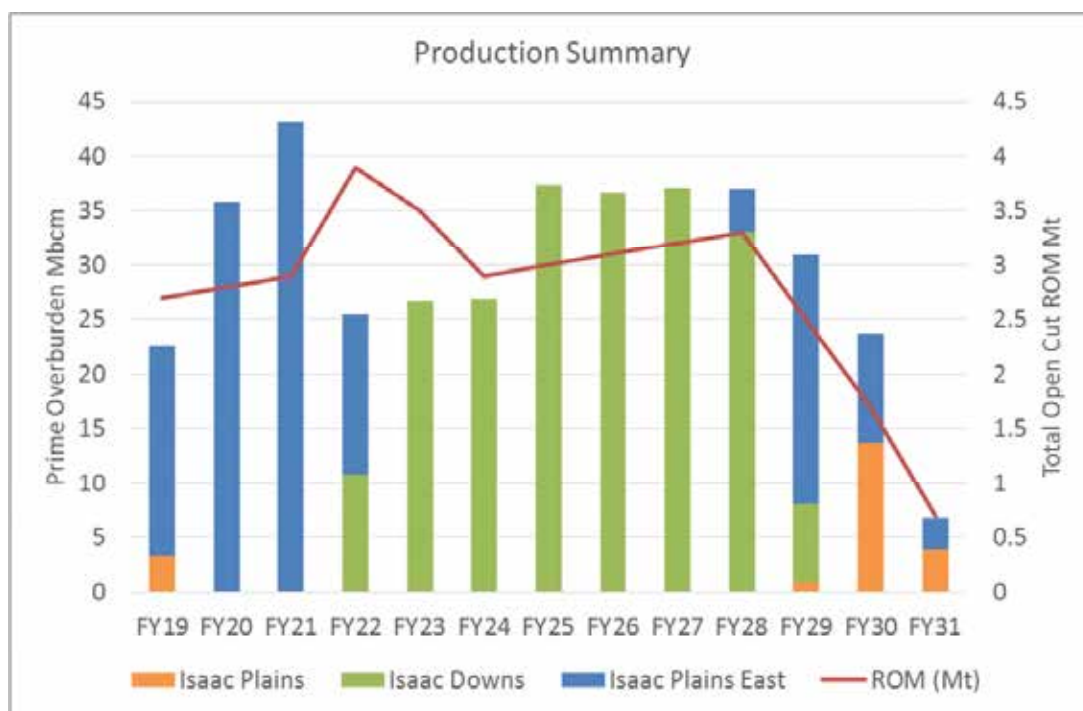
Pit development in general for the Isaac Plains Complex is to establish dragline areas from box cuts that have been initially mined using truck/shovel. This method has been chosen to reduce the risk around initial low wall geotechnical instability. Once the box cut has been completed, dragline operations commence to remove up to 50m of overburden from the top of the Leichhardt Seam. Truck/shovel operations are also used to pre-strip overburden in advance of the dragline as required in areas that have greater than 40-50m of overburden above the coal seam.

SCL has set a target of approximately 3-3.5 Mt per annum from the Isaac Plains Complex open cut mines. Figure 4.3 shows the forecasted open cut waste and ROM t production. Notably the waste production from FY19 to FY21 is forecasted to increase from approximately 23 Mbcm to 43 Mbcm. SCL proposes to achieve this ramp up of waste by adding an additional waste excavator as the dragline is already operating at benchmark levels of operating hours and rates in both the base and upside cases.

Since the required waste then drops back down to approximately 25 Mbcm in FY22, this significant change in the required waste movement will require close management of manning and equipment levels as well as the advance engagement of contractors to complete the required increase in waste movement. The primary driver for the lowering of required waste movement in FY22 is the planned commencement of the Isaac Downs pit. Any variation in the start date for Isaac Downs will obviously have an impact on the required minimum waste movement for the whole complex.

The key impact for start of Isaac Downs is the ML approval timeline. SCL's current assumption is that first excavator can commence three months after approval is granted (Sep 2021); and the construction of the peak Downs Highway crossing (defines coal transport to the CHPP) can be completed seven months after approval granted (Jan 2022). The bridge construction timeline is based on actual tender of works for this bridge construction. The tender construction timelines defined a seven month construction period.

SCL has completed dump schedules which show that there is sufficient LOM dump room for the Isaac Plains Complex. Most waste from IPE will be placed in-pit between dragline spoil peaks and there are ex-pit dumps available to commence the IPE pits with current boxcuts being hauled to the Isaac Plains voids instead of using ex-pit dumps. At the date of this report the conceptual Isaac Downs ex-pit dump appears to have sufficient volume.

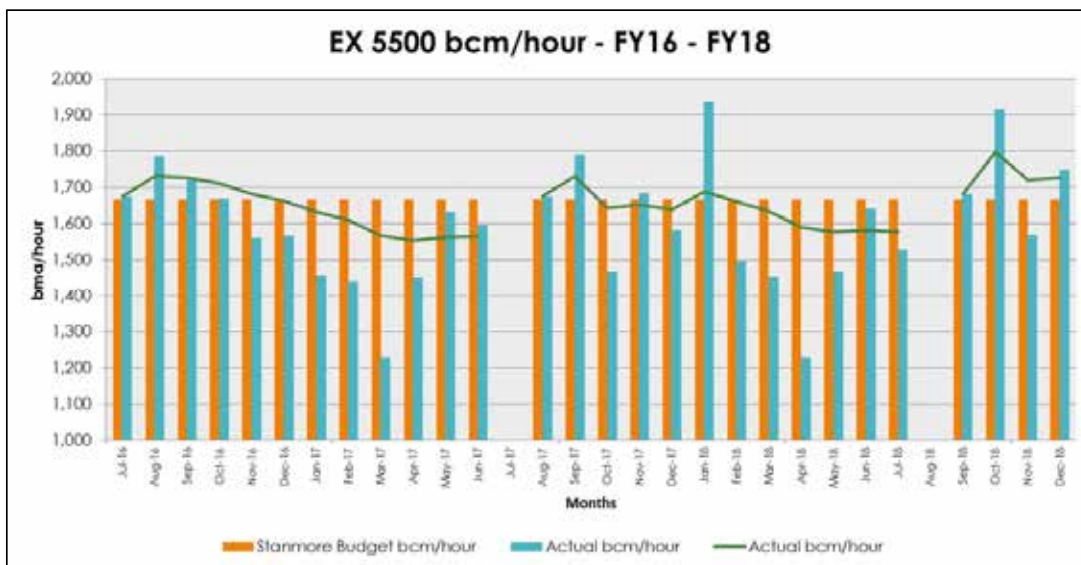


Source: Stanmore Coal IPC Spry Model 28.11.18

Figure 4.3 Production Summary - LOM

4.3.1 Historic Performance

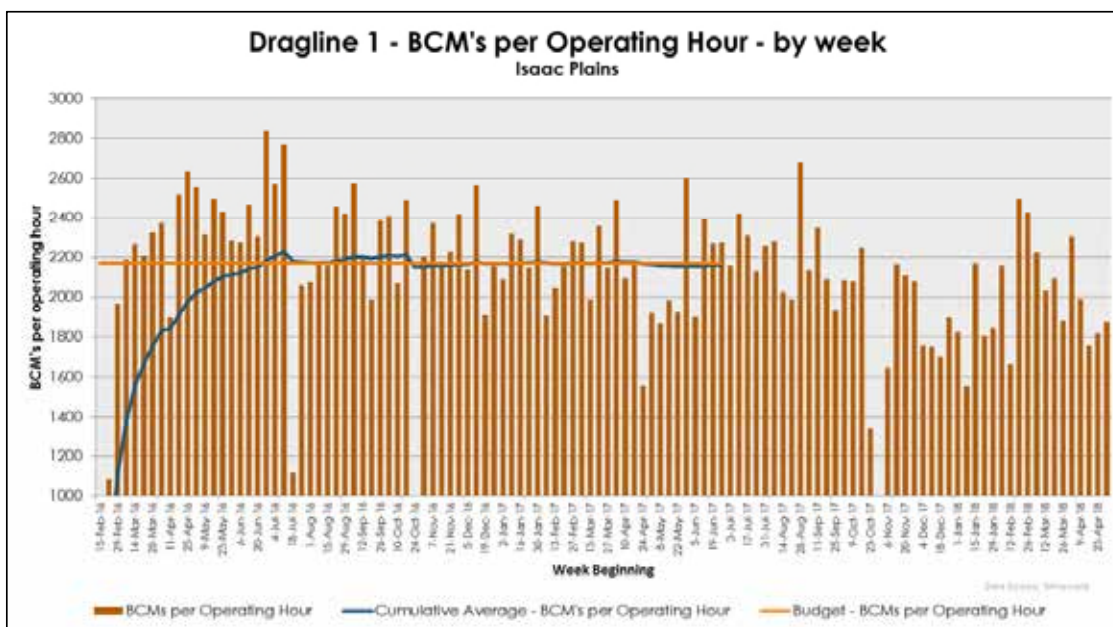
Figure 4.4 shows the historic rates for the EX5500 at Isaac Plains since SCL acquired the operation.



Source: Stanmore Coal EX5500 Data 201810

Figure 4.4 EX5500 Production Rates FY2017-19

Figure 4.5 show the historic rates for the Dragline at Isaac Plains since SCL acquired the operation.



Source: Stanmore Coal Dragline Data - by week 20181112

Figure 4.5 Dragline Production Rates FY2017-19

4.3.2 Base Case Productivity and Utilisation

For the base case dragline operating hours and productivities, SCL has assumed 6,790 hours and 2,170 bcm/hr respectively. Palaris regards these as at the high end of the benchmark but achievable with a close focus on dragline maintenance, scheduling and setup. If the dragline does not achieve the scheduled assumptions, more waste will have to be dug by the excavators, increasing overall waste removal costs.

The scheduled base case excavator operating hours and productivities can be seen in Table 4.3. Palaris regards the scheduled excavator operating hours and rates achievable, but to date SCL has not achieved the required excavator productivities on a consistent basis.

Table 4.3 Base Case Scheduled Productivities

	Annual Operating Hours	Waste Productivity (bcm/op.hr)	Coal Productivity (t/op.hr)	Utilisation
Dragline (Total Movement)	6,790 (excludes deadheading)	2,170		77.5%
EX5500 - Prestrip waste	5,800	1,668	1,100	66.2-66.7%
EX5500 - Coal development	5,800	1,516	1,100	66.2-66.7%
FY20 Excavator - Prestrip waste	5,850	2,059		66.7%
FY20 Excavator - Coal development	5,850	1,950		66.7%
PC4000	5,800	955	1000	66.2%
PC3000	5,800	750	900	66.2%

Source: Golding Deed of Variation No 12

Excavator utilisation varies across the schedule with peak utilisation of approximately 66%. Peak waste production occurs in FY20-21. Palaris regards the combination of what would be record excavator rates and total volume as a risk to the coal production from FY20-FY21 if the contract was not set up on a unit cost basis and a third (assuming SCL purchase additional 500t excavator fleet) excavator fleet was available onsite.

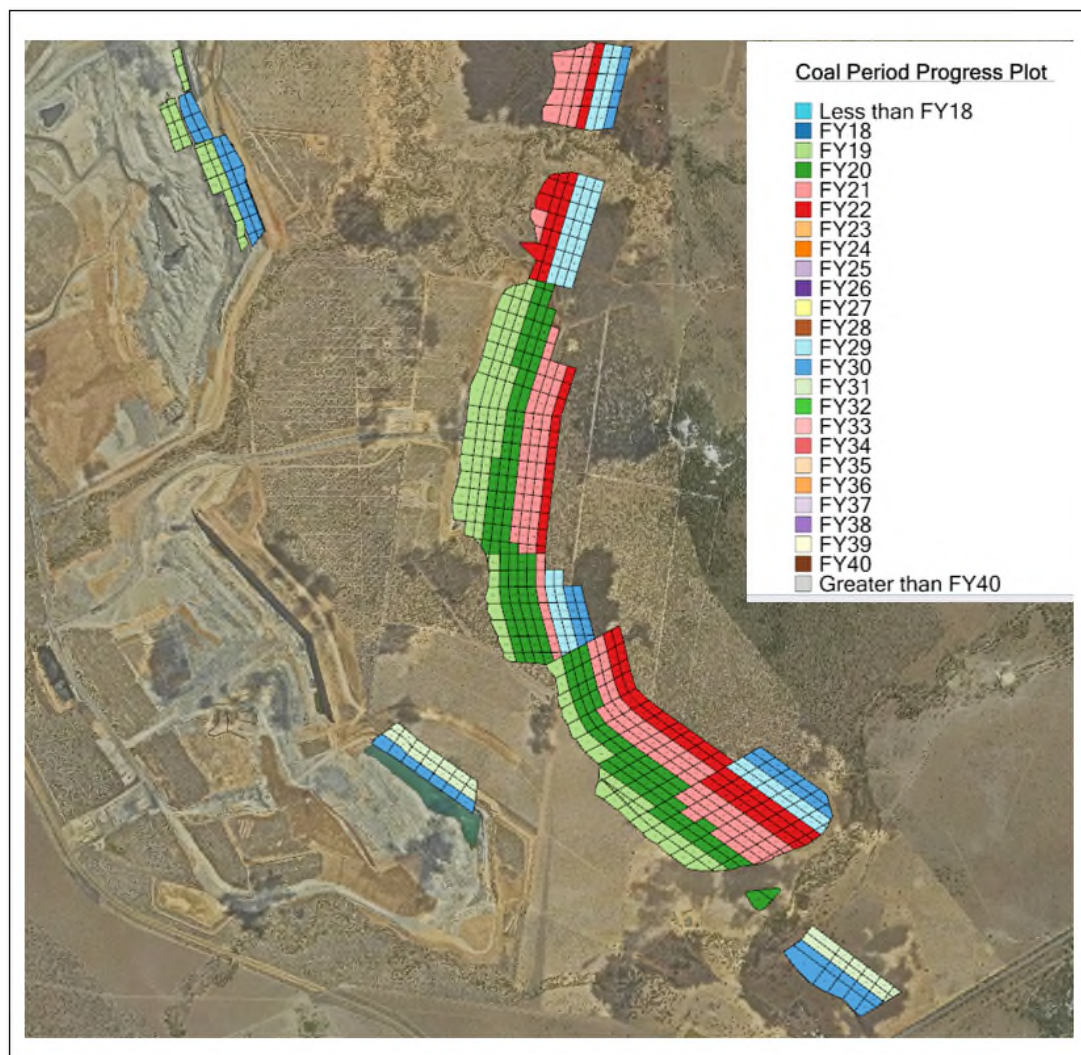
Dragline utilisation is a constant 77.5% reflecting the dragline's status as the priority waste removal piece of equipment. After comparing the dragline productivity assumptions against Palaris' productivity database, the dragline assumptions are regarded as achievable.

Comparing SCL's assumptions against the Palaris productivity database shows that the assumed base case productivities for the EX5500 are in line with industry practice.

4.3.3 Schedule Overview

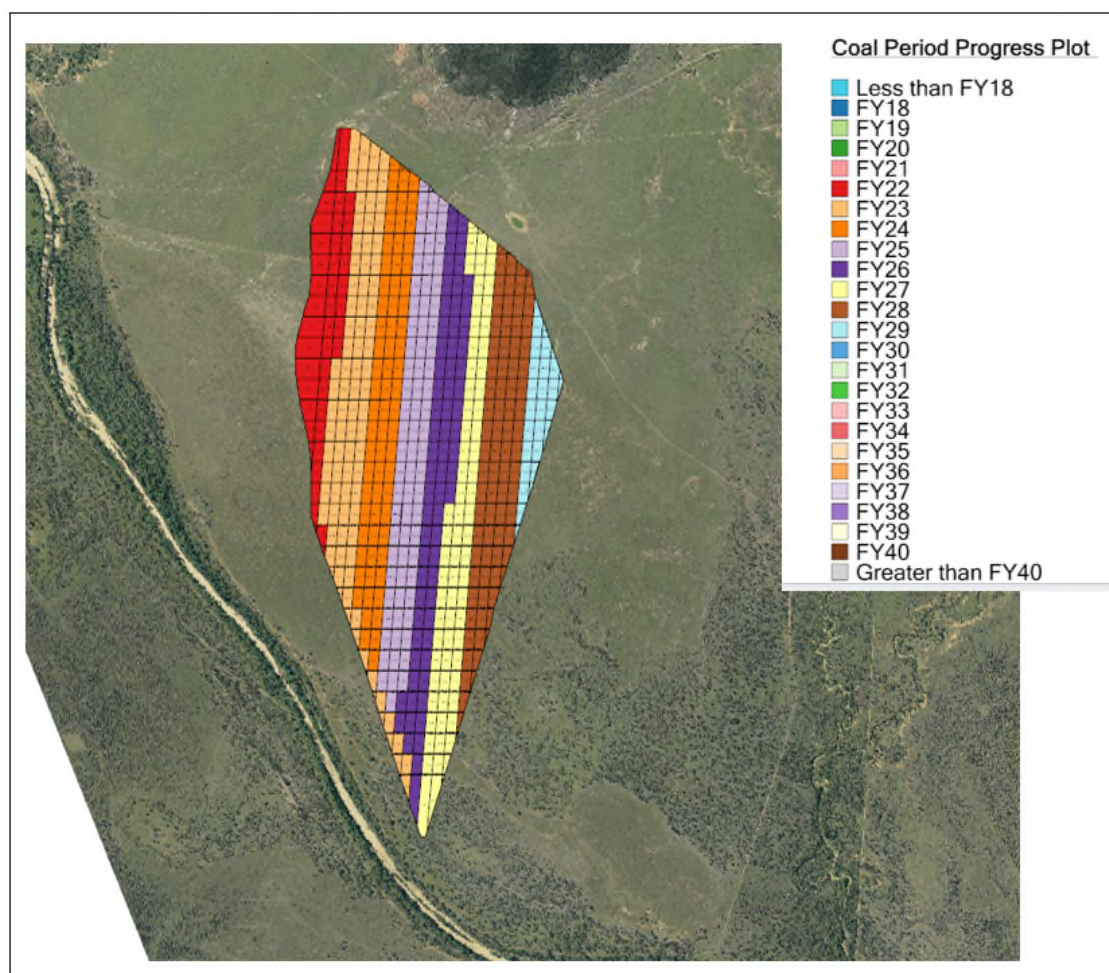
The current base case mining schedule for the open cuts mines the remaining economic reserves at Isaac Plains then moves mining to IPE until FY22 when SCL assumes approvals will be gained to mine the lower strip ratio ID pit. After ID is mined out, mining recommences in IPE until FY30, then IP until FY31 when all currently planned Open Cut reserves are depleted.

The year by year progress plots of the Isaac Plains Complex can be seen in Figure 4.6 and Figure 4.7.



Source: Stanmore Coal Spry model; Updated Model V2 - Base Case

Figure 4.6 Base Case Mining Schedule Progress - Isaac Plains and Isaac Plains East



Source: Stanmore Coal Spry model; Updated Model V2 - Base Case

Figure 4.7 Base Case Mining Schedule Progress - Isaac Downs

4.3.4 Upside Case Productivity and Utilisation

The upside case reflects the required Golding mining productivity numbers in the new mining services contract as well as an expanded Isaac Downs pitshell that covers the resources in the ML and EPC's covering the Isaac Downs project.

The upside case assumes that SCL is successful in bringing forward the approval time of Isaac Downs by 6 months such that operations in Isaac Downs commence in July 2021.

As shown in Table 4.4, the upside case features higher EX5500, PC4000 and PC3000 operating hours and slightly higher EX5500 productivities. The dragline operating hours and productivities are the same in both cases. Compared to the base case, utilisations for the PC4000 and PC3000 are higher.

Table 4.4 Upside Case - Scheduled Productivities

	Annual Operating Hours	Waste Productivity (bcm/op.hr)	Coal Productivity (t/op.hr)	Utilisation
Dragline (Total Movement)	6,790 (excludes deadheading)	2170		77.5%
EX5500 - Prestrip waste	6,252	1,675	1,100	66.7-71.3%
EX5500 - Coal development	6,252	1,675	1,100	66.7-71.3%
FY20 Excavator - Prestrip waste	5,850	2,059		66.7%
FY20 Excavator - Coal development	5,850	1,950		66.7%
PC4000	6,252	955	1000	71.3%
PC3000	6,252	750	900	71.3%

Source: Stanmore Coal LOM Upside Case - Mining inputs 04.12.18

4.3.5 Opportunities

Due to the recent acquisition of the full ID project, integrated planning has only recently commenced on ID. Opportunity for further optimisation exists for the full Isaac Plains complex that will develop as part of the mine planning process.

The timing for commencement of mining at ID will have a significant impact on the amount of waste that is required to be moved in the schedule as lower strip ratio areas of Isaac Downs could be mined ahead of higher strip ratio areas in IPE if mining could be commenced prior to FY22.

4.4 Reserves

Measured Group Pty Ltd have prepared a reserves report for Isaac Plains Complex (Isaac Plains and Isaac Plains East). As of the date of this report, no reserves have been generated for Isaac Downs. The reserves report is dated the 30th August 2018.

Table 4.5 ROM Coal Reserves for the Isaac Plains Complex (30th August 2018)

	Category	LHD/LHU (Mt)	LHL (Mt)	Total (Mt)
Isaac Plains Mine	Proved	1.74	0.05	1.79
	Probable	0.85	0.08	0.93
	Total	2.58	0.13	2.72
Isaac Plains East	Proved	10.27	0	10.27
	Probable	1.88	0	1.88
	Total	12.15	0	12.15

	Category	LHD/LHU (Mt)	LHL (Mt)	Total (Mt)
Isaac Plains Complex (Total)	Proved	12.01	0.05	12.06
	Probable	2.73	0.08	2.81
	Total	14.74	0.13	14.87

Note: Tonnages and qualities in the above table are expressed on a ROM basis, incorporating the effects of mining losses and dilution, and on a 7.0% ROM moisture basis

Source: Open Cut Coal Reserves Estimate, Isaac Plains Complex Stanmore Coal Limited 30th August 2018, Measured Group Pty Ltd.

Table 4.6 Marketable Coal Reserves for the Isaac Plains Complex (30th August 2018)

	Category	Semi-soft Coking Coal (Mt)	Thermal Coal (Mt)	Total (Mt)
Isaac Plains Mine	Proved	0.97	0.34	1.31
	Probable	0.55	0.15	0.70
	Total	1.52	0.49	2.01
Isaac Plains East	Proved	7.90	0.13	8.02
	Probable	1.46	0.02	1.48
	Total	9.36	0.14	9.50
Isaac Plains Complex (Total)	Proved	8.87	0.46	9.33
	Probable	2.02	0.17	2.19
	Total	10.88	0.63	11.51

Note: Tonnages and qualities shown in the above table are expressed on an as-received, product moisture basis of between 10.5% and 11.0% for semi soft coking coal, and between 9.0% and 9.5% for thermal coal, and account for product yield.

Source: Open Cut Coal Reserves Estimate, Isaac Plains Complex Stanmore Coal Limited 30th August 2018, Measured Group Pty Ltd.

4.4.1 JORC Modifying Factors

The following modifying factors (that are summarised in Table 4.7) were applied to convert the Isaac Plains Complex resources to reserves:

Table 4.7 Loss and Dilution Parameters Isaac Plains Complex (30th August 2018)

	Units	Parameter
Coal Roof Loss	m	0.075
Coal Floor Loss	m	0.025
Coal Strip Edge Loss	m	0.250
Coal Roof Dilution	m	0.050
Coal Floor Dilution	m	0.050
Coal Strip Edge Dilution	m	0.250
Dilution Ash	%	85
Dilution Density	t/bcm	2.42

Source: Open Cut Coal Reserves Estimate, Isaac Plains Complex Stanmore Coal Limited 30th August 2018, Measured Group Pty Ltd.

For IP, additional losses of 3% and dilution of 2.5% was applied in major fault zones. For IPE an additional global 3% loss and 2.5% dilution was applied to account for geological variation, wedge loss and other mining process loss.

In situ moistures of 4.7% were converted from geological air-dried moistures using the Preston Sanders method. ROM and product tonnes were then determined using the assumptions shown in Table 4.8.

Table 4.8 Moisture Assumptions for the Isaac Plains Complex (30th August 2018)

	Units	Isaac Plains	Isaac Plains East
Air-dried Moisture	%	As Modelled (indicative 2.3%)	As Modelled (indicative 2.3%)
In-situ Moisture	%	5	4.7
ROM Moisture	%	7	7
SSC Product Moisture	%	11	10.5
Thermal Product Moisture	%	9	9.5

Source: Open Cut Coal Reserves Estimate, Isaac Plains Complex Stanmore Coal Limited 30th August 2018, Measured Group Pty Ltd.

5 INFRASTRUCTURE

The infrastructure currently in place at the Isaac Plains complex is considered fit for purpose and in line to support future development. Expenditure on infrastructure will predominantly be for power supply to the dragline, heavy vehicle haul roads, sediment dams at out of pit dumps and pumps/pipework for water transfer.

5.1 Summary

Infrastructure is budgeted via a Work Breakdown Structure and incorporates the following elements:

- Roads
- Power supply and distribution
- Security and access
- Mine Industrial Area and contractor area
- Communications
- Roadworks
- Communications

The general status of existing infrastructure, including power, water, MIA and haul roads is considered sufficient to meet the requirements of the operation. It is considered that adequate capital expenditure has been allocated to service the LOM plan.

The infrastructure for Isaac Downs includes the following components:

- Haul road between Isaac Downs and Isaac Plains Haul Road
- Haul road crossing of Peak Downs Highway
- Light vehicle access from Peak Downs Highway to Isaac Downs
- Mine water management, including sediment affected water
- Flood protection levee
- Powerline extension from Isaac Plains to Isaac Downs
- Communication and IT networks
- Workshop and office facility, fuel and oil storage
- Fleet park-up/Hardstand/Go-line

Preliminary design for the infrastructure has commenced, focussing on the flood levee, Mine Infrastructure, connecting Isaac Downs to Isaac Plains through the haul road, electrical and communications, two-way water system and the Peak Downs underpass. A preferred alignment for the haul road has been selected with input from the Isaac Plains operations team and engagement with the overlapping tenement owners, the land owner and government departments. This work will provide boundaries for the disturbances to be addressed within the environmental impact studies.

The scope of Infrastructure to be designed seems comprehensive and should be adequate for full infrastructure engineering design and drafting.

5.2 Power

New overhead 66kV power lines to support the dragline in the IPE pit are under construction as of November 2018 with the dragline scheduled to move to IPE in the latter part of December 2018. Voltage is stepped down via transformers to either 11kV or 6.6kV for dragline or CHPP duty, and further reduced to three phase 415V and 240V as appropriate. Provisions in the Infrastructure budget for power reticulation are considered adequate for future mine progression.

There is also budgeted installation of 3 off 66kV underground road crossings to facilitate passage of light and heavy vehicles across the mine lease. SCL's forecast plans suggests that the power required to carry out mining operations is adequate to be serviced by the current system.

5.3 Water

There are immediate plans to pump storage water from an in-pit storage dam to a recently constructed dam at the CHPP to reduce significantly the amount of imported water purchased under the Sunwater Agreement. Water usage increased significantly through September and October 2018 as plant feed tonnages ramped up. Water usage will increase further around the CHPP as tailings is pumped from the plant replacing the more closed-circuit belt press filter tailings dewatering arrangement currently in place. Provision for return tailings decant water is included in future water management plans. Mine water imported from Sunwater and CHPP metered usage are detailed in Table 5.1

Table 5.1 Sunwater Feed into Raw Water Dam (Megalitres)

Month	2016	2017	2018	CHPP 2017	CHPP 2018
January		20.5	24.8	21.9	28.4
February		26.7	14.3	14.2	11.9
March	10.4	45.4	28.7	52.3	28.8
April	22.5	35.4	25.9	40.5	20.9
May	57.6	64.7	28.3	65.7	28.5
June	21.4	44.8	30.5	36.4	34.1
July	29.0	27.4	33.0	36.8	27.6
August	30.7	51.8	25.9	52.1	25.1
September	41.8	44.6	34.3	31.1	48.1
October	22.0	25.5	77.6	25.5	80.0
November	24.0	15.8		14.7	
December	34.3	15.7		1.1	
TOTAL	293.7	418.3	323.3	398.2	333.7
AVERAGE	29.4	34.9	32.3	33.2	33.4

Note: Source- Document 03.02.01.03.04 Isaac Plains Water Usage

Isaac Plains Mine is authorised to take up to 920 Megalitres per annum (MLpa) of raw water from Eungella water pipeline in accordance with an allocation from SunWater. Pit water is transferred to S3 Pit via a series of pipelines. S3 Pit is a dedicated in-pit water storage operated with a maximum operating capacity of 5,660 ML.

Based on past and projected water usage, the Sunwater allocation and in-pit storage should adequately service the mining operations and provide potential to reduce the purchase of water.

5.4 Roads

It was noted that none of the haul roads were sheeted with any rock or gravel, and it was acknowledged by Isaac Plains site management that truck haulage ceases during rain events. This is being addressed, as suitable material has been located on the mine lease and plans are budgeted to crush this material for road sheeting. There appears to be adequate provision for road construction in the LOM plan.

5.5 Maintenance

There are no major provisions for expansion of MIA facilities for the Open Cut Mine sequence. A desktop assessment was conducted which reviewed existing infrastructure, including:

- Mine Infrastructure Area
 - Workshop and surrounding laydown areas
 - Light vehicle maintenance igloo
 - Boilermakers area
 - Fuel storage and distribution
- Administration Office
- Warehouse
- Emergency response facilities equipment
- Fuel and lubrication facilities
- Water Infrastructure

Apart from the use of in-pit raw water to replace most of the imported Sunwater raw water for the CHPP, the existing fixed infrastructure detailed in this section of the report will not require any major Capital, as the original design criteria for the mine was for 3.5 Mtpa ROM and has been under-utilised to date.

6 PROCESSING

ROM coal from IPE is being processed through the existing Isaac Plains Coal Preparation Plant. Recent increases in ROM production have reduced delays due to 'No Coal' and throughput tonnages are incrementally increasing. The general status of the Processing area is considered sufficient to satisfy the projected budgeted tonnages provided planned debottlenecking occurs.

6.1 Summary

The Isaac Plains Coal Handling and Preparation Plant (CHPP) facility was commissioned in 2006 and has a nameplate throughput capacity of 500 tph. The process flowsheet is a conventional Bowen Basin design and includes a dual product dense medium cyclone circuit, a Teetered Bed Separator and a fine coal flotation circuit. The plant produces both a Primary High Yield Coking Coal (PHY) as primary product and Primary High Quality Thermal Coal (PHQ) as a secondary product. Debottlenecking projects are underway to cater for tonnages budgeted in the LOM plan.

6.2 Surface Layout

ROM coal is delivered to the CHPP via haul trucks and dumped on a ROM pad. This ROM is then reclaimed by mobile equipment and transferred to a plant feed system consisting of conveyors, a feeder breaker and a primary double roll crusher. When Isaac Downs tenement begins production, the coal will be mined and placed on a ROM pad at the north end of the tenement. The ROM coal will then be rehandled and hauled with C triples to the IP CHPP. The capital cost of the haul road and operating costs of double handling and hauling are included in the SCL financial model.

Coal product is stacked via a four-armed product stacker from which coal is reclaimed through two coal valves for trainloading through a 3,000 tph train load-out system into 10 Kt trains. Currently, fine and coarse reject is stacked from a reject conveyor and back-loaded into haul trucks with an excavator. Plans are in place to decommission fine reject belt press filters and pump fine reject as tailings to in-pit tailings dams. There is no dump hopper or reject bin at the CHPP, contributing to increased operating costs due to double handling of ROM and reject.

6.3 Raw Coal Handling

ROM coal at nominally 1m topsize is delivered to the CHPP via haul trucks and dumped on a ROM pad. This ROM is then reclaimed by mobile equipment and transferred to a plant feed system consisting of conveyors, a primary sizer (which reduces ROM coal to a nominal 250 mm topsize) and a McLanahan secondary double roll crusher which further reduces ROM coal to a nominal 50 mm topsize in readiness for beneficiation. Once sized, the material is transferred to the CHPP via a 900 mm wide conveyor, which includes a cross belt sampler and a metal detector.

6.4 Coal Processing

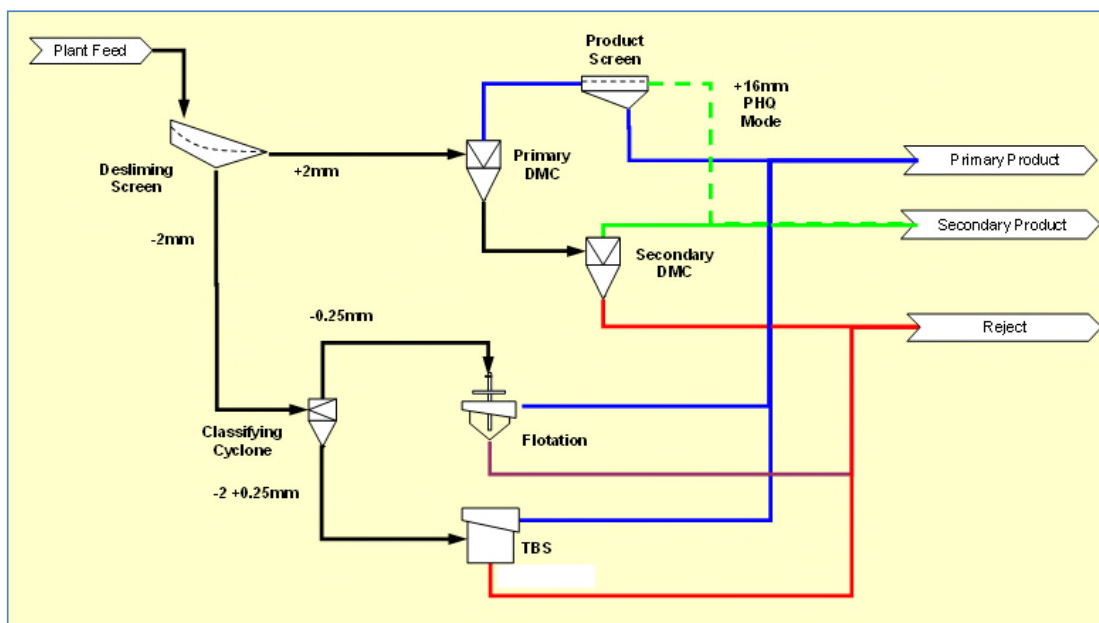
The process flowsheet is a conventional Bowen Basin design and includes a dual product dense medium cyclone circuit (-50+1.4 mm), a Teetered Bed Separator (-1.4 mm+0.25 mm) and an ultra- fine coal flotation circuit (-0.25 mm). The plant has the capability of screening out the

higher inherent ash -50+16mm dense medium cyclone product and directing it to the secondary thermal product to enhance the coking properties of the primary product (Primary High Quality mode or PHQ). Alternatively, the Plant can operate in Primary High Yield mode (PHY), where the coarse fraction remains in the primary coking or PCI product. A recent arrangement with Somerset International has seen the inclusion of a high g-force solid bowl centrifuge for dewatering of Jameson Cell flotation product, enhancing yield from the ultra-fine circuit and providing improved dewatering of the ultrafine product.

The plant has a nameplate capacity of 500 tph (as received), and recent modifications have resulted in throughput in the 520 tph to 540 tph range. A Board paper is being prepared for the next SCL Board Meeting seeking approval for further plant modifications to increase plant throughput by eliminating some recognised plant bottlenecks, including:

- Decommissioning of tailings belt-press filters and upgrades to the thickener tailings pumping system
- Increasing the provision of critical spares, reducing downtime
- Upgrade to the primary circuit product conveyor

These expenditures from the IPU budget of \$1.6M will allow the plant to operate at higher availabilities and throughput in preparation for processing 3.8 Mtpa in FY22. The plant flowsheet is detailed in Figure 6.1.



Reference: Bankable Feasibility Statement: Processing: October 2017

Figure 6.1 Simplified Schematic of Isaac Plains CHPP process flowsheet

6.5 Coal Products

The plant operates in two-product mode (primary and secondary product) with a low density primary and a high density secondary circuit.

A primary dense medium cyclone (DMC) processes the nominally -50+1.4 mm material. The plant has the option of directing all the primary DMC product to the primary coking/PCI product after dewatering through a coarse coal centrifuge - this is the so called “primary high yield” or PHY mode - or screening at nominally 16mm, with the undersize reporting to the primary coking/PCI product, and the oversize being directed to the thermal product (‘primary high quality’ or PHQ mode);

- A secondary DMC to process the nominally -50+2 mm rejects from the primary DMC with the secondary DMC product directed to the thermal product after dewatering through a coarse coal centrifuge
- A Teetered Bed Separator (TBS) to process the nominally -1.4+0.25 mm fines, with the product being deslimed on sievebends before being dewatered in a fine coal centrifuge and reporting to the primary coking/PCI product
- A Jameson flotation cell to process the nominally -0.25 mm ultrafines with the product being dewatered in a screen bowl centrifuge and reporting to the primary coking/PCI product

The secondary DMC coarse rejects and TBS fine rejects are dewatered on screens and combined with dewatered flotation tailings for disposal, the latter being dewatered in the thickener followed by belt press filters at present. Details on Coal Quality are included in Section 2.5 of this report.

6.6 Product Handling

Product from the CHPP is stacked via a four-armed product stacker on to the product stockpile area, from which the coal is reclaimed through two coal valves for train loading at 3,000 tph for export through Dalrymple Bay Coal Terminal.

If blending into a train is required for quality control reasons, the operation will generally load approximately 10 wagons with Product A and then a further 10 wagons with product B, and this sequence repeated for the remainder of the train to blend product coal to best homogenise the cargo. Trains are sampled at the Dalrymple Bay on discharge, and train quality is communicated back to the operation

6.7 Train Loadout

Product coal is reclaimed via two coal valves and dozer-push to a 3,000 tph train load-out system adjacent to the CHPP. Train rake size is 10 Kt. An under-rail weigh system provides feedback on the gross weight of each wagon, and a small excavator is in operation to remove any overloaded coal from the wagon just loaded if required.

6.8 Reject and Tailings

Currently, coarse rejects are dewatered on a drain and rinse screen within the plant, fine rejects dewatered over a high frequency screen, and are combined with ultrafine reject from

the Jameson flotation cell/ tailings thickener/belt press filters and stacked via a 600 mm wide conveyor to a rejects stockpile. Reject is then back-loaded by either front end loader or excavator into empty coal haulage trucks and returned to waste dumps.

Short term planning is to decommission the belt press filters and pump barren tailings to tailings cells within the pit. This will decrease downtime and maintenance costs and increase plant throughput opportunities, as the belt press filters are a bottleneck on capacity. Recirculation of the frother MIBC will also be reduced, enhancing plant availability and process efficiency.

6.9 Operating Performance

Of particular interest is the performance of the CHPP since ROM tonnages have been ramped up in recent months. The incidence of 'No Coal' delays has diminished to close to zero in Q2 FY19, (refer Table 6.1), impacting on higher plant throughput rates, availability and utilisation during that quarter.

Table 6.1 CHPP Performance

Quarter	Availability (%)	Utilisation (%)	"No Coal" as a percentage of delays
Q4 FY18	88.0	60.4	25
Q1 FY19	74.8	62.4	15
Q2 FY 19	95.5	94.5	<1

Note: Source: 03.02.01.03.03 Isaac Plains CHPP Delay Analysis FY19

Plant throughput rates in recent weeks have improved with choke-feeding of ROM coal to the plant (Refer Table 6.2). Capital expenditure as highlighted in the Section 9 should maintain throughputs of 520 to 530 tonnes per operating hour.

Table 6.2 CHPP Throughput (TPOH)

Date	TPOH
27 th Oct 2018	520
28 th Oct 2018	528
29 th Oct 2018	525
30 th Oct 2018	539
31 st Oct 2018	466
1 st Nov 2018	495
2 nd Nov 2018	472
3 rd Nov 2018	497

Date	TPOH
4 th Nov 2018	419
5 th Nov 2018	410
6 th Nov 2018	489

Note: Source: Email J. Romcke 30/11/2018

6.10 Operations and Maintenance

Ausenco operate the CHPP under a contract arrangement with Goldings. The Plant has traditionally operated a 24 hour maintenance shutdown on a monthly basis, with the plant shutting down at 2am to 6am for clean-up and isolations. External contractors supplemented by Ausenco labour have undertaken maintenance 6am to 6pm, with the plant returning to processing after isolations have been removed. Breakdown maintenance is conducted by Goldings/Ausenco labour from the pool of on-site labour. A 7 to 14 day major maintenance shutdown is budgeted per year.

The maintenance programming is being continually reviewed in light of increased ROM tonnages, with a view to providing the most efficient utilisation of maintenance crews during limited outages. Utilisation and availability data from Table 6.1 for Q2 FY19 reflects sound performance and effective maintenance planning.

SCL and their operating contractor have renegotiated arrangements for provision of ancillary labour to facilitate simultaneous processing and train-loading, with subsequent increase in Plant operating hours.

6.11 Expansion Opportunities

With current plants to process 3.8 Mt in FY22, the plant should be at that maximum capacity after debottlenecking opportunities are addressed as highlighted in the October 2018 CHPP Review Summary Report by Ausenco. Some expansion opportunities include:

- Modular plant upgrade. It is understood that SCL management is in discussions with three preparation plant designers regarding opportunities to add a module to the preparation plant for processing of overall tonnages greater than 3.8 Mtpa. Consideration is being made for a transportable function for this module should the economics favour moving the module closer to the coal source.
- Inclusion of a 250 to 300 t surge bin would greatly assist consistency of feed rate to the CHPP, resulting in higher throughput and less downtime due to 'No Coal'. It is recommended that the operation review the merits of ROM surge capacity.

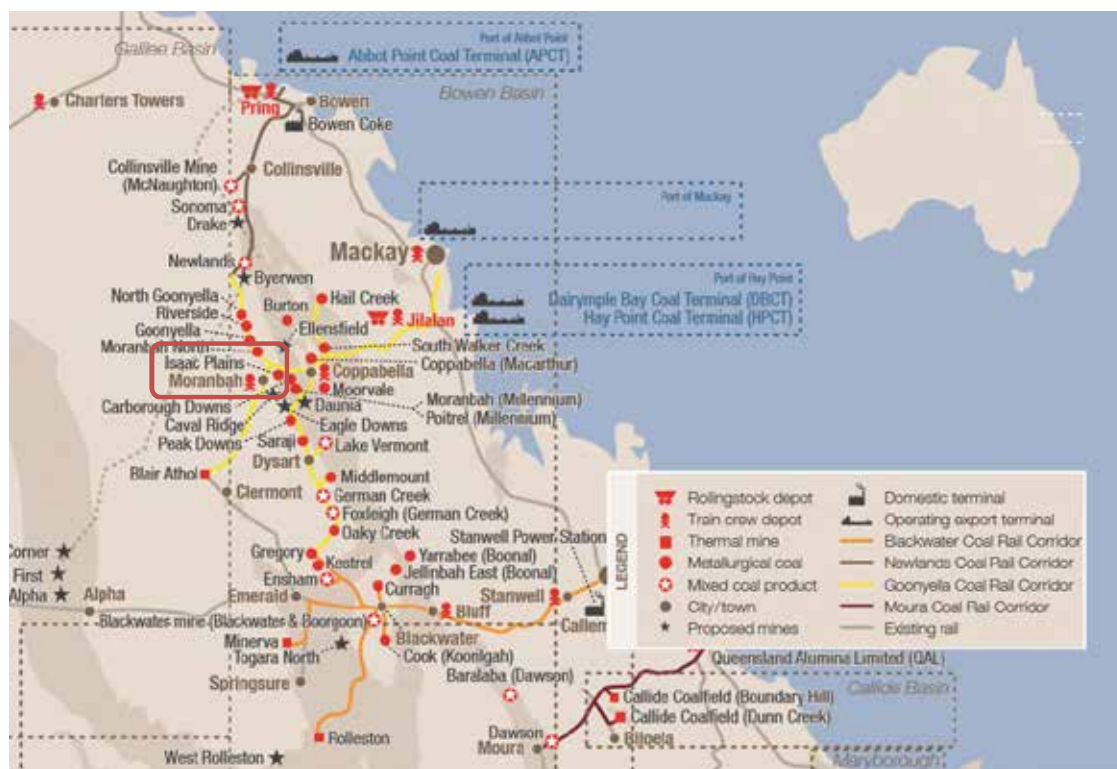
7 RAIL AND PORT

7.1 Summary

SCL has long term port contract arrangements of 2.4 Mtpa in place to support production from the Isaac Plains Complex to DBCT. Existing rail arrangements are in place to support production of 1.8 Mtpa. A corresponding increase to above and below rail capacity is reasonably well progressed to match the additional port capacity secured in October 2018. Additional short term capacity is required in some years to meet peak production levels nominated in each of the LOM Base Case and Upside Cases. These rail and port arrangements are not mine specific and are able to be used to transport and ship production originating at the Isaac Plains train loading facility.

7.2 Background

The Isaac Plains Complex is located on the main Goonyella rail corridor which services coal terminals at the Port of Hay Point. This is shown in Figure 7.1 below.



Source: Aurizon website

Figure 7.1 Goonyella rail corridor

The Goonyella rail corridor is operated and managed by Aurizon Network and forms part of the Central Queensland Coal Network (CQC). The Goonyella rail corridor has a nameplate capacity

of approximately 140 Mtpa to align with export capacity at both Dalrymple Bay and Hay Point Coal Terminals.

The Goonyella rail corridor also connects with the Goonyella-Abbot Point Expansion (GAPE) rail system which services the Abbot Point Coal Terminal (APCT) at the Port of Abbot Point near Bowen. The Isaac Plains Complex has the flexibility to access APCT via GAPE if required.

Access and pricing to the Central Queensland Coal Network is regulated by the Queensland Competition Authority via Aurizon Network's Access Undertaking. The current Access Undertaking (UT4) came into effect in October 2016 and is scheduled to terminate on the earlier of 30 June 2019 and the date that a replacement undertaking is approved. A replacement access undertaking (known as UT5) is currently considered by the QCA, with a decision anticipated by the end of 2018.

Above rail haulage operations are provided in an open contestable market. Aurizon and Pacific National are the predominant coal haulage operators on the Central Queensland Coal Network.

The Goonyella rail corridor services two coal terminals at the Port of Hay Point - Dalrymple Bay Coal Terminal (DBCT) and Hay Point Coal Terminal (HPCT) located 38km south of Mackay. DBCT is owned and managed by DBCT Management Pty Ltd (a subsidiary of Brookfield Infrastructure Partners) under a long term lease arrangement. HPCT is owned and operated by BHP for their own use with a nameplate capacity of approximately 55 Mtpa.

DBCT has a current nameplate capacity of approximately 85 Mtpa and operates as a cargo assembly terminal, where individual cargoes are assembled in a 'just in time' manner. Pricing and access to DBCT is currently regulated by the Queensland Competition Authority. An Access Undertaking is currently in place regulating the pricing and access conditions to DBCT, which expires on the earlier of 1 July 2021 and the date that the terminal ceases to be a 'declared service' under the QCA Act. This declaration expires in 2020 and renewal of this declaration is currently being considered by the Queensland Competition Authority.

7.3 Rail

The Isaac Plains Complex is serviced by a dedicated rail balloon loop joining the Goonyella rail corridor. Saleable product is loaded via overhead bin onto trains and railed approximately 165km to DBCT.

Under an existing agreement with Pacific National, SCL has contracted above rail capacity on a take or pay basis until 2024 with options to extend the term. The agreement contains rights for SCL to request transport of up to 1.8 Mtpa to DBCT. SCL has requested additional above rail capacity to align with forecast production levels in the period to FY24.

Pacific National also holds the below rights under this agreement, with these rights expiring in 2020. Renewal rights are prescribed within the regulatory framework and require advance notice for negotiation of a new access agreement. Access applications for additional below rail capacity totalling 1.2 Mtpa have been lodged with Aurizon Network to align with SCL's total port capacity. SCL is well progressed in securing the additional above and below rail capacity for FY19 and reasonably progressed for periods beyond this. Palaris' view is that there is a low likelihood of the additional above and below rail capacity not being able to be secured to match the total contracted port capacity.

An Access Facilitation arrangement is in place with Aurizon Network which recognises capital contributions made for construction of the rail loop. SCL receives a rebate from Aurizon Network on the regulated access charge in recognition of this prior contribution. This rebate arrangement is due to expire in FY26.

Additional rail capacity is required to meet short term production peaks in the period FY22 to FY25, with volumes dependent on the mining case applied. Options available to secure this capacity include short term availability at DBCT, capacity arrangements with other access holders via the secondary market or short term availability at APCT. DBCT is the preferred port solution for these volumes. The ability for SCL to secure rail capacity will likely be contingent on procurement of port capacity.

7.4 Port

SCL currently has two port contracts in place at DBCT providing a total of 2.4 Mtpa. This capacity is provided on a take or pay basis. The standard provisions of these agreements contain evergreen extension of term rights for 5 years on a rolling basis.

The terms of these contracts is staggered, with expiry in 2024 and 2028. For SCL to utilise the recently acquired port capacity, it is required to obtain commensurate below rail rights.

Additional port capacity is required to meet short term production peaks in the period FY22 to FY25, with volumes dependent on the mining case applied. These additional volumes are reasonably small in the context of the overall DBCT supply chain capacity. Options available to secure this capacity include short term availability at DBCT, capacity arrangements with other access holders via the secondary market or availability at APCT. DBCT is the preferred port solution for these volumes. In the event that capacity is unavailable at DBCT on either the primary or secondary market, SCL has registered its interest in shipping these volumes through APCT.

7.5 Take or Pay

Forecast production in the LOM plans¹⁹ indicates that minor shortfalls of production against contracted port (and expected rail) capacities may occur in some years, resulting in a potential take or pay liability on shortfall volumes.

A secondary capacity market exists at DBCT for excess capacity, whereby subject to approval by service providers, port and rail capacity is able to be traded between users. Based on the current coal market conditions, opportunity may exist to mitigate take or pay on this excess capacity through arrangements with other coal producers. In the longer term, the staggered expiry of the port agreements allows forecast production to be matched with committed port volumes.

Prescribed termination rights and termination payment calculations are included within the rail haulage agreement (and below rail access agreement) to mitigate long term take or pay exposure in the event that forecast production does not materialise.

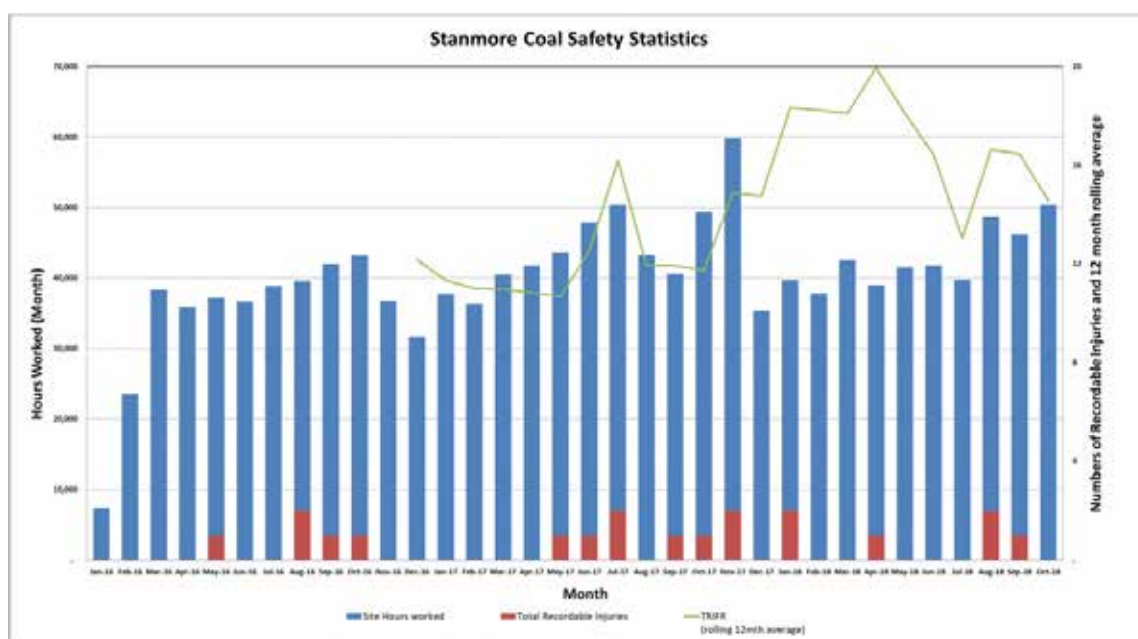
¹⁹ LOM Base Case - Mining Inputs 04.12.18 and LOM Upside Case - Mining Inputs 04.12.18

8 MANAGEMENT AND SAFETY

8.1 Summary

The operating contractor at the Isaac Plains Complex is Golding appointed as the Coal Mine Operator. As such, they establish the Safety and Health Management System (SHMS) and appoint the Site Senior Executive (SSE). Operation of the Isaac Plains and Isaac Plains East sites are primarily the responsibility of Golding through their agreement with SCL, although some key positions, including the Isaac Plains complex General Manager are directly employed by SCL. The complex workforce comprises approximately 60% Golding employees and 40% labour hire.

The safety performance at SCL is driven primarily by the contract mining and processing teams on site. For the FY17 year there were 6 recordable injuries over 480,000 worked hours resulting in a frequency rate of 12.5. For the FY18 year there were 9 recordable injuries over 548,000 worked hours, resulting in a frequency rate of 16.4. Figure 8.1 below outlines SCL's safety statistics (SCL employees hours worked data included from July 2017).



Source: Stanmore coal internal memo

Figure 8.1 SCL safety statistics from January 2016

9 FINANCIAL

9.1 Summary

SCL plan to incorporate Isaac Downs into the existing Isaac Plains Complex as such the following financials comments relate to the greater Isaac Plains /Isaac Downs Complex planned operation. Costs within this section relate to the base case supplied by SCL. All costs are in Australian dollars (2018) and all references to FY19 include the full financial year.

9.2 Operating Cost

9.2.1 Contract

Palaris have reviewed the projected mining costs provided against Isaac Plains historical and internal Palaris benchmark costs. Mining costs have been built up using contractor unit rates from the two relevant mining contracts with Golding (up to FY19, FY20 - FY24).

The Golding contract consists of part lump sum and part schedule of rates based on the following unit cost structures.

Table 9.1 Golding schedule of rates unit cost structure

Activities	Areas	Task	Unit cost basis
Main Activities	Pit Operations	Drill and Blast (presplit and dragline separate)	A\$/bcm
		Dragline mining	A\$/bcm
		Excavator mining* (up to 5 trucks)	A\$/bcm
		Coal mining	A\$/bcm
	CHPP Operations	ROM Operations	A\$/ROM t
		CHPP**	A\$/ROM t
		PSP Operations	A\$/ROM t
		Reject Haulage	A\$/Reject t
Provisional Activities (contributing to contract price)	Pre stripping	Clear and grub	A\$/hectare
	Rehabilitation	Topsoil removal	A\$/bcm
		Rehab - DZ - Cat D11	A\$/Hr
		Rehab - DZ - Cat D10	A\$/Hr

*Contract includes a discount for volumes exceeding agreed volume for an accelerated and maximum production scenario

**CHPP washing rates reduce with additional tonnes and increase with requirements for changes of roster due to low feed rates

Source: 03.09.01.02 Golding Deed of Variation No.12.pdf

Additional rates have also been provided for dayworks, standby and other provisional items as follows:

- Provisional topsoil removal
- Provisional prestrip with PC3000
- Provisional CDX (EX5500 mining lower portion of dragline prime to uncover coal)
- Provisional Dragline walking and mining softwalls
- Provisional mining of interburden or steeply dipping material
- Day works for all equipment (dry and wet hire)
- Mining personnel
- Standby rates
- Mining overheads
- Exploration drilling
- Miscellaneous
- Demobilisation

The schedule of rates are subject to adjustments for rise and fall taking into account the following variables:

- Labour
- Fuel
- Plant
- Explosives
- Materials and services
- Tyres

As the majority of the costs are based on the contract with Golding (signed November 2018), the first principles work up of fuel, workforce, maintenance and consumables has not been provided or reviewed. Palaris have reviewed the estimated LOM costs related to the contract services, overheads, rail and port and considers them to be realistic and achievable.

Based on the review of the technical and financial data, Palaris considers the Isaac Plains Complex (including Isaac Downs) operating and capital cost forecasts to be within the expected range of accuracy for similar benchmark Australian coal mining operations and in line with historic Isaac Plains costs, noting that the mine has been ramping up over the last 3 years and the dragline has been operating solely in Isaac Plains with a higher cost mining profile than what is planned in the LOM.

9.2.2 Unit Rates

The forecasted average prime waste cost is A\$3.24/bcm (real basis) using a LOM from FY19 - FY31 and using the mining schedule outlined in Section 4. This cost includes all capital and maintenance components of the trucks, excavator and dozer equipment and the maintenance and operating costs of the dragline and an additional excavator that is planned to be purchased for use in Isaac Downs in preparation for the Dragline.

The forecasted average ROM mining cost is A\$4.93/ROM t (real basis) and the total processing costs average A\$4.93/ROM t. The CHPP has an overall yield of 74% and a total CHPP cost of A\$9.48/Feed t. This cost is considered high but in line with the existing contract for IPC.

Long term agreements are in place with Aurizon, the rail operator and Dalrymple Bay Coal Terminal. Rail, port and demurrage costs of A\$16.32/product t are estimated over LOM. Palaris has reviewed the rail and port operating costs and are satisfied with their accuracy as a long-term forecast. Costs are based on long-term agreements or approved regulatory tariffs with the service providers, which are subject to extension or renewal options.

9.2.3 FOB Cash Costs

Total FOB costs are presented in Table 9.2 and Table 9.3. Service costs include accommodation, rehabilitation and lease repayments for the SCL purchased excavator (from FY20). Royalties have been assessed and considered representative and reasonable. FOB costs are also shown in Figure 9.1 below.

Table 9.2 Operating Expenditure (FY19 - FY25)

	Units	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Waste Removal	\$/ROM t	31.7	43.9	52.6	19.9	23.0	25.7	42.8
Coal Mining	\$/ROM t	4.7	5.5	5.7	5.4	4.7	4.7	4.7
Coal Processing	\$/ROM t	10.6	9.7	9.3	9.1	9.1	9.2	9.3
Services	\$/ROM t	10.2	11.0	10.9	10.1	9.0	10.6	7.4
Free on Rail	\$/ROM t	57.2	70.1	78.6	44.5	45.9	50.3	64.3
	\$/Product t	70.9	89.7	101.2	56.8	60.4	67.6	90.3
Transportation	\$/Product t	15.1	15.9	15.8	14.8	14.6	16.1	16.4
Marketing & Logistics	\$/Product t	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Royalties	\$/Product t	23.7	21.4	18.5	15.9	13.5	14.0	14.6
Corporate	\$/Product t	2.3	2.3	2.3	1.7	1.9	2.4	2.4
FOB	\$/Product t	112.3	129.7	138.1	89.5	90.7	100.4	124.0

Table 9.3 Operating Expenditure (FY26 - LOM)

	Units	FY26	FY27	FY28	FY29	FY30	FY31	LOM
Waste Removal	\$/ROM t	41.6	37.6	36.5	44.3	38.4	21.1	35.4
Coal Mining	\$/ROM t	4.7	4.7	4.7	5.5	4.6	4.3	5.0
Coal Processing	\$/ROM t	9.3	9.3	9.3	9.2	10.9	12.4	9.5
Services*	\$/ROM t	7.1	8.3	7.9	11.9	14.0	24.6	10.6
Free on Rail	\$/ROM t	62.8	59.8	58.4	70.9	67.9	62.3	60.5
	\$/Product t	90.8	89.1	85.0	94.8	89.4	78.3	81.4

	Units	FY26	FY27	FY28	FY29	FY30	FY31	LOM
Transportation	\$/Product t	16.2	17.7	16.9	15.6	15.6	15.6	16.4
Marketing & Logistics	\$/Product t	0.3	0.3	0.3	0.3	0.3	0.4	0.3
Royalties	\$/Product t	15.0	13.9	13.5	15.2	13.6	11.7	16.5
Corporate	\$/Product t	2.4	2.4	2.3	2.6	2.3	1.6	2.3
FOB	\$/Product t	124.7	123.4	118.0	128.4	121.2	107.6	116.9

*Services LOM costs includes Rehabilitation that continues until FY35

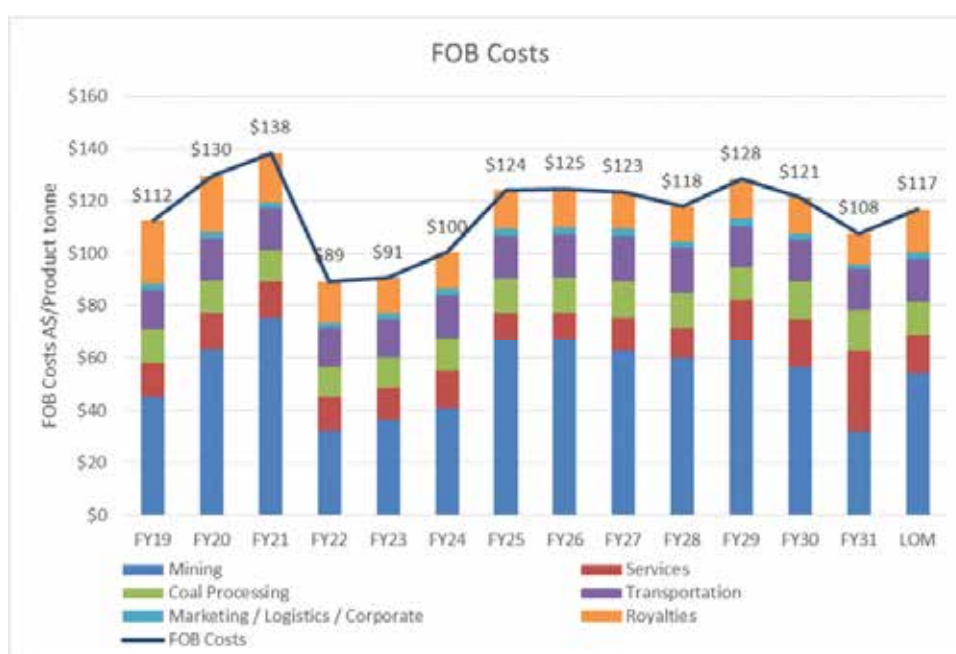


Figure 9.1 FOB Costs per annum

9.3 Capital Cost

Capital costs have been provided on an asset basis (i.e. IP, IPE and ID) and includes a major haul road to Isaac Downs, a deposit for a SCL owned excavator, studies and minor infrastructure costs. Total project capital is A\$79.6M for LOM.

Sustaining capital includes planned CHPP and dragline major shutdowns and specific general infrastructure for the next two years. Beyond FY20, sustaining capital is calculated on a reasonable basis, which is considered reasonable for a contractor operation:

- CHPP A\$0.75/ROM t
- Dragline A\$0.41/bcm
- General infrastructure costs of \$0.18/ROM t

Table 9.4 Capital Expenditure (FY19 - FY25)

	Units	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Project Capital	A\$M	18.1	12.7	16.7	25.5	0.4	-	-
Sustaining Capital	A\$M	10.7	11.5	8.7	9.7	9.4	8.8	8.8
Total Capital	A\$M	28.8	24.2	25.5	35.1	9.8	8.8	8.8

Table 9.5 Capital Expenditure (FY26 - LOM)

	Units	FY26	FY27	FY28	FY29	FY30	FY31	LOM
Project Capital	A\$M	-	-	3.1	0.1	2.9	-	79.6
Sustaining Capital	A\$M	9.0	9.0	9.1	8.3	7.7	6.7	117.4
Total Capital	A\$M	9.0	9.0	12.2	8.5	10.6	6.7	197.1

9.4 Rehabilitation Liability

Total rehabilitation liability of \$62.4 M is included in the FOB costs and includes ongoing and closure rehabilitation for each asset area (IP, IPE and ID). These costs are considered adequate for the rehabilitation works but are considered to not include the cost of removing all infrastructure currently at the IPC. The existing infrastructure is planned to remain in place to be used for the pre-development projects operations.

9.5 Product Pricing and Revenue Factors

Coal product pricing is based on Wood Mackenzie long term price forecasts as at June, 2018. The pricing relative to benchmark used by SCL has been reviewed and is considered reasonable.

10 PRODUCING ASSET RISK

The Isaac Plains Complex (includes Isaac Downs) risks and mitigations are included in Table 10.1.

Table 10.1 Isaac Plains Complex Asset risk and mitigations

Area	Issue Description/Finding	Risk	Mitigations
Tenure	Mining leases have not yet been obtained for the Isaac Downs project	Low	<ul style="list-style-type: none"> ♦ Apply for and obtain mining leases for the Isaac Downs project
Native Title	A Native Title Agreement has not been obtained for the Isaac Downs Project	Low	<ul style="list-style-type: none"> ♦ For areas where Native Title has not been extinguished within the Isaac Downs project obtain Native Title Agreements
Approvals	Granted federal environmental approval does not currently include the entire proposed disturbance footprint within the Isaac Plains East tenements	Low	<ul style="list-style-type: none"> ♦ Undertake self assessment process to determine if a significant impact is likely to occur. If a significant impact is likely, then refer the matter to the Federal government for assessment
	Granted state environmental approval does not currently include the entire proposed disturbance footprint within the Isaac Plains East tenements	Low	<ul style="list-style-type: none"> ♦ Apply for and obtain an amendment to the existing environmental authority to authorise the entire proposed disturbance footprint within the Isaac Plains East tenements
	State and Federal environmental approvals to authorise production activities for the Isaac Downs project have not been obtained	Low	<ul style="list-style-type: none"> ♦ Apply for and obtain the necessary State and Federal environmental approvals to authorise production activities for the Isaac Downs project
	Imposed State and Federal environmental approval conditions for the Isaac Downs project may result in the project being uneconomical	Low	<ul style="list-style-type: none"> ♦ SLC to negotiate conditions with State and Federal regulators during the application process
Coal Quality	Insufficient carbonisation data has been collected for detailed characterisation of the product coal from Isaac Downs	Low	<ul style="list-style-type: none"> ♦ Plan exploration to collect sufficient samples for washability and product analysis ♦ Plan analysis program to address the deficiency in carbonisation data
Geotechnical	Geotechnical studies lacking on Isaac Downs	Low	<ul style="list-style-type: none"> ♦ Geotechnical characterisation required further work to describe the characteristics of overburden and interburden materials, effect of faults and other structural defects on wall stability, determine influence on pit floor and dump stability of the Yarrabee Tuff and investigate connectivity of the groundwater table and Isaac River.
Operations	Assumed productivities and operating hours above SCL historical rates	Low	<ul style="list-style-type: none"> ♦ New contract with Golding specifies target rates

Area	Issue Description/Finding	Risk	Mitigations
	Ramp up of waste from FY19-FY21 from 23Mbcm to 43Mbcm assumes SCL record rates, operating hours and total volume movement.	Low	<ul style="list-style-type: none"> ♦ Golding incentivised to achieve rates ♦ New contract with Golding specifies target rates ♦ Additional equipment is already on site and costs are based on unit rates ♦ Golding incentivised to achieve rates ♦ SCL is assessing new excavator and other equipment purchase/lease options. This is already included in financial model
	Geotechnical - faulting	Low	<ul style="list-style-type: none"> ♦ Faults have been mapped and projected into IPE ♦ Soft walling has been used previously as a control at IP ♦ Golding have a Geotechnical PHMP
Mining cost	Dragline planned to operate for additional 12 years LOM. Dragline is currently 40 years old and there is a risk that mining costs will increase (excavator operation instead of dragline operation) if the dragline suffers catastrophic breakdown	Medium	<ul style="list-style-type: none"> ♦ Dragline maintenance strategy is planned for LOM and dragline condition continually monitored with strategy being updated
LOM costs	FOB costs are lower in FY22 and FY23 based on higher ROM and Product tonnes uncovered through maximum overburden removal production. Risk that production rates are not achieved and forecast tonnes are not achieved, increasing FOB costs in these years	Medium	<ul style="list-style-type: none"> ♦ Contractor additional equipment can assist in achieving production targets at similar prices ♦ Dragline mining horizons can be adjusted to increase coal uncovered with additional excavator material
Processing	Non achievement of 3.8 Mt ROM/y in FY22	Low	<ul style="list-style-type: none"> ♦ Capital expenditure to address bottlenecks highlighted in the Ausenco Report 102879-01-RPT-0001 Rev 01 Stanmore Coal CHPP Review Summary Report October 2018 confirmed
Port and Rail	2.4 Mtpa of port capacity secured at DBCT. Incremental above and below rail capacity required to be procured to match new 1.8 Mtpa port contract.	Low	<ul style="list-style-type: none"> ♦ Access applications lodged with Aurizon Network to match port capacity ♦ Negotiations progressing on above rail capacity
	Short term capacity required to meet peak production levels	Low	<ul style="list-style-type: none"> ♦ Secondary market for capacity exists at DBCT ♦ Alternate port options being explored

PRE-DEVELOPMENT PROJECTS

The assets included in this section are described in Table B.1 and shown in Figure B.1

Table B.1 Pre-development Projects

Tenement	Working Name	Sedimentary Basin
ML70342, ML700016, ML700017, ML700018, ML700019	Isaac Plains UG	Bowen
EPC755	Isaac South	Bowen

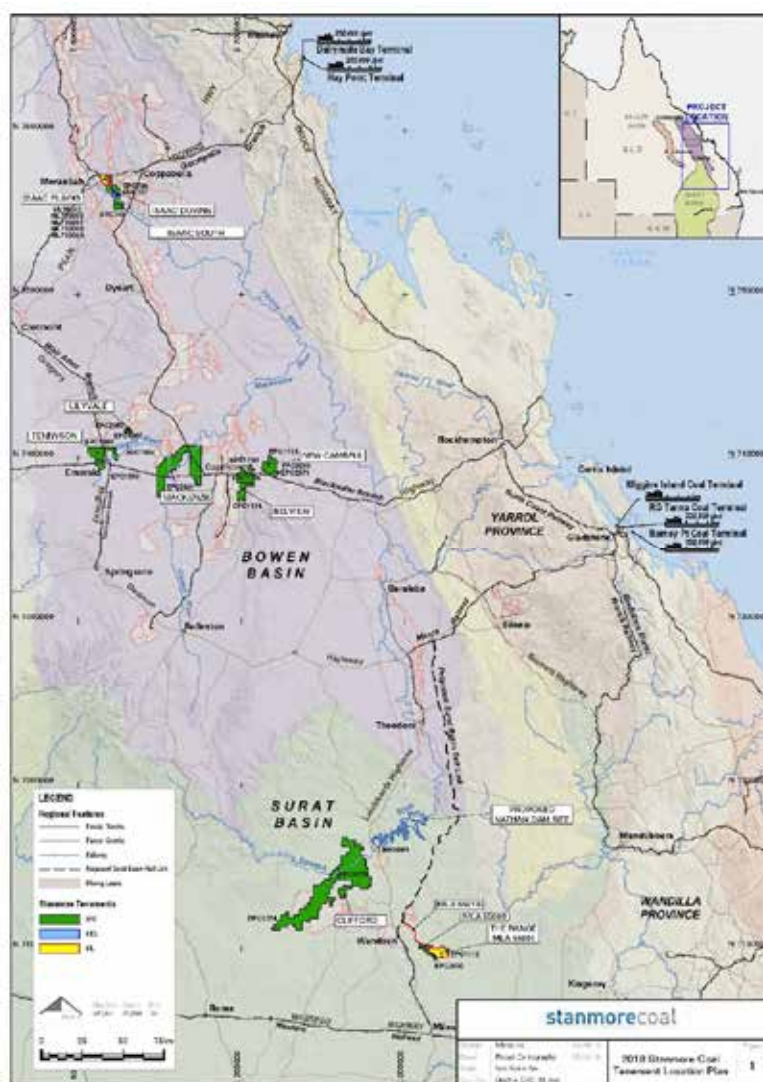


Figure B.1 Stanmore Coal Tenement Location Plan

11 GEOLOGY AND COAL QUALITY

11.1 Summary

SCL hold title to EPC 755; part of which is referred to as Isaac South. Coal resources have been defined in the southern part of EPC 755²⁰ and occur on the southern side of the Isaac River, across from Isaac Downs (MDL 137).

Isaac Plains underground is a project that proposes to extract the Leichhardt seam down-dip of the Isaac Plains open cut. Geology of Isaac South is discussed herein, whereas the geology of Isaac Plains underground project is briefly discussed separately, as the geology has largely been described in Section 2.2.

11.2 Geology - Isaac South

11.2.1 Regional Geology

The regional geology of the area is discussed in Section 2.2.1.

11.2.2 Local Geology

The local geology of the area is discussed in Section 2.2.2. Specifics for each project is discussed following. The stratigraphy of the Isaac South projects is as per Table 11.1.

Table 11.1 Stratigraphic units - Isaac Plains Complex

Unit	Description	Stratigraphic units
Quaternary - Tertiary	Sand, gravel, alluvium, basalt	
Rewan Group	Interbedded sandstone, siltstone	
Rangal Coal Measures	Sandstone, siltstone, carbonaceous mudstone, coal	Leichhardt seam Upper Vermont seam
Fort Cooper Coal Measures	Siltstone, sandstone, tuff, coal	Yarrabee Tuff Lower Vermont seam Girrah seam

Isaac South is part of EPC 755, and is along strike from Isaac Downs, but on the opposite (southern) side of the Isaac River. The same seams are present (Table 11.2), however, tend to split eastwards. In the area immediately south of the Isaac River, the Leichhardt and Vermont seams are locally coalesced; whereas in the south of the area, the Vermont coalesces with the Girrah seam. Outside of the area of coalescence, the Vermont seam sits 25 m below the

²⁰ JB Mining, 2018 - EPC755 Isaac Plains South - Resource Statement as at June, 2018

Leichhardt and is five to nine metres thickness (V1 to V32, inclusive of parting). The regional stratigraphic marker, Yarrabee Tuff is located below the top ply of the Vermont.

Table 11.2 Coal seams - Isaac South

Isaac South	Ply	Typical thickness (m)	Raw ash (ad) (%)
Leichhardt seam	L1 (upper split)	0.8	no cores
	LHD	2.5	21.4
	L2 (lower split)	0.4	no cores
Vermont	V1	1.8	22.7
Yarrabee Tuff			
Vermont	V2	1.4	35.5
	V31	0.4	38.6
	V32	0.4	36.3

11.2.3 Structure

The coal seams at Isaac Downs and Isaac South are contained within approximate north-south striking Rangal Coal Measures; the projects being separated by the Isaac River. The seams in the projects dip eastwards two to six degrees with local steepening near faults. Eastwards, the deposits are bounded by the Isaac Thrust fault.

Subcrop of the Leichhardt and Vermont seams occur within MDL 137 (note: weathering is ~20 m deep); however, subcrops of the seams in Isaac South mostly occur to the west of EPC 755, in the adjacent MDL 277, held by Exxaro and Anglo (Figure 11.1). The deeper parts of the potential resource occurs in EPC 755.

Like Isaac Plains, faults are commonplace in Isaac South (Figure 11.1).

11.2.4 Igneous Intrusions

No igneous intrusions have been identified in Isaac South.

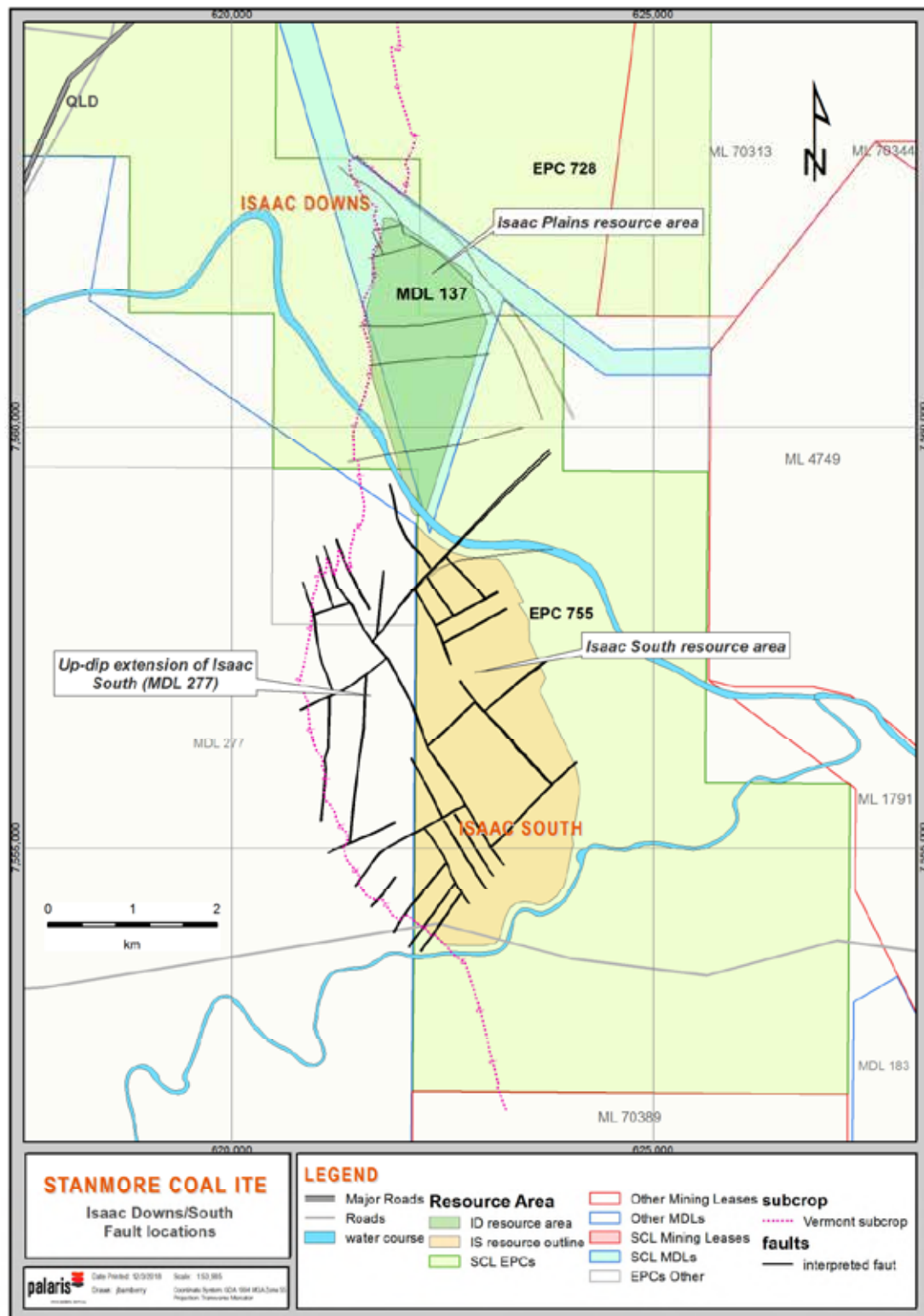


Figure 11.1 Isaac Downs and Isaac South, showing faults and resource areas

11.3 Exploration and Geological Modelling

The majority of exploration activity in the Isaac South area has been undertaken in the adjacent MDL 277. A detailed list of the exploration undertaken is provided in JB Mining (2018)²¹.

Ninety eight drill holes in EPC 755 were used in JB Mining's resource assessment. In total 432 drill holes are stored in a database for the area; most of these are located in the adjacent tenement. Nineteen core holes have been drilled in the EPC 755 subject area of resource assessment.

Vibroiseis seismic surveys were undertaken by MGC Resources Pty Ltd in the 1990's in the areas surrounding MDL137. MiniSosie surveys (8.9 km) were undertaken in 2006 in three lines across Isaac South.

11.4 Geotechnical

Standard geotechnical logging and sampling techniques have been applied to cored holes within EPC755. Seven fully cored HQ holes have been drilled for collection of samples for geotechnical analysis. Data from these cores have provided basis for initial geotechnical studies.

Geotechnical characterisation in both Isaac Downs and Isaac South requires further work to describe the characteristics of overburden and interburden materials, effect of faults and other structural defects on wall stability, determine influence on pit floor and dump stability of the Yarrabee Tuff and investigate connectivity of the groundwater table and Isaac River.

11.5 Coal Quality

In its raw form, the coal is a medium ash, medium volatile bituminous coal with low sulphur content and high energy. The rank of the coal at Isaac South ranges from 0.98 to 1.02 % (R_omax), making it equivalent to Isaac Plains.

The weighted raw qualities for the Measured and Indicated resources in EPC 755 are shown in Table 11.3. Of note, the lower Vermont seams are very high in ash content, and while the seams have been considered in the resource estimate, they might not be converted to reserves, once mining studies have been completed.

Table 11.3 Raw coal quality - Isaac South

Seam	Ash (ad) (%)	Volatile matter (ad) (%)	Total sulphur (ad) (%)	Calorific Value (kcal/kg ad)
LHD	24.0	22.4	0.40	6050
V1	23.8	22.1	0.35	6070
V2	33.6	18.9	0.28	4870
V31	41.3	19.7	0.40	4430
V32	37.7	19.3	0.46	4780

Source: JB Mining, 2018

²¹ JB Mining, 2018 - EPC755 Isaac Plains South, Resource Statement as at June 2018

Simulated washability for 42 bore cores was undertaken in 2018, (referenced in JB Mining, 2018). This analysis (Table 11.4) indicates yields of a primary 9.5% ash product; these yields are lower than currently experienced at Isaac Plains; and secondary product ash is high (27 %). The lower section of Vermont seam (V2 - V32) only yields a primary high ash thermal product (27 % ash); the position of these seams in the stratigraphy (high ash seams at the base of the sequence and poor product options) may result in exclusion of these in mining options. During 2018, small-scale (7kg) CSR tests have been undertaken on pre-treated borecore and CHHP samples of full seam Leichhardt seam in "Primary High Yield" mode. Six samples were taken, with 13 determinations of CSR with five duplicated samples tested at different laboratories. Tested product ash ranged from 8.3% to 9.9% (ad). Individual CSR values ranged from 29.5 to 59.7, with a mean of 39.

Table 11.4 Simulated washed coal quality - Isaac South (includes boreholes from MDL277)

Seam	Primary Yield	Primary Ash	Primary CSN	Secondary Yield	Secondary Ash	Total yield
LHD	42.1	9.6	3.5	33.8	22.7	75.9
V1	30.2	9.9	5.0	49.6	24.3	79.8
V2	68.0	27.3	-	-	-	68.0
V31	52.3	27.8	-	-	-	52.3
V32	63.5	27.1	-	-	-	63.5

Source: JB Mining, 2018

CSN of the primary products for Leichhardt and Vermont 1 seams suggest that the primary products yielded by these seams may be semi-soft and semi-hard coking coals respectively. These would likely have similar specifications to the semi-soft product of Isaac Plains, and the semi-hard product of Isaac Downs. Further characterisation work would be required to confirm the product yield, washing strategy and product specifications.

11.5.1 Benchmarking

The primary product coals from Isaac South are comparable to those that may be produced from Isaac Downs, as described in Section 2.5.

The high ash-thermal secondary product or lower Vermont primary product, is likely to be <6,000 kcal/kg (nar), and will be discounted against the NEWC. Further studies are required to characterise the product quality and the options for this resource, before the product qualities could be adequately benchmarked.

11.6 Resources

Resources within Isaac South were recently updated by JB Mining:-

- JB Mining, 2018 - EPC 755 Isaac Plains South, Resource Statement as at June, 2018

The resources described in this report are limited to EPC 755, although as a standalone deposit, the shallowest part of the deposit occurs in the adjacent MDL 277, where the Leichhardt and Vermont seams crop beneath Tertiary/Quaternary cover.

The down-dip limit of the resource has been defined by a cumulative vertical strip ratio of 15:1 to the V32 seam. The northern limit of the resource is defined by a 120 metre offset from Isaac River, whereas the southern limit is defined by a 100 metre offset from Cherwell Creek. The resource includes underground resource, based on highwall mining to a penetration depth of 250 metres (laterally).

The resource criteria are:--

- Minimum seam thickness of 0.3 metres for open cut
- Minimum seam thickness of 1.5 metres for underground
- Points of observation defined by holes with clean coal composite data, supported by raw coal data

Most of the resource in Isaac is contained within the Leichhardt and Vermont V1- V2 seams; ~52 Mt have been estimated by JB Mining (Table 11.3 Raw coal quality - Isaac South Table 11.3). Whether the high ash V2-V32 become economically viable as open cut reserves will be established during further study phases. The high portion of Inferred resource within this project is largely due to the fact that more drilling has been undertaken to investigate the shallower coal in MDL 277.

Table 11.5 Resources - Isaac South (JB Mining, 2018).

Seam	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Subtotals
LHD	5.7	2.6	0.2	8.5
V1	5	4.2	9.7	18.9
V2	0.2	5.1	8.9	14.2
V31	0.9	1.3	2.9	5.1
V32	0.1	1.4	3.7	5.2
Totals	11.9	14.5	25.4	51.8

11.7 Geology - Isaac Plains Underground

The regional and local geology of the Isaac Plains Underground have been discussed in Section 2. The Isaac Plains Underground is a down-dip extension of the Isaac Plains open cut. This proposal is a bord and pillar operation in the Leichhardt seam. Down dip of the open cut, the Leichhardt seam is in the range 3.2 to 4.1 metres thickness.

Key features of the geology are:

- Geology well-defined by drilling, 2D and 3D seismic and data from open cut workings

- Same products as per Isaac Plains with a total yield of 79 % (77:23 semi-soft :thermal split)
- Presence of faults understood/extrapolated from open cut workings, and interpreted from exploration data
- Geotechnical dataset consisting of:-
 - 202 UCS tests (includes that standard modulus, moisture, density and Poisson's ratio)
 - 44 Laboratory sonic velocity tests
 - 32 slake durability tests
 - 3,779 point load tests (diametral and axial)
 - 24 boreholes with acoustic scanner images

Coal resources hosting the reserves for the underground are not exclusively differentiated in the latest resource report (Xenith, 2018a). Instead, the resources are described by depth criteria as listed in Table 11.6. The underground resource is reported to be 39.5 Mt according to the IP UG JORC reserves report.

Table 11.6 Isaac Plains by depth range - Xenith (2018a)

Depth constraint	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Subtotal (Mt)
0-100 m	8.7	1.2	0.4	10.4
100-150 m	9.8	4.6	4.8	19.2
>150 m	3.7	15.5	3.6	22.8
Column totals	22.2	21.1	9.0	52.5

12 ENVIRONMENTAL AND APPROVALS

12.1 Summary

Isaac Plains Underground and Isaac South are subject to multiple State and Federal Government approvals in relation to environment, tenure, native title and cultural heritage. With particular reference to environment and tenure approvals a number of these as outlined below are still required to be obtained in order to allow the projects to move to a production phase.

SCL is aware of the processes required to obtain these approvals and has commenced the necessary baseline / technical studies to support applications. From the information currently available there is unlikely to be any material issues to SCL in obtaining these approvals.

Offset and rehabilitation requirements for Isaac Plains Underground and Isaac South cannot currently be quantified as they will be developed during the State and Federal approval application process.

12.2 Tenure

12.2.1 Isaac Plains UG

Isaac Plains Underground is proposed to be undertaken within the existing mining tenures (MLs) as listed in Table 12.1.

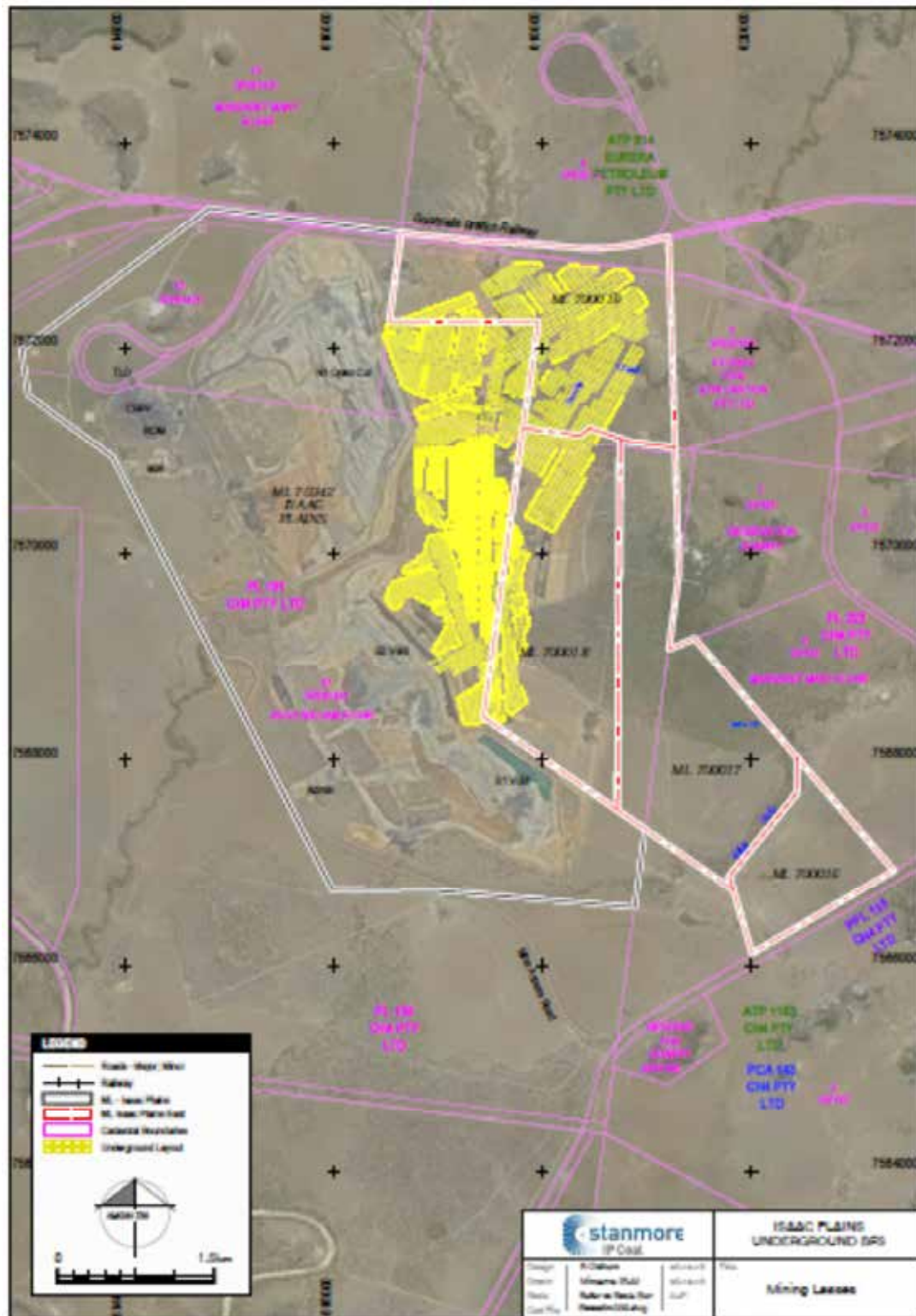
Table 12.1 Isaac Plains Underground Tenures

Tenement	Working Name	Status	Grant Date	Expiry Date	Area (ha)
ML70342	Isaac Plains Underground	Granted	1/12/2005	31/12/2025	2,143
ML700018	Isaac Plains East	Granted	1/03/2018	31/03/2030	369.1
ML700019	Isaac Plains East	Granted	1/03/2018	31/03/2030	353.8

The expenditure and rent for each of the Isaac Plains Underground tenures is contained in Table 12.2. A map showing the location of the underground project area is shown in Figure 12.1.

Table 12.2 Isaac Plains Underground Expenditure and Rent

Tenement	Period	Expenditure	Annual Rent
ML70342	Not specified	Not specified	\$62.30 / ha
ML700018	Not specified	Not specified	\$62.30 / ha
ML700019	Not specified	Not specified	\$62.30 / ha



Source: BFS Isaac Plains Underground Project, November 2018

Figure 12.1 Isaac Plains Underground Project

12.2.2 Real Property

SCL has no landholdings within the Isaac Plain Underground tenures and has negotiated conduct and compensation agreements with the following landholders:

- Fitzroy Coal Exploration Pty Ltd - Lot 4 SP252740
- M&R Flohr - Lot 15 SP261431, Lot 17 SP 261431
- Isaac Regional Council - Broadlea Road.

There are no outstanding disputes or litigation with any landholders.

12.2.3 Isaac South

Mining lease applications are required to be lodged and approved for Isaac South in order to undertake production related activities. Currently Isaac South has a granted EPC tenement for exploration activities as listed in Table 12.3.

Table 12.3 Isaac South Granted Tenure

Tenement	Working Name	Status	Grant Date	Expiry Date	Area (ha)	Sub-blocks
EPC755	Isaac South	Granted	10/4/2002	9/04/2023	66 km ²	21

The expenditure and rent for EPC755 is contained in Table 12.4.

Table 12.4 Isaac South Expenditure and Rent

Tenement	Period	Expenditure	Annual Rent
EPC755	April 2018 - April 2023	\$225,000	\$161.30 / sub block

12.2.4 Real Property

SCL has no landholdings within the Isaac South tenures and has access agreements with landholder's who overlap the EPC 755 tenure.

Conduct and compensation agreement will be required with landholders in the Isaac South tenements once MLs are granted.

There are no outstanding disputes or litigation with any landholders.

12.3 Native Title, Cultural Heritage and Social Issues

12.3.1 Native Title

Isaac Plains Underground will be undertaken on MLs where Native Title has been extinguished. No agreements under the Native Title Act 1993 (Cth) are required.

Isaac South will require MLs to be granted before production activities can commence. Land subject to Native Title remains within EPC755. Prior to the grant of any ML in this area an agreement with the Native Title Party (Barada Barna People) will need to be obtained. The process for obtaining an agreement is outlined in the *Native Title Act 1993 (Cth)*.

SCL has exiting relationships with the Native Title Party within their tenements through the development of a CHMP and CHMA for its Isaac Plains complex. SCL advises that there are no disputes with the Barada Barna People.

Obtaining Native Title agreement is unlikely to pose a material issue to the Isaac South.

12.3.2 Cultural Heritage

The Isaac Plains Underground will be undertaken in areas where a CHMP (ML70342) and CHMA (ML700018 and 700019) were negotiated with the Barada Barna People in 2010 and 2018 respectively. The CHMP and CHMA require clearances to be provided prior to conducting land disturbance activities and outline a fee for service arrangement with the Barada Barna People.

The fees outlined in the CHMP and CHMA are in line with industry standards and expectations.

SCL has advised that to date it has not experienced any cultural heritage issues associated with activities within the Isaac Plains complex tenures.

Cultural heritage is not likely to pose a material issue to Isaac Plains Underground.

The Isaac South does not currently have a CHMP or CHMA in place. This will need to be negotiated with the Barada Barna People as part of the approvals process. Given the existing relationship between SCL and the Barada Barna People it is unlikely that cultural heritage will have a material impact on Isaac South.

12.4 Approvals

Queensland coal mining operations are subject to obtaining environmental approvals under both Federal and State legislation. At a Federal level this is administered by the Department of Environment and Energy via the *Environment Protection and Biodiversity Conservation (EPBC) Act 1999* and at a State Level by the Department of Environment and Science via the *Environmental Protection Act 1994 (EP Act)*.

A Federal environmental approval will be required when an activity is likely to have a significant impact on a matter of national environmental significance (MNES). Whilst there are nine MNES the likely MNES associated with SCL's mining operations are:

- Listed threatened species and ecological communities

- Water resource in relation to coal seam gas development and large coal mining development.

Proponents are required to undertake a self-assessment of their impacts and if they are likely to have a significant impact then they must refer their activity to the Federal government for assessment. A proponent may still refer their activity to the Federal government for assessment even if they do not believe it will have a significant impact on an MNES.

Under the EP Act, an Environmental Authority is required for activities that are defined as environmentally relevant activities under the legislation. Carrying out mining activities is an environmentally relevant activity.

Both Federal and State environmental approvals generally contain conditions that seek to manage any potential impacts to the environment (air, noise, water, land etc). Additionally, at a State level a plan of operations and payment of financial assurance (generally in the form of a bank guarantee) are required to be submitted to the state government before mining can occur. The plan of operations and financial assurance are required to be updated as development of the mine occurs.

12.4.1 Current Approvals

Isaac Plains Underground will be undertaken in MLs for which a production environmental authority (EPML00932713, dated 24 January 2018) under the EP Act has been granted. The environmental authority will need to be amended to permit underground mining.

Isaac Plains Underground is part of a prescribed project declaration under the *State Development and Public Works Organisation Act 1971* which remains valid until April 2019. Whilst this is a voluntary process for SCL to undertake it enables the State Coordinator-General, if necessary, to intervene in State and local government approval processes to ensure timely decision making for the project.

Isaac South has been granted an environmental authority (EPVX00880413, dated 4 March 2015) under the EP Act which authorises exploration activities. Prior to commencing any production activities an amendment to this environmental authority will be required.

12.4.2 Required Approvals

Isaac Plains Underground will require an amendment to environmental authority EPML00932713 in order to authorise underground mining. The key environmental risks that will need to be addressed as part of the application are subsidence (including under watercourses and floodplains), groundwater and ecology. SCL has commenced technical studies and impact assessments to support the lodgement of an amendment application. Submission of the amendment application is expected to occur in Quarter 1 2019.

In the absence of a technical report identifying potential impacts that cannot be mitigated to an acceptable level, amending the existing environmental authority is unlikely to be a material matter.

Isaac Plains Underground does not currently have a Federal approval and has not been referred to the Federal government for assessment. As noted in Section 12.4, referral to the Federal

government is only required if the project is likely to have a significant impact on a MNES. SCL's approach for the Isaac Plains Underground is not to submit a referral, subject to the key impact assessments (subsidence, groundwater and ecology) confirming no significant impacts on MNES.

Isaac South will require an environmental authority amendment in order to undertake production activities for which an EIS may be required. A voluntary EIS process under the EP Act was completed in 2009 for an area that contained the proposed Isaac South development. SCL will need to consider whether this previous EIS is still current given the amount of time that has transpired since its completion.

Isaac South does not currently have a Federal approval and has not been referred to the Federal government for assessment. As noted in Section 12.4.1, referral to the Federal government is only required if the project is likely to have a significant impact on a MNES. Given the extent of disturbance that would occur in a production scenario it is likely that the project will need referral to the Federal Government.

In the absence of a technical report identifying potential impacts that cannot be mitigated to an acceptable level, obtaining environmental approvals for Isaac South is unlikely to be a material matter.

12.5 Offset Requirements

The requirement to provide offsets at either a State or Federal level is governed via conditions imposed on applicable approvals. As both the Isaac Plains Underground and Isaac South projects are still to obtain approvals which would allow production activities to commence there are no requirements to provide offsets. This is likely to change once the approvals identified in Section 12.4 are obtained.

12.6 Mine Rehabilitation

Requirements for rehabilitation are specified in the State and Federal environmental approvals. As the Isaac South environmental approvals are still exploration related the rehabilitation requirements are minimal. Once the approvals identified in Section 12.4 are obtained for both the Isaac Plains Underground and Isaac South the required rehabilitation commitments for these tenures will be known.

Financial assurance provided to the State Government for exploration activities associated with Isaac South is \$2,500 in the form of a bank guarantee.

13 MINING

13.1 Summary

This section refers to the Isaac Plains UG IPU and Isaac South (IS) Pre development projects.

13.1.1 Isaac Plains UG

The proposed Isaac Plains Underground Mine (IPU) is in study phase, with a Bankable Feasibility Study (BFS) currently in draft form.

The proposed mine is located to the east of the operating Isaac Plains Open Cut Mine, and is contained within the existing Isaac Plains mining lease (ML 70342, ML700018 and ML 700019). The IPU mine is intended to operate in conjunction with the IPE open cut mine over its productive life. The target coal seam is the Leichhardt seam (LHD) within the Rangal Coal Measures, ranging in thickness from 3.2 to 4.1m (average 3.6m). The depth of cover ranges from 100m to 290m.

The BFS is being undertaken utilising an Early Contractor Involvement Model, whereby the contractor (Mastermyne) will complete the BFS, and then transition to being engaged to operate the mine on behalf of SCL.

The IPU BFS has identified the use of primary and secondary extraction utilising continuous miners, and ancillary equipment. The use of this equipment is common throughout the underground coal mining industry for primary roadway development, with secondary extraction currently limited to a few operating mines.

Estimated ROM production from IPU over 10 years of mine life is 14.3 Mt, with 8.8 Mt of semi soft coking product coal and 2.6 Mt of thermal product coal.

13.1.2 Isaac South

A feasibility study was completed in 2006 which detailed an Integrated Isaac Plains Project. The scope of the study included the integration of Isaac Plains with a joint venture operation for Isaac South (IS). The proposed IS open cut project is located approximately 10km south east of the Isaac Plains mine. The joint venture identified in the study has expired. SCL hold the exploration permit, EPC755, for only the eastern portion of the Isaac South project detailed in the 2006 study. The western portion of the project is located within MDL277 which is currently held by Exxarco Australia Pty Ltd and Anglocoal (Grosvenor) Pty Ltd and is currently going through a renewal process (it expired in July 2018).

No study is available for review which evaluates an operation solely within EPC755. Without the inclusion of MDL277 the IPS project will differ significantly from the project detailed in the 2006 study. From the time of this study a number of inputs have changed which mean the schedule presented would no longer be appropriate. This includes but is not limited to:

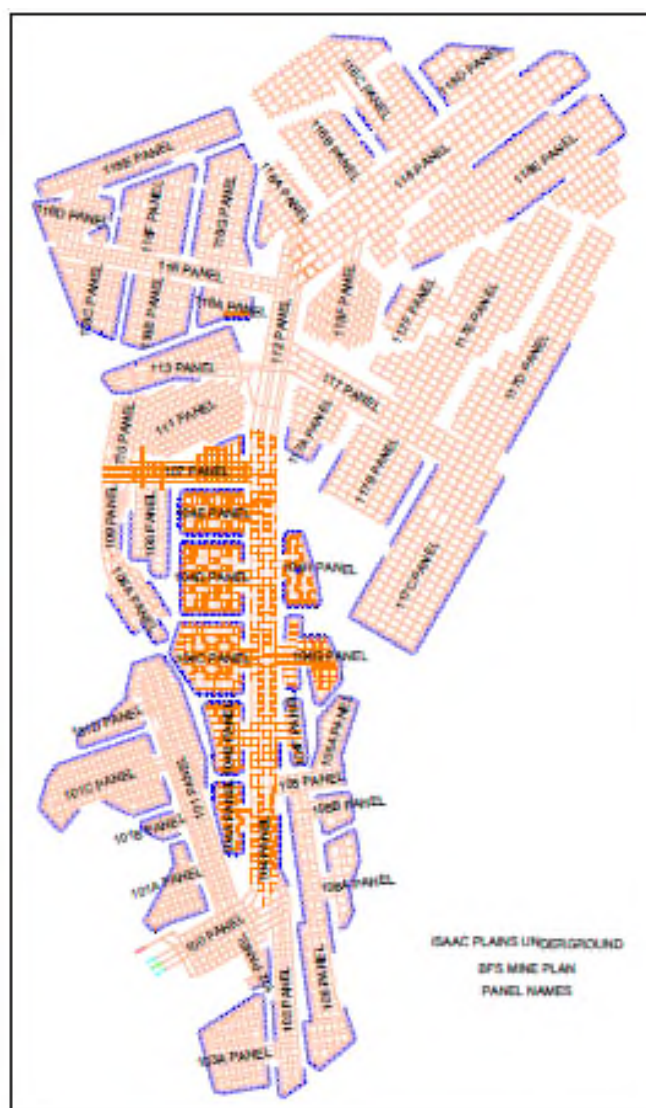
- Inclusion of Isaac Plains East into the mine schedule
- Change in contractor and mining fleet
- Expiration of the joint venture covering part of IPS mine area
- SCL purchase of Isaac Downs (Wotonga South)

13.2 Mine Plan

13.2.1 Isaac Plains UG

13.2.2 Mine Plan

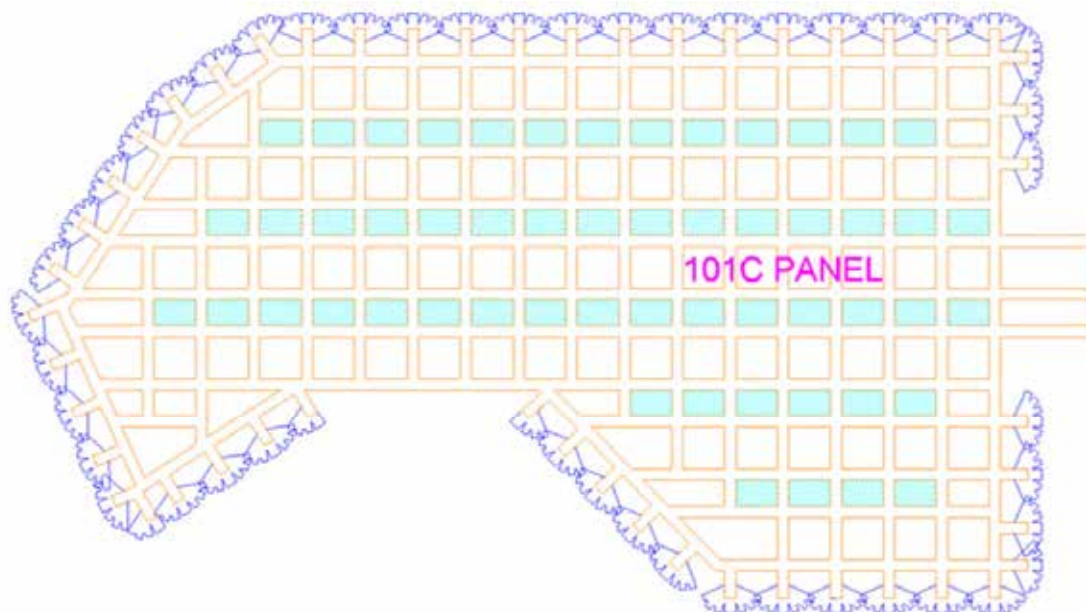
The IPU mine plan is designed and orientated to maximise resource recovery within the target area of the lease, whilst maintaining subsidence levels within approval limits and avoiding excavations through, or in close proximity to, identified geological structure risk zones. The BFS mine plan is shown in Figure 13.1.



Source: BFS Isaac Plains Underground Project, November 2018

Figure 13.1 Mine Plan

A “Stanmore Mining Method” (SMM) is defined within the BFS and provides the basis for individual panel design. The SMM method, a variant of the “Duncan Method” of bord and pillar mining, has primary roadway development forming rows of narrow pillars adjacent to larger pillars. Pillar sizing is driven by depth of cover, extraction height and stability for subsidence requirements. Fan shaped bell outs are formed on reaching the panel perimeter and narrow pillars are extracted during panel retreat. An example panel is shown in Figure 13.2 below.



Source: BFS Isaac Plains Underground Project, November 2018

Figure 13.2 Stanmore Mining Method Panel (101C Example)

13.2.3 Geotechnical

An independent geotechnical report has been completed by Blackrock Mining Solutions (2018), and subject to a peer review by geotechnical consulting firm Strata2 (2018). The report has been completed to a conceptual level. The document addresses the geotechnical setting (i.e. ground stress regime, structural domains) and geotechnical design requirements to ensure adequate support of excavations and overlying strata.

Mine pillar design has been undertaken using the industry accepted UNSW method, with sufficient factor of safety provided to comply with maximum approved subsidence levels. A Factor of Safety (FOS) of 1.6 for short life excavations to FOS 2.11 long life excavations has been applied. Pillar design dimensions and resultant FOS are supported by the peer reviewer, and are consistent with industry practice.

Excavation span and support design has been determined using several industry accepted methods, including analytical, numerical and geotechnical classification types. Support requirements and costs typically vary considerably and are dependent on the physical conditions

of the roof strata above the immediate working horizon and are typically related directly to depth of working. This is accounted for with in the BFS with a tiered support response plan based on depth of cover thresholds (<250m and <350M) and geological structures, with corresponding productivity discount inputs into the XPAC mine model.

Peer review of the geotechnical report makes the following key points.

- Initially planned 6.5m roadway widths are not appropriate. The BFS production model consequently limits widths to 6.0m.
- Reduced cut out distances are appropriate for areas with DOC greater than 250m or Coal Mine Roof Ranking (CMRR) of 45 or less. There is no description of limiting cut out distances in the BFS based on lower CMRR's. .

13.2.4 Mining Equipment

The mining contractor is planned to supply the majority of the underground mining equipment. Key equipment and risks are summarised in Table 13.1. There are no material risks identified with the mining equipment specified in the BFS.

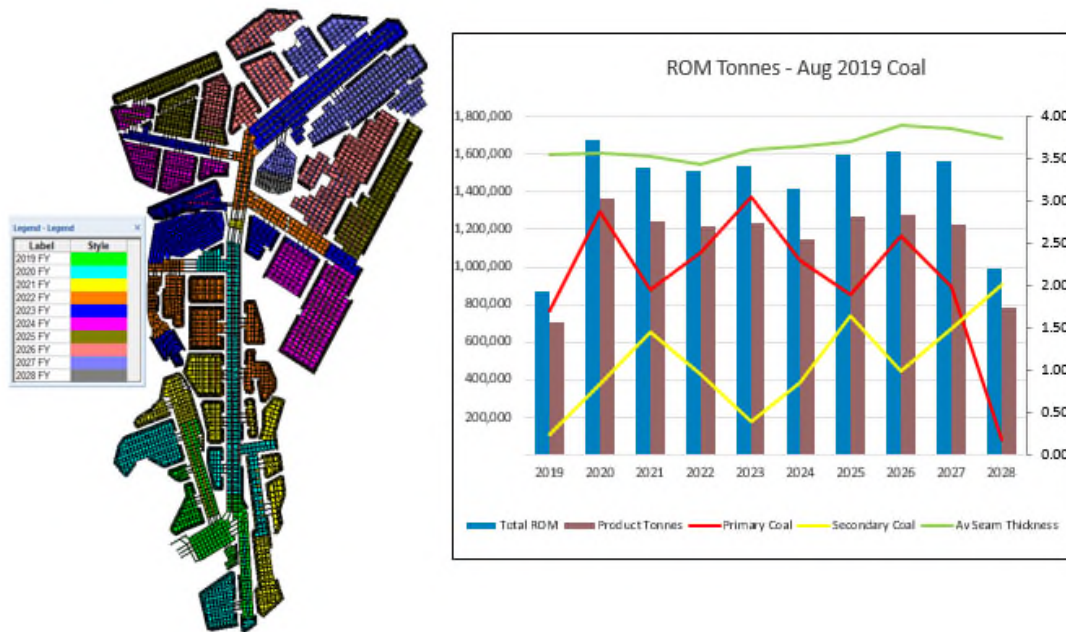
Table 13.1 Key Mining Equipment

Equipment	Capacity	Arrangement	Comments	Risks
Continuous Miner Komatsu 12CM27 (3.6m head) x 2	210 tph (Benchmark in service - EM).	Operator owned	Has capacity to achieve target production per unit. Adequate OEM support in region.	Nil
Multi-bolters Komatsu	Not identified	Operator owned	Several variants available in market with OEM support in region.	Nil
Breaker line supports Voest Alpine	Not identified	Owner operated	Limited units in service. Limited OEM support.	Low - Limited regional OEM support.
Roadheader Mitsui S200	Not identified	Hire	Several variants available.	Low - limited regional OEM support.

13.2.5 Schedule Overview

The IPU mine production outputs have been developed using industry standard XPAC software. The mine has a ten year operating life with production commencing in FY20. An estimated ROM production of 14.3 Mt is forecast over this period. Cumulative roadway development will total 264 km, with equivalent cumulative secondary extraction equalling 137 km.

Yearly ROM production targets are provided in Figure 13.3.



Source: BFS Isaac Plains Underground Project, November 2018

Figure 13.3 Annual (CY) Production Metres - Life of Mine

13.2.6 Productivity & Utilisation

Productive bord and pillar mining depends on the ability to maximise the frequency of extended cuts (13-15m) for both primary and secondary extraction, and correspondingly supported by lower densities of roof support in primary roadways.

The BFS has used a base productivity rate of 7 MPOH based on benchmarking at similar bord and pillar operations and adopting current Australian best practice (Ensham Mine). This rate applies to both primary roadway development and secondary extraction.

It is also important to note the significant geological and geophysical differences between Isaac Plains and the Ensham Mine. Excavations at Ensham are characterised by higher CMRR ratings, thicker seam profiles (5-6m) with typically good roof and rib conditions and relatively shallow depth of cover (45-200m). In addition, negligible gas make is detected from the Ensham Mine target seam.

In applying the 7 MPOH productivity rate, IPU has attributed discount factors based on productivity constraints including increased support density, seam grade, panel mobilisation, fault zones, and gas drainage impacts.

Of note, no discount factor is evident for reduced cut out depths anticipated, or impacts of outburst zoning. This requires further consideration as reduced cut out depths can have significant impact on productivity, by way of increased non-productive time from tramming equipment, and out of balance bolting sequences.

The industry secondary extraction performance metric of ROM tonnes per primary development metre ratio, when applied to IPU, varies from 3.5 to 24 ROM tonnes per primary metre with 15 ROM tonnes per primary metre average. This range is low by comparison to peers, with lower values reflecting a lower ratio of low cost coal extracted. For IPU the lower range of values reflects reduced secondary extraction options due to remnant pillar requirements (subsidence) and limited floor brushing capability, as used at Ensham.

Operating time for IPU has been modelled in a Time Usage Model (TUM) at an average of 84.3 hours per week based on a 7 on / 7 off 12 hour shift roster. This metric is in close alignment with the current industry benchmark at 85 operating hours per week (Ensham Mine).

There are no discount factors to operating time in the XPAC schedule, with a uniform 84.3 hours applied through the operating calendar. This requires further consideration given planned non-productive periods throughout the year including maintenance, overhauls, panel relocations, and public holidays.

13.2.7 Isaac South

13.2.8 IS Mine Plan

The mine plan in the 2006 study details the pit starting in MDL277 near the outcrop of the Leichardt seam. The pit then progresses down dip to the east into EPC755. Both the Leichardt seam and Vermont seam group are planned to be mined. The plan is based on an integrated mining approach with the Isaac Plains mine. This approach allows the allocation of pre-stripping capacity from the Isaac Plains mine to IS with the eventual relocation of the dragline to IS.

The pit has been defined by a margin ranking exercise which are mostly driven by the strip ratio with final pit limits being determined by assumed coal price. The pit is constrained by seam outcrop on the west, the Isaac River to the north and Cherwell Creek to the south. As the mine progresses east the strip ratio constrains the pit before it reaches the convergence of Isaac River and Cherwell Creek.

13.2.9 IS Mining Method

The 2006 study proposes a truck and shovel prestrip method, transitioning to dragline once all economic coal is depleted in Isaac Plains, this point was identified as FY2016 in the 2006 study. The dragline operation at IS would differ from the Isaac Plains operation as it is multi-seam mining with the dragline taking 2 passes in IS with dozer push only on the first pass to the Leichardt seam.

The proposed method is not possible without the inclusion of MDL277 in the IS project. Mining would have to begin in an area of high strip ratio.

13.2.10 IS Mining Equipment

The 2006 study identifies the use of the BE 1370W Dragline as well as supporting excavator overburden and coal fleets. The study does not identify specifics of the fleet but suggests that the contractor fleet should be suited to the plan requirements. The current contractor fleet is listed in Table 4.2 (Section Producing Asset Mining) and are appropriate for the mining method as is evident by their current use at Isaac Plains mine.

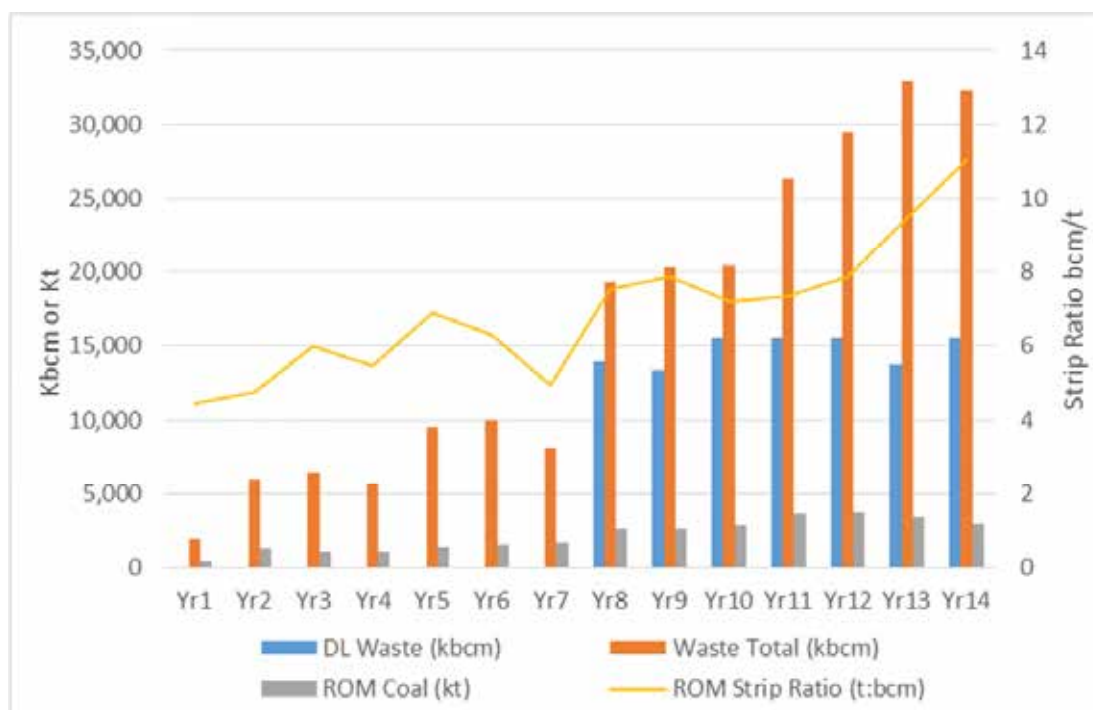
13.2.11 IS Mine Schedule

The mine schedule presented in the 2006 study targets maximum ROM production of 3.6 Mtpa. The ROM target is inclusive of production from the Isaac Plains Complex. To achieve high equipment utilisation the study identified that starting mining in the north would deliver highest value with the equipment transitioning to the south near the end of the life of the north pits. First coal from IPS was scheduled to be mined in 2009.

Productivity figures for the dragline as presented in the 2006 study are ~0.8 Mbcm pa higher than the base rate presented by current forecasts for the same machine. No evidence is apparent for the higher productivity assumption in the 2006 study. Section 4.3 of this report provides a review of the current dragline assumptions. This review is also relevant for the IS project assumptions. Industry experience shows that a multi pass mining operation could constrain and reduce the productivity of a dragline through both reduced dig rate and dig hours due to:

- Reduced spoil room
- Increased coal delays
- Increased interaction with truck and shovel fleet
- Reduced dig height

A reduced dragline capacity would increase unit costs as the shortfall would need to be made up by the truck and shovel fleet. It is assumed in this scenario that dozer push and cast blast volumes have been optimised to reduce unit costs.



Source: Isaac Plains Coal Management Pty Ltd, 2006

Figure 13.4 Isaac South production profile

The overburden fleet must be able to achieve a maximum of 15.9 Mbcm per annum to achieve the production schedule detailed in Figure 13.4. The FY20 fleet identified in Table 4.2 (Section 4.2) have an overburden capacity of over 20 Mbcm per annum, this capacity may be used in the case of production shortfalls from the dragline.

13.3 Reserves

The IPE does not have a JORC Reserve.

A JORC Reserves report was completed for the IP UG by Geostudy Pty Ltd in May 2018, prepared in accordance with the JORC Code (2012). The reserve estimates for the ROM and Marketable as shown in Table 13.2.

Table 13.2 IP UG reserve estimate (Geostudy, 2018)

Proved ROM	Probable ROM	Total ROM (Mt)	Proved Marketable	Probable Marketable (Mt)	Total Marketable (Mt)
6.0	7.0	13.0	3.8	4.4	8.3

14 INFRASTRUCTURE

The following section overviews the pre-development projects, which are the assets of Isaac Plains Underground and Isaac South. The IPU has a draft Bankable Feasibility study, and design engineering is advanced as per the study gate requirements.

14.1 Isaac Plains UG

14.1.1 Summary

Surface infrastructure is covered in detail in the Isaac Plains Underground Project Bankable Feasibility Statement and includes the following components:

- Access roads
- A washdown pad
- Admin Control Room and fit-out
- Communications building
- Main office building
- Bathhouse/ Female bathhouse
- Go Line and Boot-wash
- Fuel Farm and pumps
- Stores Area
- Stonedust shed
- Workshop
- MIA hardstand
- Sewerage Treatment Plant
- Portable water tanks and treatment
- Gas Hut/ Tube bundle system
- GAG unit location set-up/ GAG borehole and casing
- Oil/water separator and washdown area
- Mine Rescue sub-station building

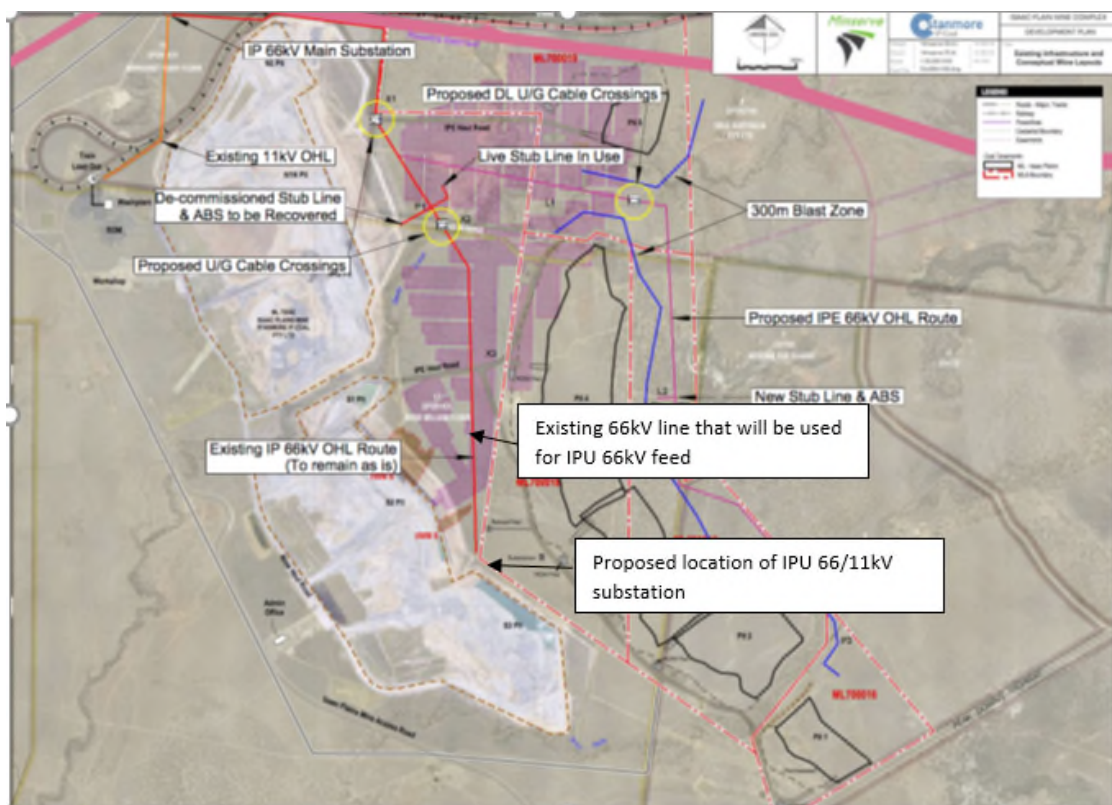
Preliminary design has been undertaken on the infrastructure items listed for IPU and included in the BFS. Location of infrastructure has been mapped and the decision process justified as to relative locations. Utilities, buildings and facilities, roads and civil infrastructure, security and emergency response were all addressed satisfactorily in the BFS.

14.1.2 Power

The Isaac Plains Main 66/11kV Substation that is presently used to supply the open cut operations at IP and IPE is located adjacent to the Ergon IP 66kV substation. 11kV is reticulated around the IP site to supply the train load out, CHPP, workshop, office and water reticulation stations. A 66kV feeder is used to reticulate 66kV to the dragline via a set of aerials. The Isaac Plains Underground supply will tee off this existing 66kV feeder to supply the underground equipment.

A load flow and power study has been conducted by Cell Engineering with the dragline and Isaac Plains Underground mine connected to the same 66kV feeder. The 66kV feeder has capacity to

support this loading and details are provided in the BFS. Power reticulation design is advanced as per BFS requirements and is not considered as a significant risk to the mining operations.



Source: Figure 228: BFS: Isaac Plains Underground Project

Figure 13.2.1 66kV OHL Reticulation System at Isaac Plains

14.1.3 Water

A review of system requirements for the management of onsite water has been undertaken relative to potable, raw and waste water for the proposed IPU, and for the IP complex as a whole. This forms part of the Infrastructure section of the BFS. The purpose of this review was to determine the utilities, services, infrastructure and equipment required to effectively manage mine water supply, disposal and consumption in a manner which enables efficient, compliant and cost-effective production. Preliminary design calculations have been performed for IPU to determine pressure, flow and demand throughout the systems.

Storage capacity in S3 pit is 5660 ML and contracted water supply from Sunwater is 920 ML/y. Capital allocations to reticulate water across the complex are adequate, and with plans over the next month to supply process water to the CHPP from S3, demand for Sunwater supply should reduce, leaving more allocation available if required.

14.2 Isaac South

Mine plans and a 2006 Isaac South Coal Project Feasibility Study indicate that Infrastructure projects for the IS will be limited to:

- A 200 Kt ROM pad to the North of the IPS mining lease (MLa70361)
- A power supply line to IPS
- A haulroad between IPS and the northern project including an underpass of the Peak Downs Highway, a low-level causeway of the Isaac River and an upgrade to the Billy Creek Crossing.

Existing CHPP infrastructure will suffice for the IS Project, and a small MIA is planned for the area to be installed by the Mining Contractor. This level of infrastructure is considered adequate for this mining area, as the ROM coal will be hauled to the CHPP on a campaign basis and will avoid short periods of wet weather events affecting the Isaac River.

15 PROCESSING

15.1 Isaac Plains UG

A full assessment on processing plant bottlenecks has been conducted by Ausenco for IPE and IPE in the Stanmore Coal CHPP Review Summary Report, October 2018. In summary the current plant limitations are:

- Plant Product Conveyors CV801, CV804 and CV805 - The current volumetric capacity of this conveyor system is approximately 320 to 340 tph verses a maximum required capacity of 436 tph
- Rejects Conveyor CV807 - The current capacity of the conveyor is 150 tph verses a maximum required capacity 237 tph. The conveyor cannot carry the quantity of reject from the lower yielding IPE and IPU coals without tracking off

Further plant bottlenecks have been identified by Ausenco and budgeting for IPU assumes that these bottlenecks have been addressed during the IPE phase of the mine operation. Separation between IPU and IPE will be maintained on the ROM. \$4.8 M has been included in the IPU capital to upgrade the ROM and raw coal handling circuits.

This is the only change to the existing CHPP (as modified for IPE) recommended for IPU.

15.2 Isaac South

When Isaac South tenement begins production, the coal will be mined and placed on a ROM pad at the north end of the tenement. The ROM coal will then be rehandled and hauled with C triples to the IP CHPP.

15.3 Surface Layout

No changes are budgeted to the surface CHPP layout for the pre-development projects. IPU and IPE will be processed separately, and so \$4.8 M has been allocated for ROM/raw coal handling upgrades.

16 RAIL AND PORT

This section provides commentary on the rail and port capacity requirements for the Isaac Plains UG and Isaac South.

16.1 Summary

SCL proposes to utilise the existing train loading infrastructure to export saleable production from Isaac Plains UG and Isaac South.

SCL currently has 2.4 Mtpa of port contracts at DBCT and is progressing increased rail capacity to match this committed port volume. SCL intends that production from Isaac Plains UG and Isaac South will fulfil any surplus in currently contracted rail and port capacity. Further, on the basis of the projects being developed in conjunction with the Isaac Plains Complex, additional rail and port capacity will be required. DBCT and APCT are options for this capacity. SCL has registered an interest for additional port capacity at DBCT and APCT from FY21.

16.2 Rail

As discussed in Section 7.3, SCL currently has above and below rail agreements in place to rail to DBCT. These arrangements have extension and renewal options.

Production from Isaac Plains UG and Isaac South is able to be used to fulfil any excess rail capacity that is currently contracted, with additional capacity also required. The two primary options for this additional capacity will be the Goonyella rail corridor to DBCT or via the Goonyella-Abbot Point Expansion (GAPE) to Abbot Point Coal Terminal (APCT). Transport to DBCT is the preferred option given its relative cost advantage.

The Isaac Plains balloon loop is oriented in an easterly direction to service train operations to DBCT. Railings to APCT would require train manoeuvring or construction of a western facing angle to ensure correct orientation of the train for unloading.

SCL's ability to secure the additional rail capacity at DBCT will likely be contingent on obtaining port access at the existing terminal. Palaris' view is that there is a risk of available below rail capacity being contracted in advance of SCL being able to commit to capacity, particularly at DBCT. Capacity availability from each of the primary and secondary market will be contingent on supply and demand at the time. Sufficient lead time currently exists for installation of additional above rail capacity resources.

16.3 Port

As discussed in Section 7.4, SCL currently has existing port contracts of 2.4 Mtpa in place for shipping from DBCT. These agreements have evergreen extension of term provisions.

Production from Isaac Plains UG and Isaac South is able to be used to fulfil any excess capacity that is currently contracted, with additional capacity also required. The two primary options for this additional capacity are DBCT and/or APCT. DBCT is the preferred option.

Availability of long term capacity at DBCT is reducing with stronger coal market conditions. An access queue currently exists for long term capacity. SCL has lodged access applications with

DBCT from FY21. Opportunities to secure available capacity arise from time to time upon contract expiry (where contracted volumes are not renewed) or acquiring surplus capacity from other producers via the secondary market. Capacity availability from these sources will be contingent on supply and demand for capacity at the time.

Both DBCT and APCT have the ability to expand beyond current nameplate capacities, subject to contracts being committed. In its 2018 Master Plan, DBCT has identified opportunities to incrementally expand the terminal up to an ultimate total capacity of approximately 136 Mtpa. The next incremental expansion is proposed to increase capacity from approximately 85 Mtpa to 89 Mtpa.

APCT has approvals in place to increase capacity at the existing terminal by a further 10 Mtpa, to a total of 60 Mtpa. Rail upgrade works would be required to support these port expansions and involve construction lead times.

Palaris' view is that there is a risk of remaining available DBCT capacity being contracted in advance of SCL being in a position to commit to additional capacity. To mitigate the risk of capacity availability at DBCT, SCL is investigating other port capacity strategies and has expressed interest in securing capacity at APCT from FY21.

17 PRE-DEVELOPMENT RISK

This risks associated with the Isaac Plains Underground tenement are shown in Table 17.1 and the Isaac South tenement are shown in Table 17.2. The risk ranking is partly associated with the level of exploration undertaken to date, and it is likely that the project risks will reduce as more data becomes available.

Table 17.1 Isaac Plains Underground Risk

Area	Issue Description/Finding	Risk
Approvals	Granted federal environmental approval does not currently allow underground activities to commence	Low
Approvals	Granted state environmental approval does not currently allow underground activities to commence	Low
Approvals	Imposed State and Federal environmental approval conditions for the Underground project may result in the project being uneconomical	Low
Geotechnical	Cut out distance estimates not realised due to LHD seam roof stability issues, resulting in large productivity and operating time discounts	High
Mining	i) Drilling program identifies increased outburst risk zones resulting in increased drainage costs and potential operating time impacts due to lack of operating permits ii) Operating time average targets (84.3hrs) not being met across the mine life	Medium

Table 17.2 Isaac South Risk

Area	Issue Description/Finding	Risk
Tenure	Mining leases will be required before production activities can commence for the Isaac South project	Low
Native Title	A Native Title Agreement will be required before production activities can commence for the Isaac South Project	Low
Approvals	Federal environmental approval will be required before production activities can commence for the Isaac South Project	Low
Approvals	State environmental approvals will be required before production activities can commence for the Isaac South Project	Low
Approvals	Imposed State and Federal environmental approval conditions for the Isaac South project may result in the project being uneconomical	Low
Estimation of Resource	Resources have been estimated down-dip of lower strip-ratio resources in MDL 277 Potential conversion to reserves is dependent on accessing rights or joint venture with owners of MDL 277	Medium
Coal Quality	Lower Vermont seams are high in ash content and yields a primary, high ash thermal coal; Secondary product from the Leichhardt and Upper Vermont is also high ash thermal	Medium
Geotechnical	Geotechnical studies lacking on Isaac South	Low

EXPLORATION PROJECTS

The assets included in this section are described in Table C.1 and shown in Figure B.1 in the Pre-Development section above.

Table C.1 Exploration Tenements

Tenement	Working Name	Sedimentary Basin
EPC1112, EPC2030	The Range	Surat
EPC1274, EPC1276	Clifford	Surat
EPC 2081	Mackenzie	Bowen
EPC1114, EPC1186, EPC1798	Belview	Bowen
EPC1168, EPC1580	Tennyson	Bowen
EPC1687, EPC2157	Lilyvale	Bowen
EPC1113, EPC2039, EPC2371	New Cambria	Bowen

18 TENURE

18.1 Summary

The order of tenure review and technical assessment is listed in Table 18.1.

Table 18.1 Order of tenements and basin

Title Name	Prospect Name	Sedimentary Basin
EPC1112, EPC2030	The Range	Surat
EPC1274, EPC1276	Clifford	Surat
EPC 2081	Mackenzie	Bowen
EPC1114, EPC1186, EPC1798	Belview	Bowen
EPC1168, EPC1580	Tennyson	Bowen
EPC1687, EPC2157	Lilyvale	Bowen
EPC1113, EPC2039, EPC2371	New Cambria	Bowen

Tenements associated with the Isaac Plains complex are included in Chapter 11

The presented expenditure commitments and actual real expenditure sourced from documentation provided by the Client and evidenced by licence renewal and variation approvals issued by the Queensland Department of Natural Resources and Mines.

18.2 The Range

The location of EPC1112 and EPC2030 (The Range) are presented in Figure 18.1. The Range project is a proposed open cut operation located 25 km south-east of Wandoan.

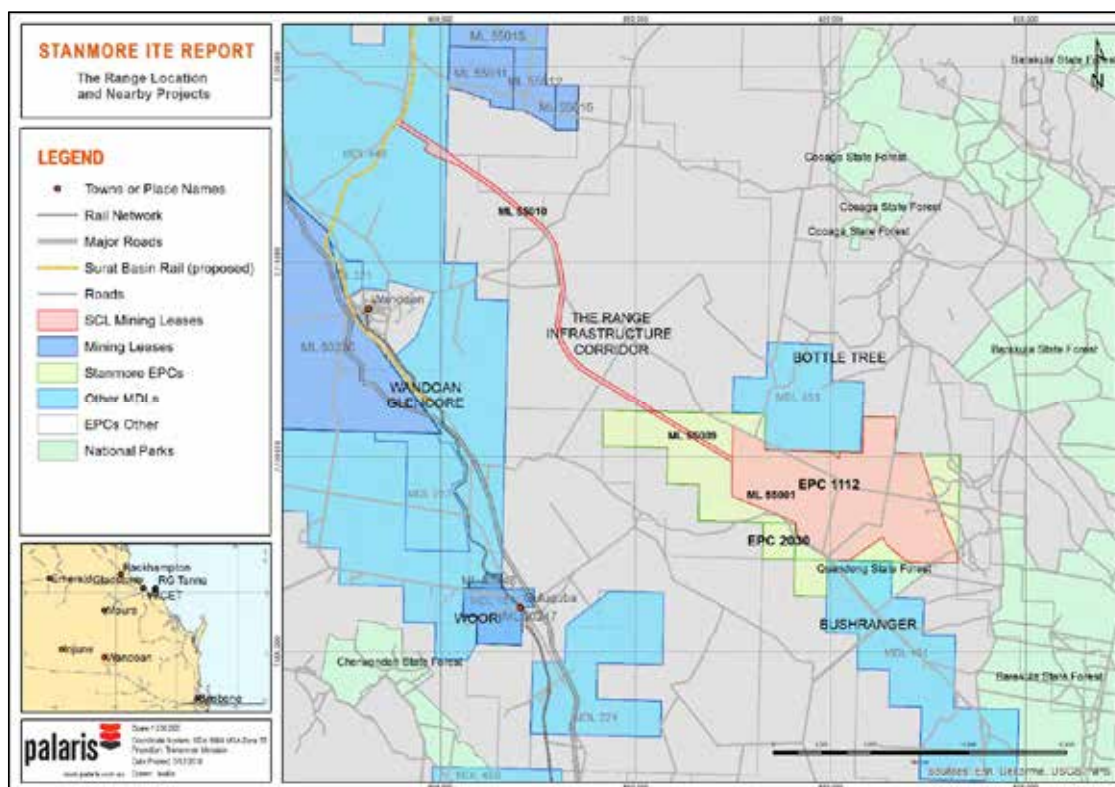


Figure 18.1 Location of The Range

A proposed rail transport corridor connecting The Range to the proposed Surat Basin Rail development is covered by MLA 55009 and 55010. Adjacent tenements include New Hope Coal's Bottle Tree and Bushranger coal projects.

18.2.1 Tenement Summary - The Range

A summary of tenement details is in Table 18.2.

Table 18.2 Summary of the Range Tenements

Tenement	EPC 1112	EPC 2030
Holder	Comet Coal & Coke Pty Limited	Comet Coal & Coke Pty Limited
Lodgement Date	14.12.2006	04.01.2010
Approval Date	23.03.2007	12.10.2010
Expiry Date	22.03.2022	11.10.2020
Area	86 km ²	6 km ²

Tenement	EPC 1112	EPC 2030
No of sub-blocks	28	2
EPC Exclusions	Land or waters where native title may or continues to exist under the Native Title Act 1993 (Cth) is excluded from the permit area	None listed
EA	MIN200489206 (exploration only)	EPSX00762713 (exploration only)
Restrictions	None listed	None listed
Environmentally sensitive areas	Yes	Yes
Strategic Cropping Land	Yes	Yes
Native title status	All land subject to Native Title (<10%) is excluded from the permit area	Not specified
Mining District	Dalby	Dalby
Obligations to third parties	None specified	None specified

Source: <https://minesonlinemaps.business.qld.gov.au/> as at 3 December 2018

Checks of environmentally sensitive areas for EPC1112 and 2030 indicate small areas of endangered regional ecosystems and a minor area of state forest in south-eastern EPC1112. Environmentally Sensitive Areas Mining Maps can be located at www.ehp.qld.gov.au/licences-permits/maps_of_environmentally_sensitive_areas.php

18.3 Clifford

Clifford is a potential open-cut thermal coal project (EPC 1274 and EPC 1276) located in the northern Surat Basin, between the towns of Wandoan, Taroom and Roma. The location of EPC1274 and EPC1276 (Clifford) are presented in Figure 18.2.

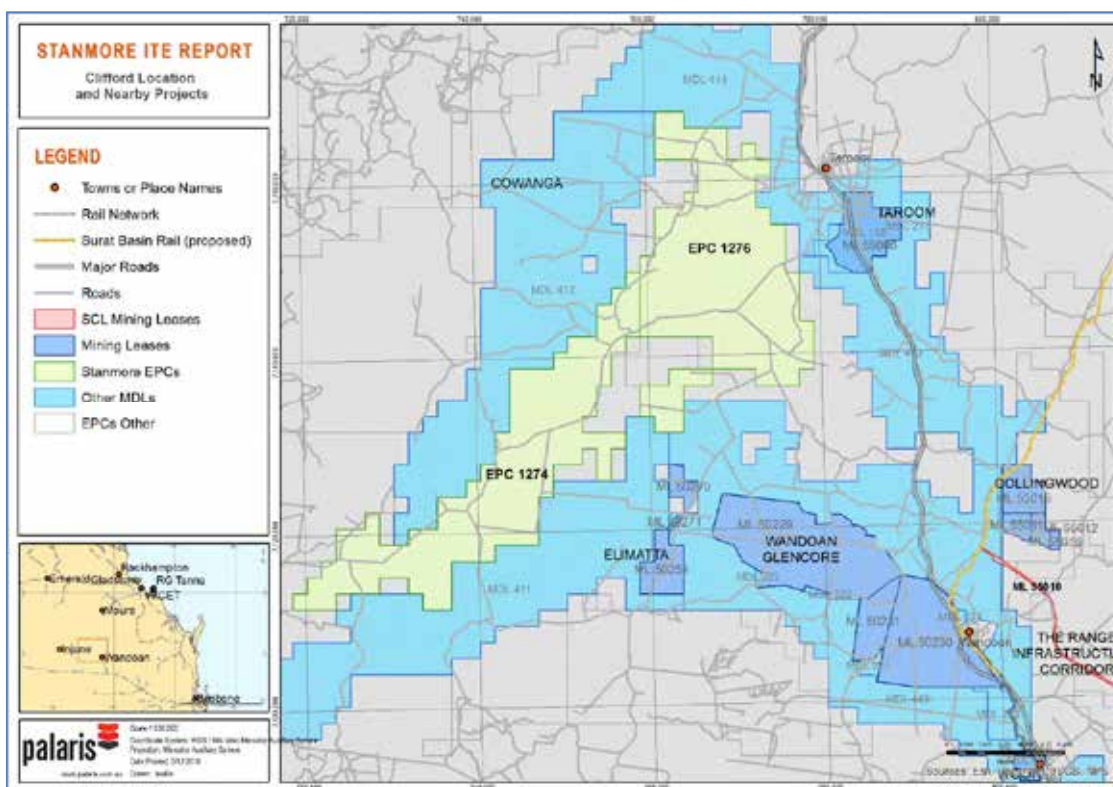


Figure 18.2 Location of Clifford

Clifford is located to the north of Glencore’s Wandoan Mining Lease complex and New Hope Corporation’s Elimatta project. The development of this deposit, like many others in the Surat, is dependent on the construction of the Surat Basin Rail, which will open rail access to Gladstone ports.

18.3.1 Tenement Summary - Clifford

A summary of the Clifford tenement details is summarised in Table 18.3.

Table 18.3 Summary of Clifford Tenements

Tenement	EPC1274	EPC1276
Holder	Stanmore Surat Coal Pty Ltd	Stanmore Surat Coal Pty Ltd
Lodgement Date	08.04.2008	08.04.2008
Approval Date	10.09.2008	10.09.2008
Expiry Date	09.09.2023	09.09.2023

Tenement	EPC1274	EPC1276
Area	397 km ²	419 km ²
No of sub-blocks	129	136
EPC Exclusions	This Permit is exclusive of other than the following: 1. Land over which previous exclusive possession acts have been granted as defined under s.23B of the Native Title Act 1993 (Cth). (Land where previous exclusive possession acts have been granted and is now held or currently set aside for the benefit of Aboriginals or Torres Strait Islanders or unallocated State land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included). 2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts.	Sterile Land EP163 - Environmental Park This Permit is exclusive of other than the following: 1. Land over which previous exclusive possession acts have been granted as defined under s.23B of the Native Title Act 1993 (Cth). (Land where previous exclusive possession acts have been granted and is now held or currently set aside for the benefit of Aboriginals or Torres Strait Islanders or unallocated State land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included). 2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts.
EA	EPSX00953313 (exploration only)	EPVX03307615 (exploration only)
Restrictions	None specified	None specified
Environmentally sensitive areas	Yes	Yes
Strategic Cropping Land	Yes	Yes
Native title status	None specified	None specified
Mining District	Dalby	Dalby
Obligations to third parties	None specified	None specified

Source: <https://minesonlinemaps.business.qld.gov.au/> as at 3 December 2018

Checks of environmentally sensitive areas for EPC1274 and 1276 indicate small areas of endangered regional ecosystems and small conservation park in EPC1276. Environmentally Sensitive Areas Mining Maps can be located at www.ehp.qld.gov.au/licences-permits/maps_of_environmentally_sensitive_areas.php

18.4 Mackenzie

Mackenzie is potential open cut coal project located approximately 30km east of Emerald and 16km west of Blackwater in Central Queensland. SCL has 95% ownership in the Mackenzie project with JV partner Bowen Coking Coal (5%).

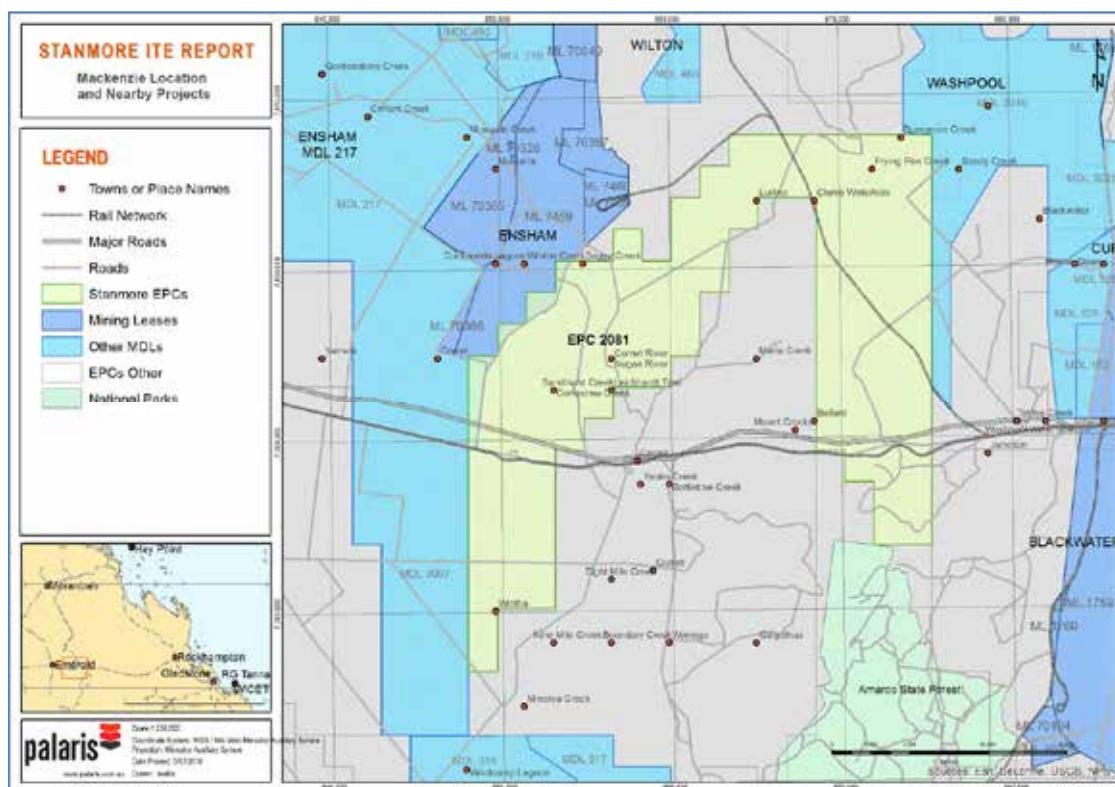


Figure 18.3 Location of Mackenzie

The Mackenzie project is adjacent to the Ensham bord and pillar mine operated by Idemitsu and several projects targeting the Burngrove Formation (Aquila Washpool and QCC Wilton projects). The Blackwater Line passes through the southern tenement area providing access to Gladstone ports.

18.4.1 Tenement Summary - Mackenzie

The Mackenzie project is comprised of EPC 2081, consisting of 112 sub-blocks held by Mackenzie Coal Pty Ltd. A summary of tenement details is in Table 18.4.

Table 18.4 Summary of Mackenzie Tenement

Tenement	EPC 2081
Holder	Mackenzie Coal Pty Ltd
Lodgement Date	10.03.2010
Approval Date	15.10.2010
Expiry Date	14.10.2020

Tenement	EPC 2081
Area (ha)	351 km ²
No of sub-blocks	112
EPC Exclusions	All Mining Claims, Mineral Development Licences and Mining Leases at the time of lodgement in accordance with Section 132 of the Mineral Resources Act 1989. This Permit is exclusive of other than the following: 1. Land over which previous exclusive possession acts have been granted as defined under s.23B of the Native Title Act 1993 (Cth). (Land where previous exclusive possession acts have been granted and is now held or currently set aside for the benefit of Aboriginals or Torres Strait Islanders or unallocated State land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included). 2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts. 3. Railway land containing current or past constructed railways and/or associated infrastructure that are previous exclusive possession acts
EA	EPSX00762813
Environmentally sensitive areas	Yes
Restrictions	None specified
Strategic Cropping Land	Yes
Native title status	Excluded
Mining District	Emerald
Obligations to third parties	None specified

Source: <https://minesonlinemaps.business.qld.gov.au/> as at 3 December 2018

Checks of environmentally sensitive areas for EPC2081 indicate small areas of endangered regional ecosystems. Environmentally Sensitive Areas Mining Maps can be located at www.ehp.qld.gov.au/licences-permits/maps_of_environmentally_sensitive_areas.php

18.5 Belview

Belview is a potential underground mineable coal project located approximately 5km east of Blackwater in Central Queensland. The project straddles the Capricorn Highway and Blackwater Line providing access to the Gladstone ports.

Nearby projects include Bounty Mining's Minyango underground proposal (adjacent to the western boundary of Belview) and New Black Energy's Bluff PCI project (2km to the east). Nearby mines include Bounty Mining's Cook Colliery, BMA's Blackwater mine and Coronado Coal's Curragh mine, all targeting the Rangal Coal Measures.

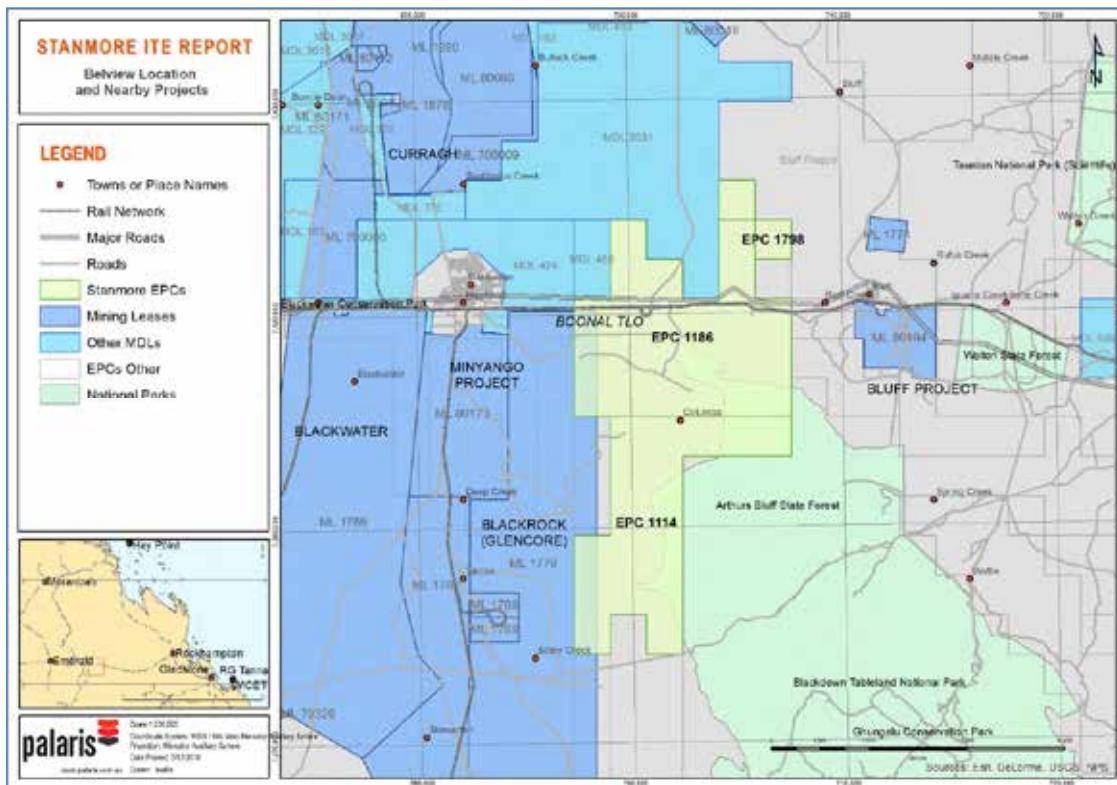


Figure 18.4 Location of Belview

18.5.1 Tenement Summary - Belview

The Belview project area includes EPCs 1114, 1186 and 1798. A mining lease application (MLA) over the north-western project area was submitted in 2013. The application process was withdrawn and/or not progressed and the SCL tenure remains at EPC level.

Table 18.5 Summary of Belview Tenements

Tenement	EPC1114	EPC1186	EPC1798
Holder	Belview Coal Pty Ltd	Belview Expansion Pty Ltd	Belview Expansion Pty Ltd
Lodgement Date	14.12.2006	03.09.2007	25.06.2009
Approval Date	28.02.2008	12.03.2008	19.02.2010
Expiry Date	27.02.2023	11.03.2023	18.02.2020
Area (ha)	53 km ²	72 km ²	6 km ²

Tenement	EPC1114	EPC1186	EPC1798
No of sub-blocks	17	23	2
EPC Exclusions	1. Sterile Land NP181, National Park, reference 9640/A Status: Current 2. All current Mining Claims, Mineral Development Licences and Mining Leases at the time of lodgement in accordance with Section 132 of the Mineral Resources Act 1989	Any current Mining Claim, Mineral Development License or Mining Lease at the time of lodgement of this permit pursuant to Section 132 of the Mineral Resources Act 1989. This Permit is exclusive of other than the following: 1. Land over which previous exclusive possession acts have been granted as defined under s.23B of the Native Title Act 1993 (Cth). (Land where previous exclusive possession acts have been granted and is now held or currently set aside for the benefit of Aboriginals or Torres Strait Islanders or unallocated State land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included). 2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts. 3. Railway land containing current or past constructed railways and/or associated infrastructure that are previous exclusive possession acts	None listed
EA	MIN204122712	MIC200603007	EPSX00449213
Restrictions	None specified	None specified	None specified
Environmentally sensitive areas	Yes	Yes	Yes
Strategic Cropping Land	No	No	No
Native title status	Granted with Native Title Protection Conditions	All land subject to Native Title (<10%) is excluded from the permit area	Exclusive land
Mining District	Rockhampton	Rockhampton	Rockhampton
Obligations to third parties	None specified	None specified	None specified

Source: <https://minesonlinemaps.business.qld.gov.au/> as at 3 December 2018

Checks of environmentally sensitive areas for EPC1114, 1186 and 1798 indicate substantial areas of endangered regional ecosystems and state forest in EPC114 and south-eastern EPC1186. Environmentally Sensitive Areas Mining Maps can be located at www.ehp.qld.gov.au/licences-permits/maps_of_environmentally_sensitive_areas.php

18.6 Tennyson

Tennyson is a potential underground mineable coal project located adjacent to the town of Emerald in Central Queensland. SCL has a 100% interest in the Tennyson project.

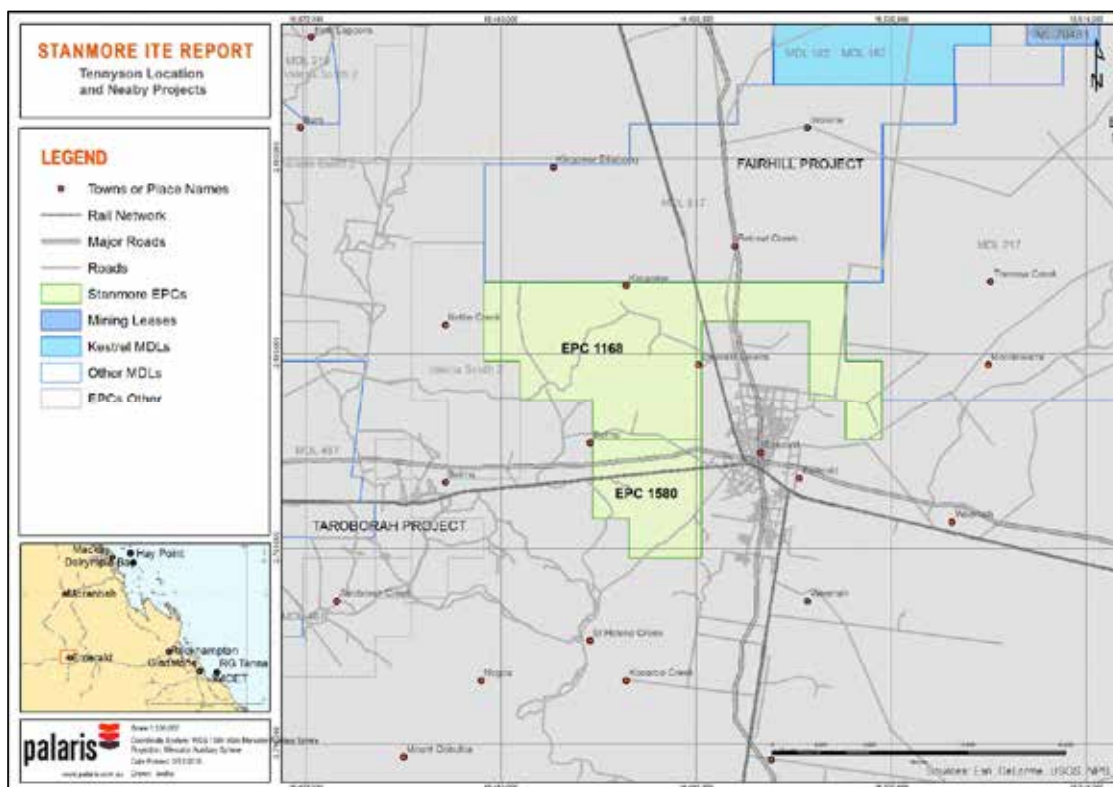


Figure 18.5 Location of Tennyson

The Blair Athol Rail Line traverses the project while the town of Emerald is located in the south-eastern area. Approximately 80% of the surface area is used for irrigated cotton.

18.6.1 Tenement Summary - Tennyson

The Tennyson project area is covered by EPCs 1168 and 1580, consisting of 36 sub-blocks and held by Emerald Coal Pty Ltd.

Table 18.6 Summary of Tennyson Tenements

Tenement	EPC1168	EPC1580
Holder	Emerald Coal Pty Ltd	Emerald Coal Pty Ltd
Lodgement Date	29.06.2007	22.09.2008
Approval Date	24.10.2007	03.07.2009

Tenement	EPC1168	EPC1580
Expiry Date	23.10.2020	02.07.2019
Area (ha)	88 km ²	25 km ²
No of sub-blocks	28	8
EPC Exclusions	Any current Mining Claim, Mineral Development License or Mining Lease at the time of lodgement of this permit pursuant to Section 132 of the Mineral Resources Act 1989.	This Permit is exclusive of other than the following: 1. Land over which previous exclusive possession acts have been granted as defined under s.23B of the Native Title Act 1993 (Cth). (Land where previous exclusive possession acts have been granted and is now held or currently set aside for the benefit of Aboriginals or Torres Strait Islanders or unallocated State land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included). 2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts. 3. Railway land containing current or past constructed railways and/or associated infrastructure that are previous exclusive possession acts.
EA	MIN200842008	EPSX00705513
Restrictions	None specified	None specified
Environmentally sensitive areas	Yes	Yes
Strategic Cropping Land	Yes	Yes
Native title status	All land subject to Native Title (<10%) is excluded from the permit area	Excluded
Mining District	Emerald	Emerald
Obligations to third parties		

Source: <https://minesonlinemaps.business.qld.gov.au/> as at 3 December 2018

Checks of environmentally sensitive areas for EPC1168 and 1580 indicate very small areas of endangered regional ecosystems, although largely covered by areas designated as 'declared irrigation areas'. Environmentally Sensitive Areas Mining Maps can be located at www.ehp.qld.gov.au/licences-permits/maps_of_environmentally_sensitive_areas.php

18.7 Lilyvale

Lilyvale is a small potential underground mineable coal project located approximately 18km north-east of Emerald in Central Queensland. SCL has an 85% interest in the Lilyvale project along with JV partners Bowen Coking Coal (15%).

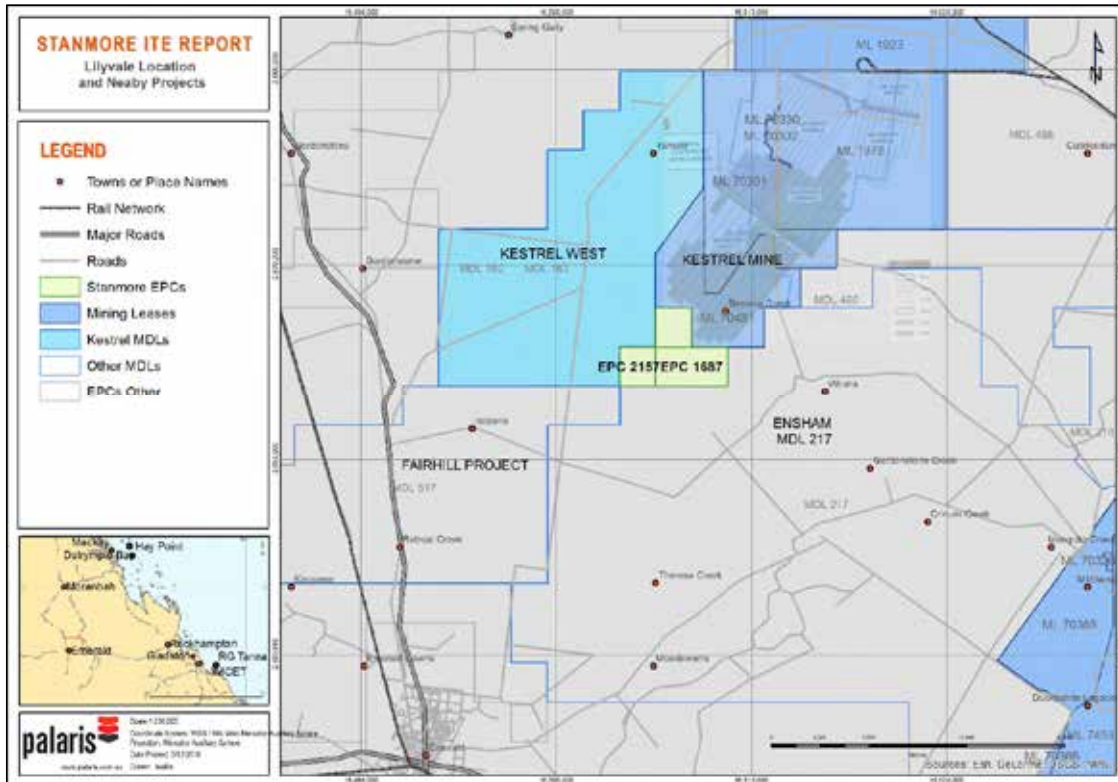


Figure 18.6 Location of Lilyvale

18.7.1 Tenement Summary - Lilyvale

The Lilyvale project is adjacent to the Kestrel longwall mine operated by Kestrel Coal (EMR and Adaro) and MDL 182 (proposed Kestrel West extension). The southern side of the project shares a boundary with Idemitsu's MDL 217 (Ensham) and Dysart Coal's Fairhill project (MDL 517).

The Lilyvale project area consists of four sub-blocks and covers a surface area of 12km² by EPCs 1687 and 2157; the latter was acquired in 2015.

Table 18.7 Summary of Lilyvale Tenements

Tenement	EPC1687	EPC2157
Holder	Stanmore Coal Limited	Stanmore Coal Limited
Lodgement Date	02.02.2009	01.07.2010
Approval Date	28.07.2011	21.05.2013
Expiry Date	27.07.2021	20.05.2023
Area	6 km ²	6 km ²

Tenement	EPC1687	EPC2157
No of sub-blocks	2	2
EPC Exclusions	None listed	Any current Mining Claim, Mineral Development Licence or Mining Lease at the time of lodgement of this permit pursuant to Section 132 of the Mineral Resources Act 1989.
EA	EPSX00517313	EPSX00582013
Restrictions	None specified	None specified
Environmentally sensitive areas	No	No
Strategic Cropping Land	Yes	Yes
Native title status	100% exclusive land	100% exclusive land
Mining District	Emerald	Emerald
Obligations to third parties	None specified	None specified

Source: <https://minesonlinemaps.business.qld.gov.au/> as at 3 December 2018

Checks of environmentally sensitive areas for EPC1687 and 2157 indicate the tenements are free of any endangered regional ecosystems. Environmentally Sensitive Areas Mining Maps can be located at www.ehp.qld.gov.au/licences-permits/maps_of_environmentally_sensitive_areas.php

18.8 New Cambria

The location of the New Cambria tenements (EPC1113, EPC2039 and EPC2371) is presented in Figure 18.7, New Cambria is located in Central Queensland is approximately 3 km east of Bluff and extends approximately 8.5 km in an easterly direction.

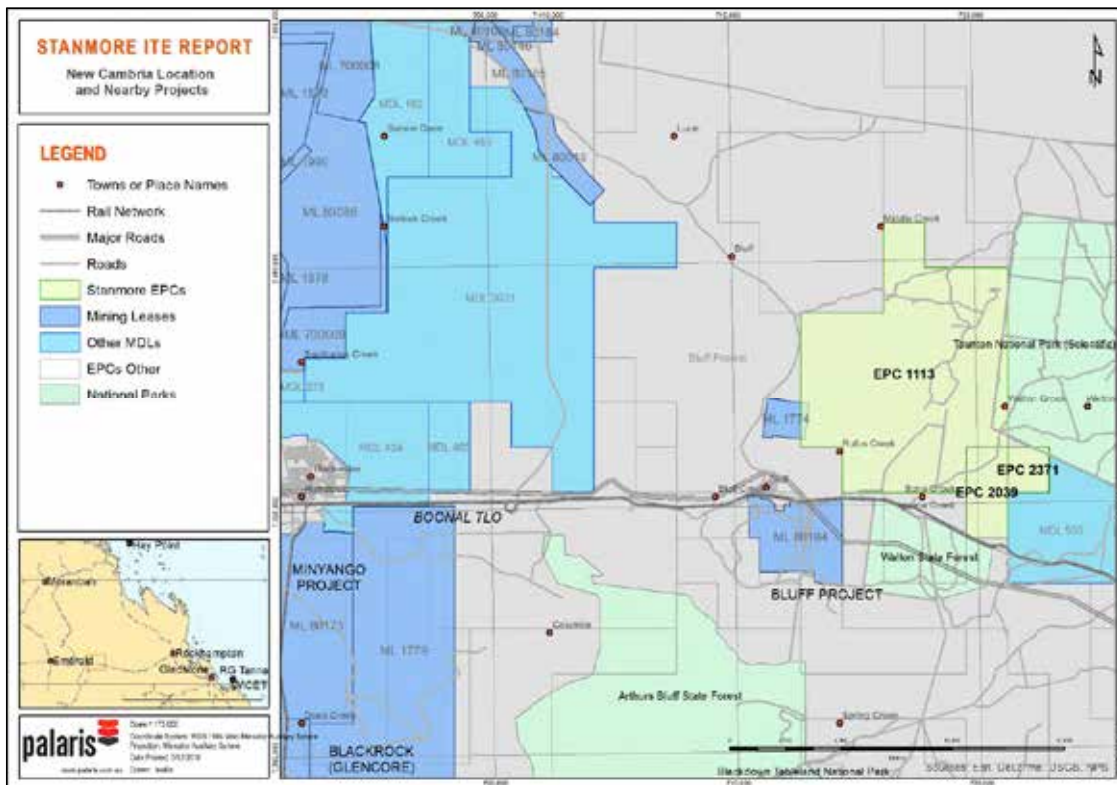


Figure 18.7 Location of New Cambria

Nearby operations also target the Rangal Coal Measures and include the Curragh mine (Wesfarmers), Jellinbah mine (Jellinbah Group), Yarrabee mine (Yancoal), and Blackwater mine (BMA).

18.8.1 Tenement Summary - New Cambria

A summary of the New Cambria tenement details is included in Table 18.8.

Table 18.8 Summary of New Cambria Tenements

Tenement	EPC1113	EPC2039	EPC2371
Holder	New Cambria Pty Ltd	New Cambria Pty Ltd	Stanmore Coal Limited
Lodgement Date	14.12.2006	20.01.2010	01.03.2011
Approval Date	23.03.2007	12.10.2010	28.07.2011
Expiry Date	22.03.2022	11.10.2020	27.07.2021
Area	69 km ²	6 km ²	3 km ²

Tenement	EPC1113	EPC2039	EPC2371
No of sub-blocks	22	2	1
EPC Exclusions	Taunton National Park (Scientific) Any current Mining Claims, Mineral Development Licences or Mining Leases at the time of lodgement of this permit pursuant to section 132 of the Mineral Resources Act 1989. Land or waters where native title may or continues to exist under the Native Title Act 1993 (Cth) is excluded from the permit area.	This Permit is exclusive of other than the following: 1. Land over which previous exclusive possession acts have been granted as defined under s.23B of the Native Title Act 1993 (Cth). (Land where previous exclusive possession acts have been granted and is now held or currently set aside for the benefit of Aboriginals or Torres Strait Islanders or unallocated State land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included). 2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts. 3. Railway land containing current or past constructed railways and/or associated infrastructure that are previous exclusive possession acts.	Sterile Land 177 - Taunton National Park (Scientific) This Permit is exclusive of other than the following: 1. Land over which previous exclusive possession acts have been granted as defined under s.23B of the Native Title Act 1993 (Cth). (Land where previous exclusive possession acts have been granted and is now held or currently set aside for the benefit of Aboriginals or Torres Strait Islanders or unallocated State land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included).
EA	EPSX01493513	MIN201131810	EPSX01494513
Restrictions	None specified	None specified	None specified
Environmentally sensitive areas	Yes	Yes	Yes
Strategic Cropping Land	No	No	No
Native title status	All land subject to Native Title (<10%) is excluded from the permit area	100% exclusive land	All land subject to Native Title (<10%) is excluded from the permit area
Mining District	Rockhampton	Rockhampton	Rockhampton
Obligations to third parties	None specified	None specified	None specified

Source: <https://minesonlinemaps.business.qld.gov.au/> as at 3 December 2018

Checks of environmentally sensitive areas for EPC1113, 2039 and 2371 indicate that EPC1113 and EPC2371 contain minor areas with endangered regional ecosystems. The southern portion of EPC2039 contains a Category C nature refuge. Environmentally Sensitive Areas Mining Maps can be located at www.ehp.qld.gov.au/licencespermits/maps_of_environmentally_sensitive_areas.php

19 TECHNICAL ASSESSMENT

19.1 The Range

19.1.1 Regional and Local Geology

The Range project is situated within the Northern Surat Basin, a large sedimentary basin (800km long by up to 450km wide) containing thick sequences of Jurassic-Cretaceous sediments, partly overlying the Permian Bowen Basin. The regional dip at The Range is gentle towards the west on the broad eastern flank of the Mimosa Syncline, and the coal seams of the Taroom Coal Measures subcrop in the eastern part of the lease.

The two coal-bearing units at The Range are the Taroom and Juandah Coal Measures of the Walloon Coal Subgroup (Figure 19.1). The Walloon Coal Subgroup coals are generally lenticular deposits containing banded coal seams, which are prone to lateral splitting. The coal measures are separated by the Tangalooma Sandstone that forms a distinct ridge line in the western parts of the tenement. The Range principally contains coal seams of the Taroom Coal Measures, while the lower seams of the Juandah Coal Measures are intersected in the western, down-dip areas.

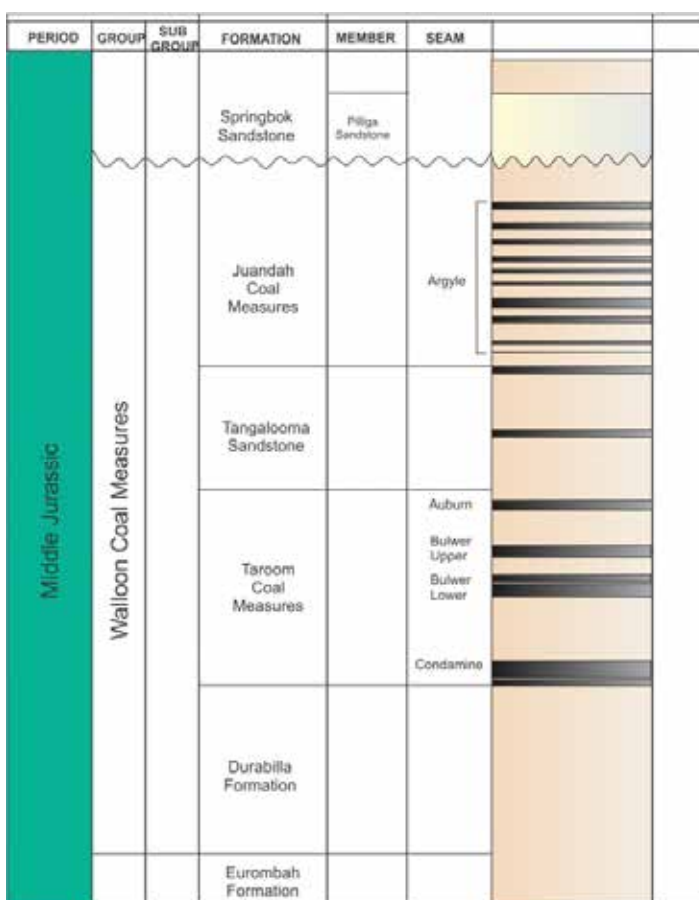


Figure 19.1 Surat Basin stratigraphic column

19.1.2 Coal Targets and Prospectivity

The main target seams at The Range are the Auburn (A), Bulwer (B) and Condamine (C) seam groups of the Taroom Coal Measures. The coal seams of the Taroom Coal Measures have a cumulative coal thickness averaging 8.5 m, reaching up to 12m in some areas (Figure 19.2).

The Bulwer and Condamine seam groups constitute a large proportion of the coal endowment, particularly in the proposed initial mining area. The upper seams of the Auburn seam group are present only in the central / western areas of the deposit. Depth of weathering is relatively shallow averaging 18 m depth below surface, presenting low depth of cover coal seams.

The main seams of the Taroom Coal Measures subcrop in the eastern area of the Range and increase in depth towards the west. Stripping ratios are as low as 3:1 bcm/t in the eastern subcrop zone, and increase in a westerly direction.

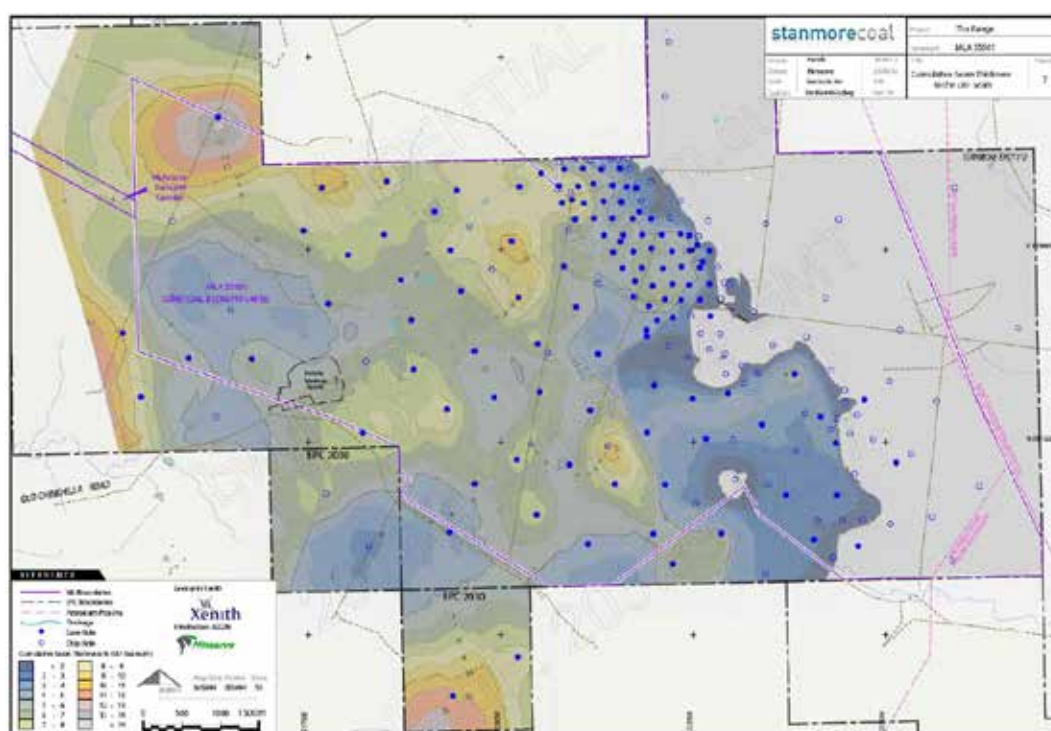


Figure 19.2 The Range cumulative coal thickness (Xenith, 2012)

19.1.3 Exploration Status

Within the project area, coal seams were first identified by Shell Coal exploration during the early 1980s. The Range has seen comprehensive exploration undertaken by SCL between 2009 and 2012 with over 330 boreholes completed, with up to seven rigs operating simultaneously on site. A high proportion of cored holes provides reliability in coal quality assessment. A total of 56 100mm (4C) cored holes were drilled for coal quality and washability analysis in and near the initial mining area.

Drillhole spacing in the initial mining area is approximately 250m with majority cored holes supporting the Measured Resource classification. Through the central parts of the deposit, drillhole spacing is generally 500 to 750m between cored boreholes, underpinning the large proportion of Indicated resource. All holes drilled by SCL have been geophysically logged.

19.1.4 Coal Resources

The Range coal resources were last estimated in 2012 by consulting group Xenith, in accordance with the JORC Code (2012). Coal resources were classified as potentially open cut mineable, limited by a minimum 0.1m coal ply thickness and a depth limit of 150m. Coal seams with raw ash exceeding 50% (ad) were excluded from the estimate. The 2012 resource estimate totalled 287 Mt, of which 18.1 Mt was Measured, 187 Mt was classified as Indicated and 81 Mt was classified as Inferred (Table 19.6). An additional Exploration Target range of 60 - 70 Mt was reported to the ASX on 26th October, 2012, in the area to the west of the planned pit shell.

Table 19.1 The Range coal resources (Xenith, 2012)

	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
The Range	18.1	187	81	287

19.1.5 Coal Quality

The Range hosts coals of the Walloon Subgroup that are characteristically hydrogen-rich (5-7% hydrogen), high volatile bituminous coals suitable for export thermal markets. Coal rank is shown by vitrinite reflectance of 0.49%. Sampling and testing of the Taroom Coal Measures at The Range demonstrates that the individual coal seams exhibit significant ranges in raw ash (from 7% to 50% ad).

The Bulwer and Condamine seam groups relatively similar in coal quality attributes. Weighted by resource tonnes, the raw ash content averages 20.5% (ad) with low total sulphur (0.46%). HGI values average 35 indicating a hard coal, similar to that exported from existing Surat Basin mines. The DFS report highlighted that 26% of coal samples tested have raw ash <12% (ad) which indicates significant bypass potential, with the DFS schedule indicating ~32% product coal is bypassed over the life of mine.

Consideration of marketing and optimisation of yield and product ash / energy indicates that a dual product strategy may deliver the highest value; a 10% ash thermal targeting Japanese and Taiwanese power utilities, and a 16% ash product directed at other Asian markets. The DFS results suggest that the overall yield would be close to 70%, with a product split of 70% low ash and 30% mid ash thermal product over the life of mine.

Expected product quality properties, as per the current processing and marketing strategy, are summarised in Table 19.2. A review of clean coal composites by Minserve indicates the 10% ash product would have a calorific value of 5,732 kcal/kg (nar) and product moisture of 13.9%.

Table 19.2 The Range proposed product specifications (DFS)

Parameter	Unit / Basis	Low Ash Product	Mid Ash Product
Ash content	% ad	10	16
Total Moisture	% ar	13.9	10.7
Volatile Matter	% ad	41.8	39.6
Fuel Ratio		0.96	0.91
Total Sulphur	%	0.44	0.42
Calorific Value	kcal/kg gad	6,466	5,904
Calorific Value	kcal/kg nar	5,732	5,471
HGI		33	36
AFT (Initial)	°C	1490	1430
Chlorine	%	0.07	0.07

19.1.6 Mining Potential

A Definitive Feasibility Study (DFS) was completed for The Range project by the Minserve Group in 2011. The DFS identified The Range project as a typical Surat basin open-cut mining operation; multiple thin seams, shallow dips and flat topography. The ROM stripping ratio over the life of mine is relatively low at 7.3 bcm/t.

The planned pit shells are relatively shallow; ranging between 25m to 130m in depth. Mining advances down the dip of the coal seams in a general east to west direction in 100m wide strips. These conditions lend themselves to a truck and shovel operation. Hydraulic excavators were selected as they are operationally effective in areas of low face height, able to mine both coal and waste and have high mobility. Where possible, the mining method maximises the use of dozer push for half of the strip width in the lower waste interval. Dumping options would include a combination of out-of-pit dumps and backfilling as mining advances.

19.1.7 Coal Reserve

A JORC Reserves report was completed by the Minserve Group in 2011, prepared in accordance with the JORC Code (2004). The reserve estimates are categorised as Probable and total 116.6 Mt (ROM) and 94.2 (Mt Marketable) as shown in Table 19.3.

Table 19.3 The Range reserve estimate (Minserve, 2011)

Proved ROM	Probable ROM	Total ROM (Mt)	Proved Marketable	Probable Marketable (Mt)	Total Marketable (Mt)
-	116.6	116.6	-	94.2	94.2

19.1.8 Summary of Technical Considerations

A summary of technical considerations for The Range is outlined in Table 19.4.

Table 19.4 Summary of technical considerations - The Range

The Range Technical Considerations

Tenement name	EPC1112, EPC2030			
Study Status	<ul style="list-style-type: none"> ♦ Concept Study (2010) ♦ Pre-Feasibility Study (2011) ♦ Detailed Feasibility Study (2013) 			
Proposed Mining Rate	<ul style="list-style-type: none"> ♦ 7 Mtpa ROM coal ♦ 5 Mtpa product coal ♦ 25 year mine life 			
Life of Mine Mining Volumes and Strip Ratio	<ul style="list-style-type: none"> ♦ 161.5 Mt (ROM coal) ♦ 112.9 Mt (Product coal) ♦ 7.24 (ROM strip ratio) ♦ 10.36 (Product strip ratio) 			
Mining Method	<ul style="list-style-type: none"> ♦ Open cut - conventional truck and shovel, with dozer push and a larger hydraulic excavator for bulk waste mining, and smaller excavators or front end loader/dozer rip combination for coal mining and recovery 			
Coal Processing & Design	<ul style="list-style-type: none"> ♦ LOM yield expected to be in the order of 70% ♦ CHPP coal expected yield of 61% ♦ Approximately 32% of ROM coal expected to be bypass 			
Infrastructure and availability	<ul style="list-style-type: none"> ♦ Coal handling and preparation plant (CHPP) will be required, along with associated coal handling facilities ♦ Proposed connection via an overland conveyor system to a train loadout facility (TLO) off the Surat Basin Rail line approximately 12km northeast of Wandoan. ♦ Rail connection via the proposed Surat Basin Rail (SBR) line or alternative rail development to Gladstone 			
Environmental Social and Heritage Impacts Approvals Constraints	<ul style="list-style-type: none"> ♦ Environmental Impact Statement (EIS) completed and approved by the Department of Environment and Heritage Protection (DEHP). ♦ Relatively few constraints; lease boundary to the north forms a pit limit. There is also a state forest to the south 			
Attributable JORC Resources Mt	Measured	Indicated	Inferred	Total
	18.1	187	81	287

19.1.9 Risks

Risks associated with this tenement are shown in Table 19.5. The main risk associated with the project is the lack of rail infrastructure connecting the Surat Basin to Moura and the Gladstone ports via the Blackwater Line.

Table 19.5 Project risks

Area	Issue Description/Finding	Risk
Coal Quality	Global demand / pricing for lower energy thermal products (below Newcastle 6,000 kcal/kg nar benchmark)	Medium
Approvals	Noise was identified as a key risk during the DFS process	Medium
Infrastructure	Project development is contingent on development of the Surat Basin Rail, or alternative rail link via Moura to the port of Gladstone	High

19.2 Clifford

19.2.1 Regional and Local Geology

The Clifford project is situated within the Northern Surat Basin. At Clifford, the sediments reflect the underlying basement structure of a graben structure known as the Taroom Trough. The regional dip at Clifford is gentle towards the south and south-east on the broad western flank of the Mimosa Syncline, and the project is largely structurally benign.

The Evergreen Formation and Precipice Sandstone are overlain by two coal-bearing units, the Taroom and Juandah Coal Measures (Walloon Coal Subgroup). Clifford contains coal seams of the lower Juandah Coal Measures and more prominently the Taroom Coal Measures. The Walloon coals are lenticular deposits containing banded coal seams, which are prone to lateral splitting.

19.2.2 Coal Targets and Prospectivity

The main target seams at Clifford are the Auburn (A), Bulwer (B) and Condamine (C) seam groups of the Taroom Coal Measures. The large Clifford project area has been sub-divided into a number of smaller prospective areas (Figure 19.3), with The Grange and Liberty the primary focus of exploration. Several other sub-areas, including Ye Olde, Horseshoe and Discovery have not been explored to the same level but remain prospective.

The Grange target covers an area of 50km² in the north of EPC 1276, and contains shallow coal seams of the Auburn seam group, gently dipping southward at ~1°. There are around 52 individual seam plies, with an average total thickness averaging 9m. The Liberty target covers 40km² and is located in south-western EPC 1724, and contains coal seams of the Auburn, Bulwer and Condamine seam groups with a cumulative coal thickness of 8.5m, with the Bulwer being the dominant seams. The topmost seam 'U' seam group is likely the lower Argyle seams of the Juandah Coal Measures.

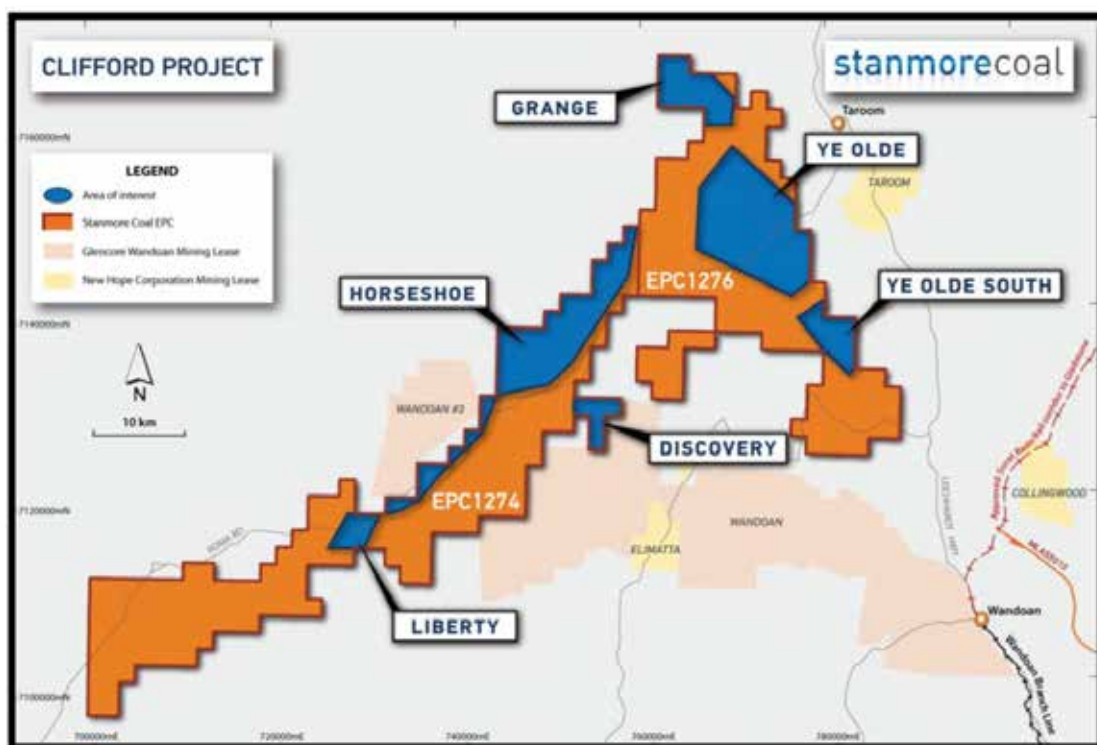


Figure 19.3 Clifford project areas

19.2.3 Exploration Status

Clifford was explored by various parties since the 1970's including the GSQ, Brigalow Mines, Marathon Petroleum and Xstrata (Glencore). Since taking ownership of the Clifford project in 2012, SCL has undertaken five campaigns of exploration between 2012 and 2016, with drilling completed at Horseshoe, The Grange, Ye Olde and Liberty. SCL formed a joint venture agreement in 2014, where JOGMEC earned 40% interest in Clifford through funding A\$4.5 M in exploration costs over three years.

Drilling by SCL has been a combination of open hole and HQ cored drilling (and three 100mm cored holes), with over 100 boreholes completed between 2012 and 2016. Both The Grange and Liberty target area have a borehole spacing generally between 500m and 1km.

19.2.4 Coal Resources

Clifford coal resources were last estimated in 2016 by consulting group Xenith, in accordance with the JORC Code (2012). Coal resources were classified as potentially open cut mineable, and limited by a minimum 0.1m coal ply thickness and a depth limit of 150m. Coal seams with raw ash exceeding 50% (ad) were excluded from the estimate.

The 2016 resource estimate totalled 630 Mt of which 200 Mt was classified as Indicated and 430 Mt was classified as Inferred (Table 19.6). The Grange target contains 380 Mt of the resource, while the Liberty target resource totalled 250 Mt.

Table 19.6 Clifford coal resources (Xenith, 2016)

Target Area	Indicated Resource (Mt)	Inferred Resource (Mt)	Total (Mt)	Ash (%)	IM (%)	VM (%)	TS (%)	SE (JM/kg)
The Grange	140	240	380	20.4	7.1	38.9	0.40	24.4
Liberty	60	190	250	22.7	6.3	38.9	0.43	24.1
TOTAL	200	430	630					

Resources stated are 100% of project. Stanmore has a 60% interest in Clifford.

19.2.5 Coal Quality

Clifford's coals of the Walloon Subgroup are high volatile bituminous coals with vitrinite reflectance of 0.47 to 0.50%. The coal seams at Clifford demonstrate have variable ash contents. Average ash values are typically between 19 - 23% (ad) at both the Grange and Liberty, with similar coal quality results from each area. Clifford coals exhibit low total sulphur (<0.50%) and have heating values of 24 - 25 MJ/kg (gad) on raw coal.

The Clifford Concept Study report highlighted that 22% of coal samples tested have raw ash <10.5% (ad) which indicates significant bypass potential, with the product intended to be a mix of bypass and washed coal. Washability data suggests that the Grange and Liberty coals could wash to a product ash of 10 % (ad). Clifford would most likely produce a thermal coal with product energy near 6,000 kcal/kg (nar), product moisture of 11 - 12% and HGI of 35 as shown in Table 19.7.

Table 19.7 Clifford indicative product specifications (2016)

Parameter	Unit / Basis	Liberty	Grange
Ash content	% ad	10.1	10
Total Moisture	% ar	11.3	12.4
Volatile Matter	% ad	42.6	42.6
Fuel Ratio		0.96	0.95
Total Sulphur	%	0.47	0.42
Calorific Value	kcal/kg gad	6970	6655
Calorific Value	kcal/kg nar	6,088	5,949
HGI		35	34
AFT (Initial)	°C	1540	1510
Chlorine	%	0.01	0.02

19.2.6 Mining Potential

A conceptual open cut mining study of the Clifford project was completed by the Minserve Group in 2016. There are several key features that dictate the likely mining method within the tenement area including; multiple thin seam, moderate stripping ratio, shallow seam dip and relatively shallow pits (25m to 170m). Coal would be mined from both the Grange and Liberty pits which are separated by considerable distances.

Pit designs would be limited by constraints including creeks, tenement boundaries and economic limits. As a result of these factors, the most likely viable mining method would be Truck and Excavator. Excavators would be preferred over electric shovel due to the multiple thin seam layout, and ability to handle low face heights and minimise dilution in these conditions. Opportunities to utilise dozer push for waste movement also exist.

19.2.7 Technical Considerations

A summary of technical considerations for the Clifford project is outlined in Table 19.8.

Table 19.8 Summary of technical considerations - Clifford

Clifford Technical Considerations

Tenement name	♦ EP1274, EPC1276			
Study Status	♦ Concept Study (2016)			
Proposed Mining Rate	♦ ~7 Mtpa ROM coal ♦ 4 - 4.5Mtpa product coal			
Life of Mine Mining Volumes and Strip Ratio	♦ 15 year mine life ♦ 7.8 bcm/t ROM stripping ratio ♦ 10.7 bcm/t (average product strip ratio)			
Mining Method	♦ A Truck and Excavator mining method would be best suited to handle the multiple thin seams, low face heights that are present in the tenement areas. Dozer push could also be used where conditions permit			
Coal Processing & Design	♦ Grange and Liberty coals could wash to a product ash of 10 % (ad) at a theoretical yield of ~85% ♦ Bypass coal ranges from 0.8 - 1.7 Mtpa			
Infrastructure and availability	♦ The Grange and Liberty pits are separated. Project infrastructure includes a central CHPP, with 79km of haul road links from the active pits ♦ Rail access options include a link to NHC's Elimatta project TLO, or SCL's The Range TLO (if established) ♦ Project would rely on the development of the 'Southern Missing Link', which would connect coal from the Surat basin to the Moura line near Banana, and thence to Gladstone port. EPC1276 is located 15km from the approved Surat Basin Rail corridor			
Environmental Social and Heritage Impacts Approvals Constraints	♦ Much of the project area is overlain by Strategic Cropping Land ♦ Relatively high density of settlement compared to the Bowen basin will mean a higher number of affected landowners			
Attributable JORC Resources	Measured	Indicated	Inferred	Total
	-	120	258	378

19.2.8 Risks

Risks associated with this tenement are shown in Table 19.9. The risk ranking is partly associated with the level of exploration undertaken to date, and it is likely that the project risks will reduce as more data becomes available.

Table 19.9 Project risks

Area	Issue Description/Finding	Risk
Coal Quality	Global demand / pricing for lower energy thermal products (below Newcastle 6,000 kcal/kg nar benchmark)	Low
Processing	Surat coals are characterised by high clay contents in the roof, floor and partings which can cause difficult in crushing, handling and washing, and can reduce product value if not effectively removed	Medium
Approvals	Approximately 79km of haul roads required. The Grange haul road would need to cross the Dawson River and its flood plains, creek crossings, while both sites require road diversions	Medium
Mining	Separated Grange and Liberty pits requires a solution for either a centrally located or two separate CHPP and train load out facilities	Medium
Infrastructure	Project development is contingent on development of the Surat Basin Rail, or alternative rail link via Moura to the port of Gladstone	High

19.3 Mackenzie

19.3.1 Regional and Local Geology

Located in the south-western Bowen Basin, the Mackenzie project is situated on the Comet Anticline structure, the axis of which trends north-south. The nearby Ensham, Curragh and Blackwater mines have targeted the subcrop of the Rangal Coal Measures on the western and eastern limbs of the Comet Anticline (Figure 19.4). Mackenzie occurs updip of the Rangal Coal Measures subcrop and is prospective for the seams of the Burngrove Formation. Coal seams of the underlying German Creek Formation are poorly represented in this area of the Bowen Basin.

The western part of EPC 2081 is the most prospective for open cut mineable coal seams of the Burngrove Formation, where they occur over 27km of strike length and dip shallowly westward. The coal seams of the Burngrove Formation are extensive in the Bowen Basin but rarely mined due to the quantity of partings, low yields and inherent ash content.

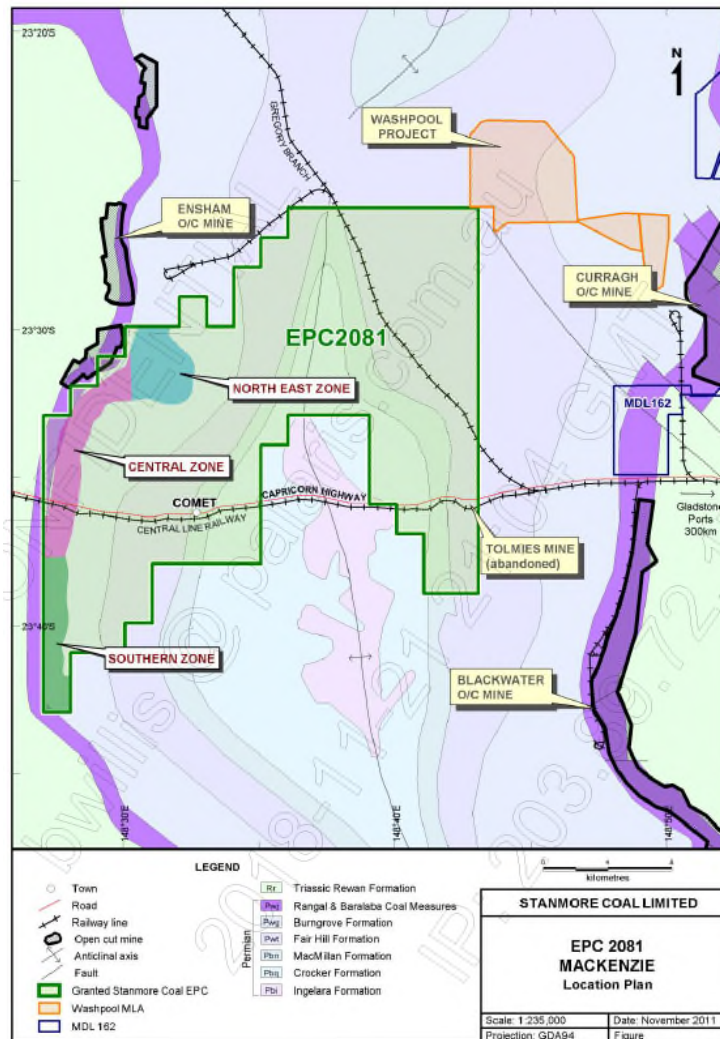


Figure 19.4 Location of Mackenzie project with nearby mines and resource zones

19.3.2 Coal Targets and Prospectivity

Within the Burngrove Formation, the Leo and Aquarius seams are the main target seams identified through SCL's exploration. The Leo seam consists of three coal plies and collectively they range from 1 to 2m in thickness. The Aquarius seam consists of five coal plies and has an average thickness of 2.2m. The Mackenzie deposit in general, shows an improvement in seam thickness and quality in a southerly direction.

19.3.3 Exploration Status

At the time of the resource estimate (2011), there were 80 boreholes included in the geological model for the prospective western area, with 47 cored holes and 33 percussion holes. Most of the cored holes were drilled as 100mm (4C) cores for additional sample mass for coal quality and washability testwork, with some HQ coring in the earlier (2010) drilling campaign. The current drill spacing is typically around 800-1,000 m between boreholes.

19.3.4 Coal Resources

Mackenzie coal resources were last estimated in 2011 by consulting group Xenith, in accordance with the JORC Code (2004). Coal resources were classified as potentially open cut mineable, and limited by a minimum 0.1m coal ply thickness and maximum raw ash content of 50% (ad). The 2011 resource estimate totalled 143.7 Mt of which 25.7 Mt was classified as Indicated and 118 Mt was classified as Inferred (Table 19.10).

Table 19.10 Mackenzie coal resource estimate (Xenith, 2011)

Seam	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Leo	-	-	18.3	18.3
Aquarius	-	25.7	99.1	124.8
Total	-	25.7	117.5	143.2

Resources reported at asset level. Stanmore's ownership is 95%

In addition to the resource estimate, and Exploration Target range of 56 to 88 Mt was provided by Xenith, consisting of 16 - 26 Mt for the Aries seam and 40 - 62 Mt of the German Creek seam.

19.3.5 Coal Quality

The Leo and Aquarius seams are comprised of coal plies which are high in raw ash; the Leo plies range from 35 to 44% and the Aquarius seams from 26 to 49% (ad). There are numerous processing and marketing issues that need to be overcome; low yield, high inherent ash and product moisture associated with a high proportion of fines. Washability simulation modelling undertaken prior to the estimation of resources, targeted a 15% ash primary product. Simulated yield for stated resources was 26.2% with CSN generally between 4 and 6.

Coal quality was revisited during the Concept Study (2013), during which time it was proposed that a small scale operation with selective mining of the better quality mine areas and coal plies would vastly improve yield. A primary product with 10% ash was proposed at 41% yield, with a secondary thermal product (14% yield) with 23% ash and calorific value of 5,432 kcal/kg (ar). More work will be necessary to demonstrate that these yields and product specifications are practically achievable.

Detailed information on the expected product specification is lacking due to scarcity of data for coking parameters (e.g. vitrinite reflectance, maceral content, basicity index and CSR) and further analytical testwork is required. The primary product is likely to be a mid-volatile semi-hard coking coal with 10 - 15% ash and elevated product moisture. An indicative product specification for 10% target ash (2013 Concept Study) is provided below (Table 19.11).

Table 19.11 Mackenzie indicative product specification

Parameter	Unit / Basis	Coking	Thermal
Ash content	% ad	10	23.4
Total Moisture	% ar	12.8	10.8
Volatile Matter	% ad	29	-
CSN		3.5 - 7	-
Total Sulphur	%	0.60	0.70
Fluidity	ddpm	25	-
Phosphorus	%	0.036	-
Calorific Value	Kcal nar	-	5,432

19.3.6 Mining Potential

The coal resource of overall tenement area has a high degree of variability and viable mining would be restricted to limited areas with the highest prospectivity. Limiting factors include the presence of thin coal plies, seam and coal quality variability and large interburden thicknesses.

A conceptual study by JV partners Cape Coal in 2013 identified the possibility of a combination trench open cut/highwall mining method to aid in selectively mining target seams and to minimise dilution and improve overall yield by targeting better quality coal seams. The process would involve conventional open cut mining with a 40m wide trench excavated to the base of the target seam. It is proposed that in addition to the open cut mining, highwall miners would mine up to 300m into the coal seams without roof support to extract coal with minimal dilution.

19.3.7 Technical Considerations

A summary of technical considerations for the Mackenzie project is outlined in Table 19.12.

Table 19.12 Summary of Technical considerations - Mackenzie

Mackenzie Technical Considerations

Tenements	EPC2081			
Study Status	<ul style="list-style-type: none"> ♦ Technical review (2012) ♦ Mining and Beneficiation Concept Study (2012) 			
Proposed Mining Rate	<ul style="list-style-type: none"> ♦ 1.3 Mtpa ROM (average) ♦ 5 year mine life 			
Life of Mine Mining Volumes	<ul style="list-style-type: none"> ♦ 6.4 Mt ROM coal ♦ 3.5 Mt Product coal 			
Mining Method	<ul style="list-style-type: none"> ♦ Combination of open cut and trench highwall mining methods required to aid in selectively mining target seams and to minimise dilution 			
Coal Processing & Design	<ul style="list-style-type: none"> ♦ Low to moderate yield, high inherent product ash and high product moisture associated with a high proportion of fines 			
Infrastructure and availability	<ul style="list-style-type: none"> ♦ Town of Comet is within 5km of the project area. Emerald located 40km to the West and Blackwater a similar distance to the East. Capricorn highway and Blackwater railway line to Gladstone port cross the tenement area ♦ Nearby mines include Ensham to the north of the tenement area, Curragh to the East and Blackwater to the South east ♦ Possibility to use Ensham train loadout 			
Environmental Social and Heritage Impacts Approvals Constraints	<ul style="list-style-type: none"> ♦ Strategic cropping land overlies sections of the tenement area ♦ Proximity to the Comet, Mackenzie and Nogo rivers 			
Attributable JORC Resources Mt	Measured	Indicated	Inferred	Total
	-	24.4	111.2	135.6

19.3.8 Risks

Risks associated with this project are shown in Table 19.13. The risk ranking is partly associated with the level of exploration undertaken to date, and levels of certainty around coal processing, marketing and product quality attributes.

Table 19.13 Project risks

Area	Issue Description/Finding	Risk
Coal Quality	Marketability and relativity to HCC benchmark pricing for higher ash (10 - 15%) and high moisture (12-13%) products, and / or requirement for third party blending coals	High
Geotechnical	The Burngrove Formation may be geotechnically difficult for highwall mining, especially unsupported as proposed	Medium

Area	Issue Description/Finding	Risk
Processing	Processing Burngrove Formation coals involves several risks including impact of swelling clays in screens	Medium
Mining	Proposed mining areas includes an off lease mining area within Ensham's MDL that would require agreement	High
Infrastructure	No provision for rail spur in Concept Study, reliant on latent capacity from third party	Medium

19.4 Belview

19.4.1 Regional and Local Geology

Belview is located in the southern Bowen Basin of Central Queensland. The regional geology is dominated by a north-south trending structure known as the Comet Anticline. The Rangel Coal Measures mined at Belview lie on the eastern limb of the Comet Anticline and generally dip eastward. The project is situated to the west of the Jellinbah Thrust Fault, which is an 80 km wide south-east trending zone of thrust faults.

At Belview, the coal seams of the Rangel Coal generally dip towards the east at 3 to 5°. The Rangel Coal Measures are underlain by the coal-bearing Burngrove Formation and Fair Hill Formations which do not present underground mining targets. The Rangel Coal Measures are unconformably overlain by the Triassic Rewan Formation, which consists of green-grey claystone, siltstone and sandstone.

The Belview area is known to be affected by some faulting as evidenced by 2D seismic, with a NNE dominant structural trend. Dissected plateaus of the Arthurs Bluff State Forest cover large areas of EPC 1114 and result in greater depths of cover to the Rangel Coal Measures.

19.4.2 Coal Targets and Prospectivity

The Rangel Coal Measures contains numerous coal seams including the Aries, Castor, Pollux, Gemini (coalesced Castor Pollux seam) and Pisces seam. The main target seam identified in an underground mining Concept Study (Minecraft, 2015) is the Pollux seam, which ranges from 2m to 4.5m with an average thickness of 3.3 m. The western, updip areas appear more favourable to underground mining based on lower depth of cover and coinciding with an area of thick Pollux seam development. Gas content testing indicates high levels of coal seam gas in the target seams (9.8 to 14 m³/t for the Pollux seam at 400 m depth) with composition predominantly methane.

19.4.3 Exploration Status

EPC1186 was held by Waratah Coal until 2010 during which time six exploration holes were completed. CSG operators BOW Energy also completed two exploration wells. SCL's exploration has been focused on the lowest depth of cover areas; the western area of EPC 1186 and north-western part of EPC 1114. SCL commenced exploration in 2011 with six HQ size cored holes completed. Between 2013 and 2015, SCL completed another 17 boreholes, most of which were

either included HQ or PQ size cored intervals. A seismic program consisting of ten 2D lines was completed by SCL in 2013. All holes were geophysically logged and SCL's core samples were submitted to coal testing laboratories for a range of raw, float sink and clean coal composite testing.

19.4.4 Coal Resources

Belview coal resources were last estimated in 2015 by consulting group Xenith, in accordance with the JORC Code (2012). Coal resources were classified as potentially underground mineable, and limited by 1.5 m seam thickness and 800 m depth of cover. Seams included in the resource estimate were the Aries, Castor, Pollux, Gemini and Pisces seams. Only a small proportion of the coal resource occurs at depths less than 400 m.

The 2015 resource estimate totals 330 Mt (Table 19.14), of which 50 Mt is classified as Indicated and 280 Inferred. The Pollux seam makes up 48% of the resource (31 Mt Indicated and 128 Mt Inferred) while the Castor seam 31% (19 Mt Indicated and 83 Mt Inferred). The Aries, Gemini and Pisces seam resources are classified as Inferred.

Table 19.14 Belview coal resources (Xenith, 2015)

Seam	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Aries	-	-	23	23
Castor	-	19	83	102
Pollux	-	31	128	159
Gemini	-	-	19	19
Pisces	-	-	27	27
TOTAL		50	280	330

19.4.5 Coal Quality

The coal seams at Belview are a low volatile bituminous coal, with a mean maximum vitrinite reflectance (RoMax) ranging from 1.40 to 1.60%. The Rangal Coal Measures are known for their moderate reactive maceral contents, which reports to the finer size fractions and densities. The coal seams at Belview are characterised by relatively low raw ash contents and low total sulphur contents. The primary target Pollux seam has a raw ash content averaging 15.6% and low (0.39%) total sulphur content.

An assessment of coal quality by M Resources for the 2015 Concept Study suggested that the Pollux seam is capable of producing a primary hard coking product, with secondary PCI and thermal products (Table 19.15). Two stage processing would be employed to separate by size fractions and density separation techniques.

The expected coking yield is 48%, generating a low ash (6.6%) coking product with 18.8% volatile matter (ad) and CSN of 6. With a mean maximum vitrinite reflectance exceeding 1.40%; the coal

rank is in the upper range of Rangal coals in the Bowen Basin and is likely to fall into the semi-hard coking coal (SHCC) category. The PCI product is expected to yield 31% for a 9.3% ash, low volatile PCI coal. The thermal product is expected to yield 9.8% for a 19.8% ash middlings product with CV of 6,550 kcal/kg (gad).

Table 19.15 Belview indicative product specifications

Parameter	Unit / Basis	Primary Coking	PCI	Thermal
Yield	% ad	47.9	31	9.7
Ash content	% ad	6.6	9.3	19.8
Inherent Moisture	% ad	1.5	1.7	1.6
Volatile Matter	% ad	18.8	17.6	17.5
CSN		6.1	-	-
CV	kcal/kg ad	7889	7617	6550
Total Sulphur	%	0.41	0.37	0.32
Phosphorus	%	0.064	0.055	0.128
Vitrinite reflectance	RoMax %	1.45	1.45	1.45

19.4.6 Mining Potential

A concept study for the Belview project was completed by Minecraft in 2015. The basis for the study was a longwall operation within SCL's tenement area targeting the Pollux seam, with nominal 300 m panel width. There are several key factors that will impact on the productivity of the proposed Belview underground operations that require further study, including high gas content ($>10\text{m}^3$), depth of cover ($>400\text{ m}$) and structural complexity.

For the broader project area, there is a plan by SCL management to explore the possibility of agreements or acquisitions with neighbouring tenement holders. By establishing a complex, a mix of open cut and underground mining methods could be utilised, depending on the attributes of the specific mining areas identified. Possible mining areas include a longwall mining operation with open cut and bord and pillar mining area in the north-west, with shared infrastructure arrangements.

19.4.7 Belview Technical Considerations

A summary of technical considerations for the Belview project is outlined in Table 19.16.

Table 19.16 Summary of technical considerations - Belview

Belview Technical Considerations

Tenements	EPC1114, EPC1186, EPC1798			
Study Status	♦ Concept Study (2015)			
Proposed Mining Rate	♦ 4.5 Mtpa ROM (average) ♦ 3.4 Mtpa product (average)			
Life of Mine Mining Volumes	♦ 141 Mt ROM ♦ 29 year mine life			
Mining Method	♦ Underground - longwall			
Coal Processing & Design	♦ Proposed two stage plan with dense media cyclones (DMC), reflux classifiers and flotation circuit ♦ Nominal feed rate 600 tph ♦ Co-disposal coarse rejects and tailings ♦ Opportunities for nearby toll washing arrangements (Bounty)			
Infrastructure and availability	♦ Railway (Blackwater line) adjacent to project area ♦ Boonal Joint Venture train loadout (used by Yarrabee and Jellinbah mines) located in the northern section of the project area ♦ Nearby mines include Cook Colliery (Bounty Mining), BMA Blackwater and Curragh (Coronado)			
Environmental Social and Heritage Impacts Approvals Constraints	♦ Blackdown tableland National park located to the south of the tenement area. Arthurs Bluff State Forest overlies a portion of the tenement (EPC1114)			
JORC Resources Mt	Measured	Indicated	Inferred	Total
	0	50	280	330

19.4.8 Risks

Risks associated with the Belview project are shown in Table 19.17. The risk ranking is dominated by geological factors including depth of cover, gas content and structure.

Table 19.17 Project risks

Area	Issue Description/Finding	Risk
Coal Quality	High rank and moderate vitrinite content of Rangal Coal Measures (Pollux seam) results in lower value product mix	Medium
Geotechnical	Deep and potentially structurally complex in areas, limited success with longwall mining in Rangal Coal Measures in local region	High
Processing	Moderate yields expected from the primary coking product (49%)	Medium
Approvals	The MLA has been withdrawn and the approvals process will have to recommence at EPC level	Medium
Mining	Pollux seam depth of cover and high gas content likely to impact on productivities and costs of production	High

19.5 Tennyson

19.5.1 Regional and Local Geology

Located in the south-western Bowen Basin, Tennyson is situated between the Comet Anticline and Denison Trough to the west. The geology of the Tennyson project area is characterised by broad, open syncline feature, plunging to the south-east. A regional fault in the area results in uplifted Lower Permian strata on the western side, resulting in the Freitag Formation occurring at shallow depths. On the eastern side of the fault, the Rangel Coal Measures occur at depth through the remainder of the project area. The underlying Burngrove and German Creek Formations are coal bearing but are not considered underground mining targets at Tennyson. Aside from the broad delineation of bounding faults, the level of structural complexity is not well defined.

19.5.2 Coal Targets and Prospectivity

The main target identified through SCL's review of historical data and ongoing exploration is the Aries seam of the Rangel Coal Measures. The thickness of the Aries seam ranges from 1.7 to 3m and averages 2.5m in borehole intersections. The Aries seam sub crops at around 160m depth in the western portion of EPC 1168 and broadly dips east to ESE around the syncline structure. Depth of cover reaches 500m in central EPC 1168 and gradually dips from 500 to 630m in the east. A secondary target, the Liskeard seam of the Freitag Formation has been identified in the western areas, with an upper ply 2m thick and a lower split of 1.5-1m thickness.

19.5.3 Exploration Status

Early exploration by the QLD government and Comet Coal and Coke included scout drilling, and exploration in the western area did not identify shallow Rangel Coal Measures. SCL commenced exploration at Tennyson in 2011 and continued with another drilling campaign in 2012. In total, 18 boreholes were completed on 13 sites (some sites included a pilot and twinned core hole). HQ coring and sampling was undertaken on 11 of these boreholes, with reliable results from seven cored intersections of the Aries seam acquired.

19.5.4 Coal Resources

Tennyson coal resources were last estimated in 2012 by consulting group Xenith, in accordance with the JORC Code (2012). Coal resources were classified as potentially underground mineable, and limited by 1.5m seam thickness. Only the Aries seam was included in the resource estimate, and the Urban Restricted Area (URA) around Emerald was excluded from the resource, as shown in Figure 19.5. The resource estimate is 139 Mt of Inferred resources (Table 19.18).

Table 19.18 Tennyson coal resources (Xenith, 2012)

Seam	Inferred Resources (Mt)	Thickness (m)	Ash (%)	IM (%)	VM (%)	TS (%)	CV (kcal/kg)
Aries	139	2.52	14.9	9.8	28.8	0.25	5709

Coal quality variables reported on air-dried basis

The 2012, the Tennyson JORC resource was 161 Mt based on exclusion of resources in a 2km buffer around Emerald. In 2013, the sub-blocks overlying Emerald were relinquished as shown in Figure 19.5. The JORC resource has reduced from 161 to 139 Mt as a result of the relinquishment.

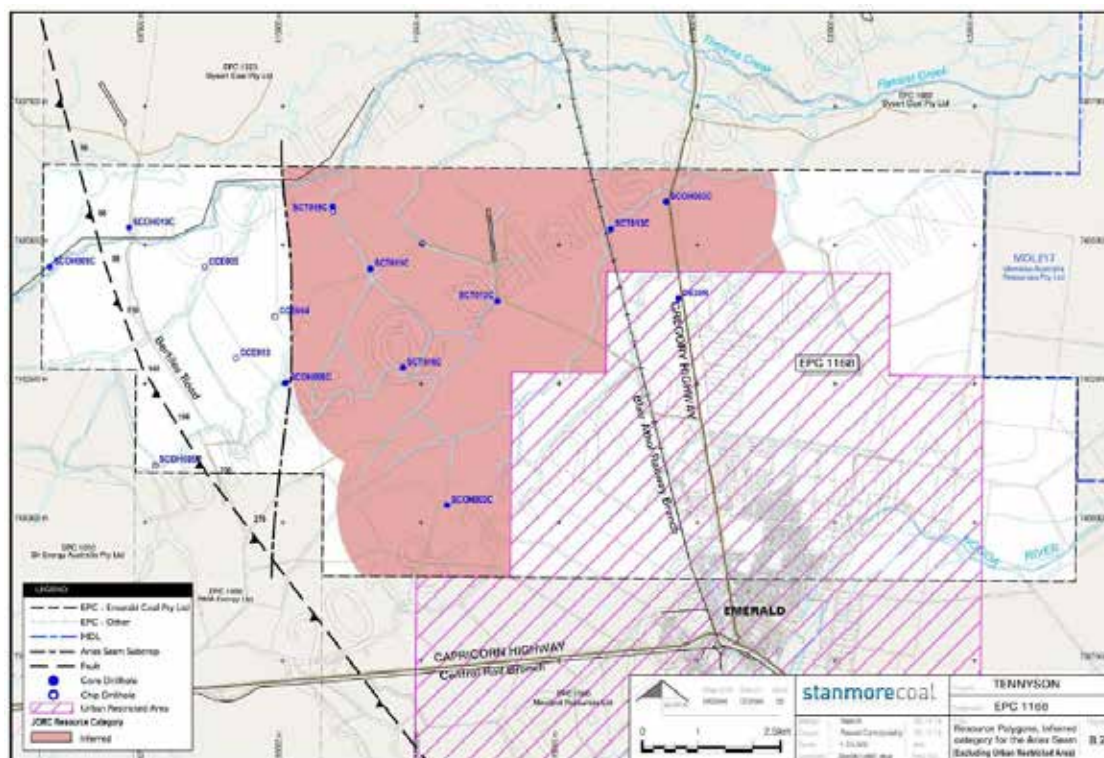


Figure 19.5 Tennyson borehole locations and JORC resource classification

19.5.5 Coal Quality

The Aries seam at Tennyson exhibits low ash (average 14% in sampled seam intersections), although the ash content increases towards the seam subcrop. The Aries seam raw coal has high volatile content (29.5% ad) and inherent moisture (10%) with low CSN (1). The low rank indicates the coal would only be potentially suitable for thermal or high volatile PCI markets. No issues with total sulphur, phosphorus or other deleterious elements in the product are expected.

19.5.6 Mining Potential

A review of mining opportunities for the Tennyson project was completed in 2013. It identified that there is potential to mine the target Aries seam via underground techniques - longwall or bord and pillar. Several factors will impact the final mining method selection including surface constraints (buffer zones for the town of Emerald and significant strategic cropping land). These factors may limit the extent of the mineable area, and possibly limit longwall mining due to surface subsidence impacts.

19.5.7 Other Technical Considerations

A summary of other technical considerations is outlined in Table 19.19.

Table 19.19 Other technical considerations - Tennyson

Tenement Considerations

Exploration Potential	EPC1168, EPC1580			
Study Status	♦ Review of Mining Opportunities presentation (2013)			
Proposed Mining Rate	♦ Further information/study required			
Life of Mine Mining Volumes	♦ Further information/study required			
Mining Method	♦ Proposed longwall or bord and pillar mining of the Aries seam in underground mining domain identified ♦ Mine limiting factors such as overlying strategic cropping land (requires minimal subsidence) would need further review			
Coal Processing & Design	♦ Further information/study required			
Infrastructure and availability	♦ Existing mining operations are located within a 30km radius; Kestrel in the North East and Ensham in the East ♦ The town of Emerald is located in the south east section of the tenement. Blackwater is 70km to the west ♦ Nearby main road accesses include the Gregory and Capricorn highways. A railway (Blair Athol branch line) from Clermont passes through the area which provides rail access to the nearest port of Gladstone, 360km away			
Environmental Social and Heritage Impacts Approvals Constraints	♦ Proximity to Emerald to the South East will limit extent of the resource in this direction. Some resources fall under the 2km buffer zone and 'Urban exclusion zone' of Emerald ♦ Irrigated cotton producing paddocks - land considered Strategic Cropping land covers ~75% of the tenement. Negligible subsidence and no effect on crops likely a condition for approval for mining. Further assessments required			
JORC Resources Mt	Measured	Indicated	Inferred	Total
	-	-	139	139

19.5.8 Risks

Project risks are shown in Table 19.20. The risk ranking is partly associated with the level of exploration undertaken to date, geological uncertainty and surface constraints.

Table 19.20 Project risks

Area	Issue Description/Finding	Risk
Coal Geology	Low level of exploration with structural complexity relatively unknown, with coal seams at significant depth of cover through central-eastern parts of tenement	High
Coal Quality	Lower rank coal likely only to yield lower value thermal or high volatile PCI product/s relative to other Bowen Basin underground mines	Medium
Geotechnical	Subsidence impacts from longwall mining result in requirement for partial extraction methods (bord and pillar)	Medium
Approvals	Proximity to Emerald township and urban exclusion zones, and surface considerations (strategic cropping land cover 75% of the project)	High

19.6 Lilyvale

19.6.1 Regional and Local Geology

Located in the south-western Bowen Basin, Lilyvale is situated on the Comet Platform and on the western limb of the south-west plunging Talagai Syncline. The adjacent Kestrel mine extracts the German Creek seam of the late Permian German Creek Formation, recognised as a stratigraphic equivalent of the Moranbah Coal Measures in the northern Bowen Basin. The geology of the Lilyvale project area is characterised by broad syncline feature with shallow dips to the south. The geological structure is generally known to be relatively benign, while regional faults in the area are generally in north-south trending fault zones. A large bounding fault is inferred to exist close to the western boundary of Lilyvale.

19.6.2 Coal Targets and Prospectivity

The German Creek seam is the main target identified for longwall mining at Lilyvale. The German Creek seam is generally 2.3 - 3.6 m in thickness and thickening eastward. The German Creek seam consists of clean, low ash coal and contains several parting bands between the middle and roof of the seam. Depth of cover starts from ~330 m in the north to 460 m in the south of the Lilyvale EPCs. Gas content testing indicates high levels of coal seam gas in the German Creek seam (11 m³/t at 425 m depth) based on CSG well Lilyvale 3, with composition predominantly methane.

A secondary target has been identified in the Aries seam of the Rangal Coal Measures in the southern project area. While there are only a small number of seam intersections in boreholes, the Aries seam appears to range from 2 to 2.7m thick at around 100m depth of cover.

19.6.3 Exploration Status

SCL has not yet undertaken any exploration drilling at Lilyvale. Knowledge of the project area is based on drilling information from historical coal and coal seam gas exploration within and adjacent to the tenement area. Historical drilling results have been collated and used as the basis for the geological model.

Several cored holes with coal quality data (C2059 and C2172) were drilled within EPC 2157 by Idemitsu. CSG well Lilyvale 3 was drilled by Oil Company of Australia (OCA) in 2001. Several Departmental boreholes (Emerald and Talbot) series are also located close to the tenement.

19.6.4 Coal Resources

Lilyvale coal resources were last estimated in 2015 by consulting group Xenith, in accordance with the JORC Code (2012). Coal resources were classified as potentially underground mineable, and limited by 1.5m seam thickness. The 2015 resource estimate was Inferred classification and totalled 33 Mt (Table 19.21). The existing resource is limited by the available distribution of historical boreholes. Only the German Creek seam was included in the resource and additional drilling will be likely increase the estimate.

Table 19.21 Lilyvale resource estimate (Xenith, 2015)

Seam	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)	Ash (%)	VM (%)
German Creek	-	-	33	33	15.7	33.4
TOTAL	-	-	33	33		

19.6.5 Coal Quality

Lilyvale coking coal from the German Creek seam would generate similar product/s to current Kestrel saleable production. Kestrel produces a low ash, high volatile hard coking coal product, high ash coking blends and some mid-ash thermal product. The German Creek seam has raw ash content around 16% (ad) without losses and dilution. Lilyvale is likely to generate a high total yield exceeding 80%. Theoretical yield and product quality parameters, based on testing of core samples is summarised in Table 19.22.

Table 19.22 Theoretical yield and coking product quality at CF1.60

Yield	Ash (%)	VM (%)	CSN	TS (%)	Phos (%)	Vitrinite	RoMax
87	8.4 - 8.6	35	5.5 - 6.5	0.6	0.006 - 0.009	69 - 73%	0.77 - 0.82

The product is expected to exhibit high CSN and moderate to high fluidity due to the high vitrinite content and moderate rank (0.77 to 0.82%). No issues with total sulphur, phosphorus or other deleterious elements in the products are expected. The Aries seam raw ash content is likely to range from 12 to 16% but the coal is of lower rank relative to the German Creek seam, and would likely generate export thermal products.

19.6.6 Mining Potential

Lilyvale is a small project with underground mining potential. The main target seam of the project is the German Creek, which varies between 2.3 - 3.6m width and is successfully mined

via a longwall mining method at the nearby Kestrel mine. The project is at very early stage of exploration and no mining studies have been undertaken by SCL.

The project extent and resource size is unlikely to be sufficient to support development of a standalone mine. However, due to the proximity of the tenement area to Kestrel, and the anticipated similar geologic conditions, extraction of the resource via extension of the currently planned Kestrel 500 series longwall panels could be possible through future negotiation with Kestrel Coal.

19.6.7 Technical Considerations

A summary of technical considerations for Lilyvale is outlined in Table 19.23.

Table 19.23 Summary of technical considerations - Lilyvale

Technical Considerations

Tenements	EPC1687, EPC2157			
Study Status	♦ No formal studies undertaken			
Proposed Mining Rate	♦ No formal studies undertaken			
Life of Mine Mining Volumes	♦ No formal studies undertaken			
Mining Method	♦ Retreat longwall via extension to Kestrel's 500 series longwall panels			
Coal Processing & Design	♦ Theoretical yield of 86% at CF1.60 based on slim core data			
Infrastructure and availability	♦ The tenement area is adjacent the Kestrel Coal mine, with its associated infrastructure including mine surface infrastructure, rail loop and train load out facilities ♦ If a stand-alone operation be considered, an arrangement to utilise the Kestrel infrastructure may be a possibility			
Environmental Social and Heritage Impacts Approvals Constraints	♦ Sections of the project area are overlain by Strategic Cropping land			
Attributable JORC Resources Mt	Measured	Indicated	Inferred	Total
	-	-	28.1	

19.6.8 Risks

Risks associated with this project are shown in Table 19.24. The risk ranking is partly associated with the level of exploration undertaken to date.

Table 19.24 Project risks

Area	Issue Description/Finding	Risk
Coal Geology	Gas contents are expected to be up to 10m ² /t in the Lilyvale area, requiring pre-mine drainage	Medium
Mining	Inability to increase the resource or negotiate with adjacent mines results in the coal endowment being insufficient to support development of a standalone mine	High

19.7 New Cambria

19.7.1 Regional and Local Geology

New Cambria is located in the Taroom Trough of the central-eastern Bowen Basin. On the eastern edge of the basin, coal rank varies from low volatile bituminous to anthracite with complex structure. The New Cambria project area is to the west of the Jellinbah Thrust, lying within the regional scale thrust fan formed by the Yarrabee and Jellinbah Thrusts. The area has been subject to severe E-W regional compactional forces during its development and this is reflected in the presence of numerous faults.

The late Permian Rangal Coal Measures have been structurally uplifted along thrust faults. The coal seams mined at nearby Jellinbah and Yarrabee belong to the Rangal Coal Measures, classified as Group IV coals (Mutton, 2003) and were formed in predominantly fluvial environments. The Rangal Coal Measures is conformably overlain by the Triassic Rewan Formation.

19.7.2 Coal Targets and Prospectivity

The coal seams of the late Permian Rangal Coal Measures are the primary target at New Cambria, although preliminary modelling suggests the Rangal coals exist at depth (>300 m) over most of the project area, with overburden dominated by the Triassic Rewan Formation. Well MIM Bluff 1 intersected the Rangal Coal Measures at 397 m depth, with 1.3 m Aries, 1.7 m Castor and 2.1 m Pollux seams intersected.

Some areas of potentially shallower depth coal may exist in proximity to the Yarrabee thrust fault in the western project areas. SCL's exploration objective is to identify shallow upthrust blocks similar to Yarrabee, or areas of sufficient extent that may be suitable for underground mining.

19.7.3 Exploration Status

Early exploration in the 1960's to 1980's was undertaken on a regional basis by numerous companies in partially overlapping areas that were later relinquished. In the early to mid-2000's, the nearby areas was explored by Energy Minerals, QCoal and Aquila Coal, who also identified low potential for open cut coal.

Two 2D seismic lines were undertaken in the New Cambria tenement area by the DMR, later reprocessed by SCL, and several coal seam gas exploration wells targeting Rangal coals at depth. In 2010, SCL completed 12 non-cored exploration boreholes in EPC 1113 for 2,320 m of drilling.

19.7.4 Coal Resources

No coal resources have been identified at New Cambria, and exploration suggests limited potential for identifying open cut coal resources.

19.7.5 Coal Quality

The seams of the Rangal Coal Measures are generally low ash, with low total sulphur and phosphorus. Low volatile to ultra-low volatile (ULV) coals mined in the Bowen Basin are ideal for use in steelmaking as a PCI coal due to their high coke replacement ratio. A research report for SCL undertaken by SRK (2010) indicates New Cambria coals are of semi-anthracite rank with vitrinite reflectance of 1.8 - 1.9% in the west, increasing to >2.2% in the east. Coal desorption samples from CSG well MIM Bluff 1 show low ash (<10% ad) with very low volatile content (7 - 9% ad) on raw coal, indicating New Cambria coals may be below the typical volatile range of QLD ULV coals.

19.7.6 Mining Potential

Based on current exploration, the depth of the Rangal Coal Measures precludes open cut mining. Depending on local geological conditions and structural complexity of the prospective coal mining areas, underground mining methods such as bord and pillar may be appropriate.

19.7.7 Summary of Technical Considerations

A summary of technical considerations for New Cambria is outlined in Table 19.25.

Table 19.25 Technical considerations - New Cambria

Tenement Considerations

Tenements	EPC1113, EPC2039, EPC2371
Study Status	♦ Geological / desktop
Proposed Mining Rate	♦ Not applicable
Life of Mine Mining Volumes	♦ Not applicable
Mining Method	♦ Underground potential
Coal Processing & Design	♦ Not applicable
Infrastructure and availability	♦ The project area is located just north of major infrastructure such as the Capricorn highway and Blackwater line to the Port of Gladstone

Tenement Considerations

Environmental Social and Heritage Impacts Approvals Constraints	♦ Further study and definition required			
JORC Resources Mt	Measured	Indicated	Inferred	Total
	-	-	-	-

19.7.8 Risks

Risks associated with this project are shown in Table 19.26. The risk ranking is partly associated with the low level of exploration undertaken to date, and it is likely that the project risks will reduce as more data becomes available.

Table 19.26 Project risks

Area	Issue Description/Finding	Risk
Coal Geology	Continued exploration does not identify any potential for open cut or underground mining	High
Coal Quality	Coal rank plots coal above typical volatile range of ULV PCI coals	Medium

VALUATION

The order of tenements included in the valuation is listed in Table D.1. The valuation includes two pre-development projects; Isaac South and Isaac Plains Underground, and eight exploration projects.

Table D.1 Valuation of pre-development and exploration assets

Project	Tenement	Sedimentary Basin
Isaac South	EPC755	Bowen
Isaac Plains Underground	ML70342, ML700018, ML700019	Bowen
The Range	EPC1112, EPC2030	Surat
Clifford	EPC1274, EPC1276	Surat
Mackenzie	EPC 2081	Bowen
Belview	EPC1114, EPC1186, EPC1798	Bowen
Tennyson	EPC1168, EPC1580	Bowen
Lilyvale	EPC1687, EPC2157	Bowen
Isaac Downs (Wotonga South - EPC 728)	EPC728	Bowen
New Cambria	EPC1113, EPC2039, EPC2371	Bowen

20 VALUATION

20.1 Background

The VALMIN Code (2015) requires that an Expert or Specialist preparing a valuation must make use of valuation methods suitable for the Mineral or Petroleum Assets under consideration. The decision as to the valuation methodologies used was made by Palaris and was not influenced by the Commissioning Entity.

Selection of an appropriate valuation method will depend on such factors as:

- a. the nature of the valuation
- b. the development status of the Mineral or Petroleum Assets and
- c. the extent and reliability of available information

As defined in the VALMIN Code (2015) Section 14 (Definitions), most Mineral Assets can be classified as either:

Early-Stage Exploration Projects - tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.

Advanced Exploration Projects - tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.

Pre-Development Projects - tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.

Development Projects - tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study.

Production Projects - tenure holdings - particularly mines, wellfields and processing plants - that have been commissioned and are in production.

20.2 Basis of Value

This report outlines a Market Valuation of ten non-producing projects (Table 20.1) at valuation date of 1 December 2018. Market Value is the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation,

between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion.

Table 20.1 Summary of projects and tenements

Project	Tenement	Notes
Isaac South	EPC755	
Isaac Plains Underground	ML70342, ML700018, ML700019	The UG area is defined as the Isaac Plains resource with >100m depth of cover
The Range	EPC1112, EPC2030	
Clifford	EPC1274, EPC1276	
Mackenzie	EPC 2081	
Belview	EPC1114, EPC1186, EPC1798	
Tennyson	EPC1168, EPC1580	
Lilyvale	EPC1687, EPC2157	
Isaac Downs	EPC728	Not inclusive of MDL 137 which has been valued using DCF approach
New Cambria	EPC1113, EPC2039, EPC2371	

20.2.1 Rationale for Difference between Technical Value and Fair Market Value

In general it is appropriate to apply a further adjustment (market factor), to reflect the premium/discount relating to factors such as market, strategic and other considerations.

20.2.2 Assets Primarily Coking Coal

It has been assessed that at valuation date, buoyant coking coal prices as well as strong interest in coking coal resource projects and the relative scarcity of available potential tenement areas support a market factor (value multiplier) of up to 1.5. With respect to calculating the Appraised Valuation and Geoscientific Rating Approaches, the following market factors were selected:

- 1.0 - low range market factor
- 1.5 - high range market factor

20.2.3 Assets Primarily Thermal Coal

It has been assessed that at valuation date, moderating thermal coal prices as well as measured interest in thermal coal resource projects support a market factor (value multiplier) of up to 1.25. With respect to calculating the Appraised Valuation and Geoscientific Rating Approaches, the following market factors were selected:

- 0.75 - low range market factor
- 1.25 - high range market factor

20.2.4 Both Coking and Thermal Coal Assets

The Market Factor for the Yardstick Methods Approach has been assumed to be reflected in the historical transaction values (\$/t JORC resource multiple), consequently no additional market factor was applied to this valuation technique.

It is noted that the application of market factors is based on a subjective assessment at a point in time.

20.3 Common Valuation Approaches

The VALMIN Code (2015) provides guidance on applicability of valuation approaches (Table 20.2). Generally a number of methods will be used to enable a comparison between different methods.

Table 20.2 Guidance on valuation approaches (VALMIN Code, 2015)

Valuation Approach	Exploration Projects	Pre-Development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

The basic approaches used in preparing valuations are:

- Income Based:
 - Discounted Cash Flow Approach
- Cost based:
 - Appraised Value Approach
 - Cost Based Approach (Geoscientific Rating Method)
- Market based:
 - Market Comparables Approach
 - Yardstick Methods Approach
 - JV Terms or Farm In Commitment Methods Approach

Generally a number of methods will be used to provide a cross check between different methods.

The methods adopted will depend on:

- The size and status of the tenement
- The status of exploration and tenement development
- Prospectivity of the tenement
- Availability of market comparables
- Existence of JV Terms or Farm In commitments

20.3.1 Appropriate Valuation Approaches

Table 20.3 summarises the projects (and tenements) valued, and this shows that Isaac South (EPC 728) and New Cambria (EPC 113, EPC 2039, EPC 2371) have been assessed as early stage exploration tenements (without JORC Resource estimates). The remaining projects have JORC Resource estimates available and therefore the Yardstick Methods Approach has been adopted.

Table 20.3 Valuation tenements stage assessment

Prospect Name	Tenements	Sedimentary Basin	Resource Estimate	Reserve Estimate	Stage Assessment
Isaac South	EPC755	Bowen	✓	✗	Pre-development
Isaac Plains Underground	ML70342, ML700018, ML700019	Bowen	✓	✓	Pre-development
The Range	EPC1112, EPC2030	Surat	✓	✓	Late stage exploration
Clifford	EPC1274, EPC1276	Surat	✓	✗	Late stage exploration
Mackenzie	EPC 2081	Bowen	✓	✗	Late stage exploration
Belview	EPC1114, EPC1186, EPC1798	Bowen	✓	✗	Late stage exploration
Tennyson	EPC1168, EPC1580	Bowen	✓	✗	Early stage exploration
Lilyvale	EPC1687, EPC2157	Bowen	✓	✗	Early stage exploration
Isaac Downs	EPC728	Bowen	✗	✗	Early stage exploration
New Cambria	EPC1113, EPC2039, EPC2371	Bowen	✗	✗	Very early stage exploration

For all tenements other valuation techniques suitable for an exploration project have been assessed including:

- Appraised Value Approach
- Geoscientific Rating Approach (Kilburn method)
- Market Comparable Approach (EPC Size & Basin)

Palaris has undertaken all valuations on a “100%, pre-tax, all-equity, not already financed” basis.

An estimate has been prepared for the current value of the tenements.

20.3.2 Appraised Value Approach

The Appraised Value Approach considers past and future expenditures for the tenement coupled with a multiplier based on experience and judgement. This comparative approach considers the possibility that, as a substitute for the purchase of a given property, one could construct or obtain another property that is either a replica of the original or one that could furnish equal utility.

The method is a refinement of an earlier method, the Multiples of Exploration Expenditure (MEE) method. Under this earlier method a Prospective Enhancement Multiplier (PEM), based upon a Valuer's assessment of the property's prospectivity to date, is applied to the relevant and effective past exploration expenditure on the property. This method has previously been used for exploration properties without delineated resources and its formula is shown below:

$$\text{Value}_{\text{MEE}} = \text{Effective Expenditure} \times \text{PEM}$$

The Appraised Value method (formula shown below) applies an additional adjustment, instead of PEM, to a similar basis of exploration expenditures. The additional adjustment is warranted future expenditures comprised by a “reasonable exploration budget” to test the remaining exploration potential of the exploration property.

20.3.3 Effective Expenditure

Actual expenditure that is assessed to be relevant and to create effective data that is not available in the public domain. Real money must be spent and it can include items such as:²²

- Minimum government expenditure requirements
- Compulsory tenement rental(s) that must be paid in order to maintain the asset
- Other acquisition costs

Expenditure base should be reduced by cost elements such as:

- Excessive administration expenses
- Statutory security deposits or bonds

²² An Overview of Valuation Methods for Exploration Properties, Mineral Valuation Methodologies Conference 1994. Lawrence, M J

Palaris has reviewed the historic expenditure for each tenement and made minimal adjustments according to the above stated criteria. The effective expenditure has been converted to real 2018 dollars using the Reserve Bank of Australia inflation calculator²³.

20.3.4 Warranted Expenditure

Expenditure that is firmly committed future exploration and for no more than one budgeted year unless those expenditures greater than one year in advance are contractually committed to²⁴. In this instance, budgeted exploration expenditure for December 2018 and CY2019 have been included as warranted expenditure.

$$\text{Value}_{\text{Appraised}} = (\text{Effective Expenditure} + \text{Warranted Expenditure}) \times \text{PEM}$$

In this case Palaris believes it is appropriate to apply a further adjustment (market factor), to reflect the premium / discount relating to factors such as market, strategic and other considerations. The formula for the fair market appraised value is shown below.

$$\text{Value}_{\text{Appraised (Fair Market)}} = (\text{Effective Expenditure} + \text{Warranted Expenditure}) \times \text{PEM} \times \text{Market Factor}$$

20.3.5 Prospectively Enhancement Multiplier (PEM)

The total effective expenditure is adjusted by a factor related to the prospectively of the area. The PEM factor is calculated by multiplying the following factors together:

- Geological/exploration factors (Table 20.4)
- Coal type factors (Table 20.5)
- Infrastructure access factors (Table 20.6)

Table 20.4 Geological/exploration factors

Geological/ Exploration Factors	Factor
Previous exploration indicates that the area has limited potential for a major discovery	0.5
Existing data is sufficient to warrant further exploration	1.0
Have direct evidence of an interesting target. Further work is warranted to evaluate the target	1.5
The leases contain a defined drill target with significant geochemical intersections	2.0
Exploration is well advanced and limited in-fill drilling is likely to define a resource	2.5
Have already found a substantial resource (that is likely to lead to a mine). Further exploration is likely to lead to an increase in the size and quality of the resource	3.0

²³ www.rba.gov.au/calculator/quarterDecimal.html

²⁴ An Overview of Valuation Methods for Exploration Properties, 1994. Lawrence, M J

Table 20.5 Coal type factors

Coal Type Factors	Factor
No identifiable marketable coal	0.25
Typical domestic thermal	0.5
High ash export	0.75
Mid-low ash export thermal	1.0
PCI, SSCC	1.5
SHCC, HCC	2.0

Table 20.6 Infrastructure access factors

Infrastructure Access Factors	Factor
Unable To Access Market	0.25
Remote Location. Supporting Infrastructure under construction	0.75
Favourable Access To Market In Place	1.0
Close Proximity With Infrastructure In Place	1.5

Limitations of the Appraised Value Method Include:

- Reliance on the integrity of the information supplied to justify the historic expenditure
- Dependence on experienced judgement to separate those past expenditures considered to contribute to value from those considered not to contribute to the value
- Dependence on experienced judgement to estimate the warranted expenditure subjectivity of assessing market factors and PEM

20.3.6 Geoscientific Rating Approach

The Geoscientific Rating Approach (also known as the Kilburn Method) is a cost based approach that attempts to provide a valuation based on the technical merits of the early stage exploration tenement. It was developed by Kilburn, a Canadian geologist in 1990 to systematically assess the physical attributes of the exploration tenement by using a rating system. It has subsequently been modified and expanded by others.

Under the original method the cost of acquiring an unexplored mining claim, had four prioritized adjustment factors applied from an established matrix. The base cost is adjusted for the subject property's attributes with regard to:

- Location (on and surrounding the tenement)
- Known valuable mineralization
- Geophysical, geochemical, and geological targets

The adjustment factors are multiplicative.

Palaris has added two additional factors to accommodate basic variations in coal types (the “Quality Factor”) and transport access to markets (the “Location Infrastructure Factor”). A market factor has also been considered to determine a market value.

The intrinsic value is referred to as the Base Acquisition Cost (BAC), and refers to the cost (per base unit area) required to acquire and hold an exploration tenement. These include application fees and rental charges paid to the Government to hold the licence. The BAC forms the starting value from which a technical valuation range is then estimated; the rating system is multiplied by the BAC to derive an estimate of the value per unit of area. A BAC of \$550/km² has been used for an average exploration licence. The BAC is based on a current Queensland EPC rental fee of \$161.3 per sub block and approximately \$1,550 per sub block in annual expense. This is in line with other recent valuation reports²⁵.

The tenement rating factors generally used by Palaris are shown in Table 20.7.

Table 20.7 Tenement rating factors (modified by Palaris)

Rating	Off Property Factor	On Property Factor	Anomaly Factor	Geological Factor	Quality Factor	Location Infrastructure Factor
0.1				Non coal-bearing sequence		
0.2						Unable To Access Market
0.3						
0.4				Non coal-bearing sequence (10%-20% area)		
0.5			Extensive Previous Exploration With Poor Results	Alluvium covered coal-bearing sequence (50% area)	Lignite	
0.6					Low yield thermal coal	

²⁵ Realm Resources Target’s Statement 2018, SRK Independent Expert’s Report

Rating	Off Property Factor	On Property Factor	Anomaly Factor	Geological Factor	Quality Factor	Location Infrastructure Factor
0.7						Remote Location. Supporting Infrastructure under construction
0.8				Coal-bearing sequence (50% area)		
0.9						
1	No coal seams defined	No coal seams defined	No Targets Outlined	Coal-bearing sequence (70% area)	>75% Yield Standard Thermal Coal Product, low yield PCI or SSCC	Favourable Access To Market In Place
1.5	Minor coal seams defined, minor workings	Minor coal seams defined, minor workings	Several Well Defined Targets	Coal-bearing sequence (100% area)	Low yield HCC	Close Proximity With Infrastructure In Place
2	Considerable coal seams defined/ several workings	Considerable coal seams defined/ several workings			>75% Yield Semi Soft Or PCI Product,	
2.5	Abundant coal seams defined/ numerous workings	Abundant coal seams defined/ numerous workings				
3			Consistent Seam(s) >2.5m Thick <350m Depth	Significant coal-bearing sequence. No significant Igneous or Structural Features	>75% Yield Hard Coking Coal	
3.5	Abundant coal seams defined/ abundant with significant historical production	Abundant coal seams defined/ abundant with significant historical production				

Rating	Off Property Factor	On Property Factor	Anomaly Factor	Geological Factor	Quality Factor	Location Infrastructure Factor
4	Along Strike From Major Mines		Consistent Seam(s) >2.5m thick Open Cut Amenable			
4.5						
5	Along Strike From World Class Mine	Major Mine With Historical Production				
10		World class mine				

Limitations of the Geoscientific Method include:

- Reliance on experienced judgement to select the appropriate multipliers or factors as well as the BAC. Selection of multipliers are heavily reliant on the availability and quality of the geological data
- Valuations are heavily influenced by the size of the tenement being valued and tenement size alone is no guarantee of value (small tenements may be undervalued and large tenements may be overvalued)
- Subjectivity of assessing market factors

20.3.7 Yardstick Methods Approach

The Yardstick Method is based on a resource tonne multiple. This valuation approach uses the JORC Code resource classification to value mining assets. The method generally involves establishing a dollar per tonne (\$/t) range for JORC resources based on reference to comparable transactions for similar assets. In preparing the valuation, the \$/t range is adjusted to take into account the unique attributes of the mining asset such as category of resources, coal type and quality, type of expansion (greenfields versus brownfields), access to infrastructure and other relevant attributes compared to the selected comparable assets. The resource tonne multiple has been assessed to reflect the market pricing at the time of transaction.

Limitations of the Yardstick Method Include:

- Mining assets are not homogenous and often there is a scarcity of recent similar transactions.
- Comparable transactions often include a royalty stream that is based on market conditions and is difficult to factor in to the deal value
- Dependence on experience and judgement to select and adjust the appropriate resource tonne multipliers
- Dependence on experience and judgement to critically review the methodology behind the JORC resource estimate and to determine the appropriate circumstances where the resource estimate is required to be adjusted for purposes of valuation.

20.4 Valuation Results

A summary of the valuation methods used for each of the tenements is shown in the Table 20.8 below. The authors took into consideration the attributes presented in previous sections of this report for each individual tenement to form an opinion on the valuation results presented in the tables below. The yardstick method was used for all tenements that have a JORC resource estimate available, with the other valuation methods applied based on the assessment stage and data available for each project.

Table 20.8 Summary of valuation methods used

Project	Tenement	Yardstick Method	Appraised Method	Market Comparables (EPC Size & Basin)	Geoscientific Method
Isaac South	EPC755	✓	✓	✗	✗
Isaac Plains Underground	ML70342, ML700018, ML700019	✓	✓	✗	✗
The Range	EPC1112, EPC2030	✓	✓	✗	✗
Clifford	EPC1274, EPC1276	✓	✓	✗	✗
Mackenzie	EPC 2081	✓	✓	✗	✗
Belview	EPC1114, EPC1186, EPC1798	✓	✓	✗	✗
Tennyson	EPC1168, EPC1580	✓	✓	✗	✗
Lilyvale	EPC1687, EPC2157	✓	✗	✗	✓
Isaac Downs	EPC728	✗	✓	✗	✓
New Cambria	EPC1113, EPC2039, EPC2371	✗	✓	✓	✗

20.4.1 Yardstick Method - Pre-Development Projects

A summary of the Yardstick method of valuation for SCL Isaac South Project and Isaac Plains Underground Project are shown in Table 20.9 and Table 20.10 below.

Table 20.9 Yardstick method - Isaac South

Yardstick Valuation Approach
Isaac South (EPC 755)

Reference Transactions	<p>Wesfarmers -MDL162 (Peabody) Q1 2014. A\$70M for 100% of asset. JORC resources 255 Mt for resource multiple of \$0.27/t</p> <p>Stanmore Coal - Wotonga / Isaac Plains East (Millennium Coal) Q3 2015. A\$7M for 100% of asset. JORC resources 14.5 Mt for resource multiple of \$0.48/t</p> <p>Whitehaven Coal - Winchester South (Rio Tinto) Q2 2018. A\$259.7M for 75% of asset. Attributable JORC resources 267 Mt for resource multiple of \$0.97/t</p> <p>*Sojitz Corporation - Gregory Crinum (BMA) Q2 2018. A\$100M for 100% of asset. JORC resources 127 Mt for resource multiple of \$0.79/t</p> <p>South 32 - Eagle Downs (China Baowu Steel Group) Q3 2018. A\$280.2M for 50% of asset. Attributable JORC resources 561 Mt for resource multiple of \$0.50/t</p> <p>*Includes mine infrastructure including dragline, CHPP, TLO and rail loop with BMA understood to have assumed rehabilitation liability for Gregory open cut.</p>			
Valuation				
JORC Resource (Mt)	<p>Isaac South - 51.4 Mt (11.9 Mt Measured, 14.5 Mt Indicated and 25 Mt Inferred)</p>			
		Preferred	Low	High
Selected Rate	\$/t (JORC resource)	0.50	0.27	0.79
Valuation based on Measured, Indicated and Inferred JORC Resources	Isaac South Valuation A\$M	25.7	13.9	40.6
Preferred Multiple	<p>The low and high resource tonne values are based on the MDL162 and Gregory Crinum acquisitions</p> <p>The preferred resource tonne multiple (0.50/t) recognises a mid-point for recent Bowen Basin pre-development coal transactions (SCL's acquisition of Wotonga / Isaac Plains East and South 32's acquisition of Eagle Downs (50%)) are at similar resource tonne multiples)</p> <p>The Whitehaven resource tonne multiple is notably higher (\$0.97/t) but we believe the Rio Tinto resource estimate was conservative (it has since been revised to 530 Mt by Whitehaven Coal without any further exploration undertaken) and at a more advanced stage relative to EPC755</p>			

Table 20.10 Yardstick method - Isaac Plains Underground

Yardstick Valuation Approach
Isaac Plains Underground

Reference Transactions	<p>Wesfarmers -MDL162 (Peabody) Q1 2014. A\$70M for 100% of asset. JORC resources 255Mt for resource multiple of \$0.27/t</p> <p>Stanmore Coal - Wotonga / Isaac Plains East (Millennium Coal) Q3 2015. A\$7M for 100% of asset. JORC resources 14.5 Mt for resource multiple of \$0.48/t</p> <p>Whitehaven Coal - Winchester South (Rio Tinto) Q2 2018. A\$259.7M for 75% of asset. Attributable JORC resources 267 Mt for resource multiple of \$0.97/t</p> <p>*Sojitz Corporation - Gregory Crinum (BMA) Q2 2018. A\$100M for 100% of asset. JORC resources 127 Mt for resource multiple of \$0.79/t</p> <p>South 32 - Eagle Downs (China Baowu Steel Group) Q3 2018. A\$280.2M for 50% of asset. Attributable JORC resources 561 Mt for resource multiple of \$0.50/t</p> <p>*Includes mine infrastructure including dragline, CHPP, TLO and rail loop with BMA understood to have assumed rehabilitation liability for Gregory open cut.</p>			
Valuation				
JORC Resource (Mt)	Isaac Plains Underground - 39.5 Mt (13.5 Mt Measured, 19.3 Mt Indicated and 7Mt Inferred)			
		Preferred	Low	High
Selected Rate	\$/t (JORC resource)	0.50	0.27	0.79
Valuation based on Measured, Indicated and Inferred JORC Resources	Isaac Plains Underground Valuation A\$M	19.7	10.7	31.2
Preferred Multiple	<p>The low and high resource tonne values are based on the MDL162 and Gregory Crinum acquisition resource tonne multiples</p> <p>The preferred resource tonne multiple (\$0.50/t) recognises recent Bowen Basin pre-development coal transactions (SCL's acquisition of Wotonga / Isaac Plains East and South 32's acquisition of Eagle Downs (50%) at similar resource tonne multiples</p> <p>The Whitehaven resource tonne multiple is notably higher (\$0.97/t) but we believe the Rio Tinto resource estimate was conservative (it has since been revised to 530 Mt by Whitehaven Coal without any further exploration undertaken)</p>			

20.4.2 Yardstick Method - Exploration Projects

A summary of the Yardstick method of valuation for SCL's exploration projects are shown in Table 20.11 to Table 20.16.

Table 20.11 Yardstick method - The Range

Yardstick Valuation Approach
The Range

Reference Transactions	<p>New Hope Coal (NHC) - North Surat Project (Cockatoo Coal) Q4 2014. \$A25M for 51% of assets. Attributable resources 404Mt for resource multiple of \$0.06</p> <p>Bounty Mining (B2Y) - Cook and Minyango* (Caledon Coal / Blackwater Coal) Q4 2017. A\$31.5M for 100% of assets. JORC resources 650 Mt for resource multiple of \$0.05/t</p> <p>Bowen Coking Coal (BCB) - Isaac River MDL444 and EPC830 (Aquila Coal and Eagle Downs Pty Ltd) Q3 2018. \$0.2M for 100% of asset. JORC resources 5.3 Mt for resource multiple of \$0.04/t</p> <p>Springsure Creek Coal - Comet Ridge (MLA70005) and EPC1230 (Bowen Coking Coal) Q3 2018. A\$3.1M for 100% of asset including royalty stream. JORC resources 57 Mt for resource multiple of \$0.05/t</p> <p>*Includes established mine infrastructure including MIA and longwall / development equipment.</p>			
Valuation				
JORC Resource (Mt)	<p>The Range - 286.1 Mt (18.1 Mt Measured, 187 Mt Indicated and 81 Mt Inferred)</p>			
		Preferred	Low	High
Selected Rate	\$/t (JORC resource)	0.05	0.04	0.06
Valuation based on Measured, Indicated and Inferred JORC Resources	The Range Valuation A\$M	14.3	10.8	17.2
Preferred Multiple	<p>The preferred resource tonne multiple (\$0.05/t) recognises a preferred value relative to recent Surat and Bowen Basin exploration project coal transactions</p> <p>The adopted resource tonne multiple reflects that The Range is rail constrained, with development of the mine contingent on construction of the Surat Basin Rail (SBR) or alternative rail option</p> <p>The adopted resource tonne multiple also reflects the significant resource size (286Mt) and lower quality thermal coal, but considers the proximity to SBR and potential for mine development once a path to market is established</p>			

Table 20.12 Yardstick method - Clifford

Yardstick Valuation Approach
Clifford

Reference Transactions	<p>New Hope Coal (NHC) - North Surat Project (Cockatoo Coal) Q4 2014. \$A25M for 51% of assets. Attributable resources 404 Mt for resource multiple of \$0.06</p> <p>Bowen Coking Coal (BCB) - Cooroora MDL453 and Mt Hillalong EPC1824 (Cape Coal) Q3 2017. A\$2.21M for 100% of asset. JORC resources 125 Mt for resource multiple of \$0.02/t</p> <p>Bowen Coking Coal (BCB) - Isaac River MDL444 and EPC830 (Aquila Coal and Eagle Downs Pty Ltd) Q3 2018. \$0.2M for 100% of asset. JORC resources 5.3 Mt for resource multiple of \$0.04/t</p>			
Valuation				
Attributable JORC Resource (Mt)	<p>Clifford - 378 Mt (120 Mt Indicated and 258 Mt Inferred)</p>			
		Preferred	Low	High

Yardstick Valuation Approach
Clifford

Selected Rate	\$/t (JORC resource)	0.03	0.02	0.04
Valuation based on Measured, Indicated and Inferred JORC Resources	Clifford Valuation A\$M	9.6	6.7	14.3
Preferred Multiple	<p>The adopted resource tonne multiple recognises a preferred value relative to recent Surat and Bowen Basin exploration project coal transactions</p> <p>The adopted resource tonne multiple reflects that Clifford is rail constrained, with development of the mine contingent on construction of the Surat Basin Rail (SBR) or alternative rail option</p> <p>The preferred resource tonne multiple (\$0.03/t) reflects the large attributable resource size (378 Mt) and large proportion of Inferred resources</p> <p>The adopted resource tonne multiple also reflects the lower quality thermal coal and proximity to infrastructure (existing and proposed)</p>			

Table 20.13 Yardstick method - Mackenzie

Yardstick Valuation Approach
Mackenzie

Reference Transactions	<p>Bowen Coking Coal (BCB) - Cooroorah MDL453 and Mt Hillalong EPC1824 (Cape Coal) Q3 2017. A\$2.21M for 100% of asset. JORC resources 125 Mt for resource multiple of \$0.02/t</p> <p>Bounty Mining (B2Y) - Cook* and Minyango (Caledon Coal / Blackwater Coal) Q4 2017. A\$31.5M for 100% of assets. JORC resources 650 Mt for resource multiple of \$0.05/t</p> <p>Bowen Coking Coal (BCB) - Isaac River MDL444 and EPC830 (Aquila Coal and Eagle Downs Pty Ltd) Q3 2018. \$0.2M for 100% of asset. JORC resources 5.3 Mt for resource multiple of \$0.04/t</p> <p>Springsure Creek Coal - Comet Ridge (MLA70005) and EPC1230 (Bowen Coking Coal) Q3 2018. A\$3.1M for 100% of asset including royalty stream. JORC resources 57 Mt for resource multiple of \$0.05/t</p> <p>*Includes established mine infrastructure including MIA and longwall / development equipment.</p>			
Valuation				
JORC Resource (Mt)	<p>Mackenzie - 135.6 Mt (24.4 Mt Indicated and 111.2 Mt Inferred)</p>			
		Preferred	Low	High
Selected Rate	\$/t (JORC resource)	0.04	0.02	0.05
Valuation based on Measured, Indicated and Inferred JORC Resources	Mackenzie Valuation A\$M	5.1	2.4	7.4
Preferred Multiple	<p>The resource tonne multiples recognise a range of recent comparable Bowen Basin exploration asset transactions</p> <p>The preferred resource tonne multiple (\$0.04/t) reflects the likely lower value of Burngrove Formation coal seams relative to Rangal or German Creek / Moranbah Coal Measures assets</p> <p>The adopted resource tonne multiple reflects the likely low yield and potential marketability issues of Mackenzie</p>			

Table 20.14 Yardstick method - Belview

Yardstick Valuation Approach
Belview

Reference Transactions	<p>Bounty Mining (B2Y) - Cook and Minyango (Caledon Coal / Blackwater Coal) Q4 2017. A\$31.5M for 100% of assets. JORC resources 650 Mt for resource multiple of \$0.05/t</p> <p>Bowen Coking Coal (BCB) - Isaac River MDL444 and EPC830 (Aquila Coal and Eagle Downs Pty Ltd) Q3 2018. \$0.2M for 100% of asset. JORC resources 5.3 Mt for resource multiple of \$0.04/t</p> <p>Springsure Creek Coal - Comet Ridge (MLA70005) and EPC1230 (Bowen Coking Coal) Q3 2018. A\$3.1M for 100% of asset including royalty stream. JORC resources 57 Mt for resource multiple of \$0.05/t</p> <p>* Includes established mine infrastructure including MIA and longwall / development equipment.</p>			
Valuation				
Attributable JORC Resource (Mt)	<p>Belview - 330 Mt (0 Mt Measured, 50 Mt Indicated and 280 Mt Inferred)</p>			
		Preferred	Low	High
Selected Rate	\$/t (JORC resource)	0.04	0.04	0.05
Valuation based on Measured, Indicated and Inferred JORC Resources	Belview Valuation A\$M	13.2	13.2	17.0
Preferred Multiple	<p>The preferred resource tonne multiple (\$0.04/t) recognises a preferred value relative to recent Bowen Basin exploration project coal transactions. The low value is also adopted as the preferred resource tonne multiple</p> <p>The adopted resource tonne multiple takes into consideration that a considerable portion (>50%) of the Inferred resource is at significant depth of cover (>600m) and includes some seams that are unlikely to be mined. With high gas content and structure, longwall productivity may be limited by geological factors</p> <p>The resource tonne multiple takes into consideration Belview is at Concept Study level with ML application withdrawn</p> <p>The adopted resource tonne multiple reflects similarities with the Cook / Minyango transaction (without mine infrastructure and equipment)</p>			

Table 20.15 Yardstick method - Tennyson

Yardstick Valuation Approach
Tennyson

Reference Transactions	<p>Bowen Coking Coal (BCB) - Cooroorah MDL453 and Mt Hillalong EPC1824 (Cape Coal) Q3 2017. A\$2.21M for 100% of asset. JORC resources 125 Mt for resource multiple of \$0.02/t</p> <p>Bounty Mining (B2Y) - Cook and Minyango (Caledon Coal / Blackwater Coal) Q4 2017. A\$31.5M for 100% of assets. JORC resources 650 Mt for resource multiple of \$0.05/t</p> <p>Bowen Coking Coal (BCB) - Isaac River MDL444 and EPC830 (Aquila Coal and Eagle Downs Pty Ltd) Q3 2018. \$0.2M for 100% of asset. JORC resources 5.3 Mt for resource multiple of \$0.04/t</p> <p>Springsure Creek Coal - Comet Ridge (MLA70005) and EPC1230 (Bowen Coking Coal) Q3 2018. A\$3.1M for 100% of asset including royalty stream. JORC resources 57 Mt for resource multiple of \$0.05/t</p> <p>* Includes established mine infrastructure including MIA and longwall / development equipment.</p>			
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Yardstick Valuation Approach
Tennyson

Valuation				
JORC Resource (Mt)	Tennyson - 139 Mt (139 Mt Inferred)			
		Preferred	Low	High
Selected Rate	\$/t (JORC resource)	0.04	0.02	0.05
Valuation based on Measured, Indicated and Inferred JORC Resources	Tennyson Valuation A\$M	4.2	2.5	5.6
Preferred Multiple	<p>The preferred resource tonne multiple recognises recent Bowen Basin exploration project comparable transactions with a range of \$0.02 to \$0.05/t</p> <p>The adopted resource tonne multiple reflects the Inferred resource classification of Tennyson, as well as potential mining method (UG) and coal type (thermal)</p> <p>The adopted resource tonne multiple also reflects potential surface constraints (Emerald township and SCL areas)</p>			

Table 20.16 Yardstick method - Lilyvale

Yardstick Valuation Approach
Lilyvale

Reference Transactions	<p>Wesfarmers (WES) - MDL162 (Peabody) Q1 2014. A\$70M for 100% of asset. JORC resources 255 Mt for resource multiple of \$0.27/t.</p> <p>Australian Pacific Coal (APC) - Dartbrook NSW (Anglo American Metallurgical Coal) Q2 2017. A\$50M for 83% of asset. Attributable JORC resources 343 Mt for \$0.15/t</p> <p>Bounty Mining (B2Y) - Cook and Minyango (Caledon Coal / Blackwater Coal) Q4 2017. A\$31.5M for 100% of assets. JORC resources 650 Mt for resource multiple of \$0.05/t</p>			
Valuation				
Attributable JORC Resource (Mt)	Lilyvale - 28.1 Mt (28.1 Mt Inferred)			
		Preferred	Low	High
Selected Rate	\$/t (JORC resource)	0.15	0.05	0.27
Valuation based on Measured, Indicated and Inferred JORC Resources	Lilyvale Valuation A\$M	4.2	1.4	7.7

Yardstick Valuation Approach
Lilyvale

Preferred Multiple	<p>The resource tonne multiples are based on the MDL162 and Dartbrook acquisitions respectively, with the adopted resource tonne multiple (\$0.15/t) based on the Dartbrook acquisition</p> <p>The preferred resource tonne multiple takes into consideration Lilyvale is at Inferred resource status, but is within close proximity to Kestrel Coal's Kestrel longwall mine. The strategic merit of extending Kestrel longwall panels into Lilyvale warrants a higher resource tonne multiple relative to other exploration projects</p> <p>The adopted resource tonne multiple reflects the high yield and favourable coking coal attributes coupled with a modest project size and coal endowment</p> <p>The low value reflects the value of Lilyvale as a potential standalone project assuming Kestrel Coal has no interest in extending the 500 series panels into Lilyvale</p>
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20.4.3 Appraised Method

A summary of the Appraised Value method of valuations is shown in **Table 20.17**.

Table 20.17 Appraised method - valuation summary

Project	Case	Effective Expenditure (\$M) #	Warranted Expenditure (\$M)	Geological/Exploration Factors	Coal Type Factors	Infrastructure Access Factors	PEM	Market Factor	Market Value (\$M)	SCL Ownership	Market Value \$M - SCL Ownership
Isaac South (EPC 755)	Low							1.0	24.7		24.7
	High	6.6	1.7	2.0	1.0	1.5	3.0	1.5	37.0	100%	37.0
	Preferred							1.25	30.8		30.8
Isaac Plains Underground (ML 70342, ML 700018, ML 700019)	Low							1.0	9.1		9.1
	High	3.0	0.0	2.5	1.5	1.5	3.0^	1.5	13.7	100%	13.7
	Preferred							1.25	11.4		11.4
The Range (EPC 1112, EPC 2030)	Low							0.75	7.4		7.4
	High	14.4	0.0	2.75	1.0	0.25	0.7	1.25	12.4	100%	12.4
	Preferred							1.0	9.9		9.9
Clifford (EPC 1274, EPC 1276)	Low							0.75	3.4		2.1
	High	6.6	0.0	2.75	1.0	0.25	0.7	1.25	5.7	60%	3.4
	Preferred							1.0	4.6		2.7
Mackenzie (EPC 2081)	Low							0.75	5.1		4.9
	High	4.4	0.2	1.5	1.0	1.0	1.5	1.25	8.6	95%	8.1
	Preferred							1.0	6.8		6.5
Belview (EPC 1114,	Low	10.3	0.0	1.25	1.25	1.0	1.6	1.0	19.3	100%	16.1
	High							1.5	29.0		24.2

Project	Case	Effective Expenditure (\$M) #	Warranted Expenditure (\$M)	Geological/Exploration Factors	Coal Type Factors	Infrastructure Access Factors	PEM	Market Factor	Market Value (\$M)	SCL Ownership	Market Value \$M - SCL Ownership
EPC 1186, EPC 1798)	Preferred							1.25	24.2		20.1
Tennyson (EPC 1168, EPC 1580)	Low							0.75	6.3		6.3
	High	5.6	0.0	1.5	1.0	1.5		1.25	10.5	100%	10.5
	Preferred							1.0	8.4		8.4
Isaac Downs (EPC 728)	Low							1.0	7.8		7.8
	High	4.2	0.0	1.0	1.25	1.5	1.9	1.5	11.7	100%	11.7
	Preferred							1.25	9.7		9.7
New Cambria (EPC 1113, EPC 2039, EPC 2371)	Low							0.75	0.3		0.3
	High	0.7	0.0	0.5	1.0	1.0	0.5	1.25	0.4	100%	0.4
	Preferred							1.0	0.3		0.3

Note: ^PEM of 3 is considered an appropriate upper limit in this instance, # the effective expenditure has been converted to real 2018 dollars using the Reserve Bank of Australia inflation calculator

20.4.4 Geoscientific Method

A summary of the geoscientific method valuations is shown in Table 20.18 and Table 20.19.

Table 20.18 Geoscientific method - valuation summary

Project	Size km ²	BAC (\$/km ²)	Size x BAC	Case	Off Prop. Factor	On Prop. Factor	Anomaly Factor	Geol. Factor	Qual. Factor	Location Infra. Factor	Technical Value (\$M)	Market Factor	Market Value (\$M)
Lilyvale (EPC2157, EPC1687)	12.6	550	6,921	Low								1.00	5.5
				High		5	4	3	2.5	1.5	5.5	1.50	8.2
				Prefer								1.25	6.8
Isaac Downs (EPC728)	21.2*	550	11,638	Low								1.00	7.3
				High		5	3.5	3	2	1.5	7.3	1.50	11.0
				Prefer								1.25	9.2

Note: *1.07 km² reduction in area to EPC 728 due to overlap with MDL 137

Table 20.19 Geoscientific method - valuation summary - SCL ownership

Project	Case	Market Value (\$M)	Attributable Ownership	Market Value \$M - SCL Ownership
Lilyvale (EPC 2157, EPC 1687)	Low	5.5		4.6
	High	8.2	85%	6.9
	Preferred	6.8		5.8
Isaac Downs (EPC 728)	Low	7.3		7.3
	High	11.0	100%	11.0
	Preferred	9.2		9.2

20.4.5 Valuation Summary

A summary of the valuation of the tenements using the selected valuation techniques is shown in the tables below.

Table 20.20 Valuation summary Isaac South (EPC755)

EPC 755	Low Value (\$M)	High Value (\$M)	Preferred Value (\$M)
Adopted Valuation Method			
Appraised Value	24.7	37.0	30.8
Geoscientific	N/A	N/A	N/A
Yardstick	13.9	40.6	25.7
Market Comparable	N/A	N/A	N/A
Preferred	13.9	40.6	25.7
Primary Valuation Basis and Rationale	The Yardstick method of valuation is selected in preference of Appraised Value as it reflects recent market transactions adjusted for specific attributes of this tenement. The effective and warranted exploration expenditure is high and provides a valuation that potentially exceeds what we determine as fair value from the modest size of the resource identified (51.4 Mt).		

Table 20.21 Valuation summary Isaac Plains Underground

ML 70342 ML 700018 ML 700019	Low Value (\$M)	High Value (\$M)	Preferred Value (\$M)
Adopted Valuation Method			
Appraised Value	9.1	13.7	11.4
Geoscientific	N/A	N/A	N/A
Yardstick	10.7	38.4	19.7
Market Comparable	N/A	N/A	N/A
Preferred	10.7	38.4	19.7
Primary Valuation Basis and Rationale	The Yardstick method of valuation is selected in preference of Appraised Value as it reflects recent market transactions adjusted for specific attributes of this tenement. SCL's effective exploration expenditure is reasonably low and potentially undervalues the project. The resource multiple provides a more reasonable valuation range and preferred market value. DCF method was not used in this instance due to outstanding approvals, no rail or port capacity in place and mining studies ongoing *Areas >100 m depth of cover only		

Table 20.22 Valuation summary The Range

EPC 1112 EPC 2030	Low Value (\$M)	High Value (\$M)	Preferred Value (\$M)
Adopted Valuation Method			
Appraised Value	7.4	12.4	9.9
Geoscientific	N/A	N/A	N/A
Yardstick	10.8	17.2	14.3
Market Comparable	N/A	N/A	N/A
Preferred	10.8	17.2	14.3
Primary Valuation Basis and Rationale	The Yardstick method valuation is selected as it reflects recent market transactions adjusted for an advanced stage project. The Range has JORC resource and reserve estimates with DFS completed which have added value to the project, with real development potential contingent on development of a Surat Basin rail link to Gladstone ports		

Table 20.23 Valuation summary Clifford

EPC 1274 EPC 1276	Low Value (\$M)	High Value (\$M)	Preferred Value (\$M)
Adopted Valuation Method			
Appraised Value	2.1	3.4	2.7
Geoscientific	N/A	N/A	N/A
Yardstick	6.7	14.3	9.6
Market Comparable	N/A	N/A	N/A
Preferred	6.7	14.3	9.6
Primary Valuation Basis and Rationale	The yardstick method was selected as the preferred valuation method as it relates to comparable Surat / Bowen Basin transactions adjusted for specific attributes of this tenement. Resource tonne multiples are quite low and reflect the large resource size and resource classification. The appraised value valuation is heavily impacted by the low productivity enhancement multiplier (PEM) of 0.7 relating to low scores for infrastructure access and market factors.		

Table 20.24 Valuation summary Mackenzie

EPC 2081	Low Value (\$M)	High Value (\$M)	Preferred Value (\$M)
Adopted Valuation Method			
Appraised	4.9	8.1	6.5
Geoscientific	N/A	N/A	N/A
Yardstick	2.4	7.4	5.1
Market Comparable	N/A	N/A	N/A
Preferred	2.4	7.4	5.1
Primary Valuation Basis and Rationale	While the Appraised Value valuation reflects the amount of exploration undertaken at Mackenzie, the Yardstick method has been selected as the resource tonne multiples selected better reflect a project at Concept Study level and with numerous mining and coal quality complexities that require further investigative studies		

Table 20.25 Valuation summary Belview

EPC 1114 EPC 1186 EPC 1798	Low Value (\$M)	High Value (\$M)	Preferred Value (\$M)
Adopted Valuation Method			
Appraised Value	16.4	24.2	20.1
Geoscientific	N/A	N/A	N/A
Yardstick	13.2	17.0	13.2
Market Comparable	N/A	N/A	N/A
Preferred	13.2	17.0	13.2
Primary Valuation Basis and Rationale	The Yardstick method has been selected as the resource tonne multiple have been adjusted to reflect the resource classification (85% Inferred), along with depth of cover, structure and other geological attributes. The appraised value method provides a higher valuation range that may be inflated by high drilling costs		

Table 20.26 Valuation summary Tennyson

EPC 1168 EPC 1580	Low Value (\$M)	High Value (\$M)	Preferred Value (\$M)
Adopted Valuation Method			
Appraised Value	6.3	10.5	8.4
Geoscientific	N/A	N/A	N/A
Yardstick	2.5	5.6	4.2
Market Comparable	N/A	N/A	N/A
Preferred	2.5	5.6	4.2
Primary Valuation Basis and Rationale	The Yardstick method has been selected as the preferred valuation. The resource tonne multiple appropriately reflects the resource classification (100% Inferred), along with depth of cover, and potential surface constraints. The appraised value method provides a higher valuation range that may be inflated by high drilling costs		

Table 20.27 Valuation summary Lilyvale

EPC 1687 EPC 2157	Low Value (\$M)	High Value (\$M)	Preferred Value (\$M)
Adopted Valuation Method			
Appraised	N/A	N/A	N/A
Geoscientific	4.6	6.9	5.8
Yardstick	1.4	7.7	5.9
Market Comparable	N/A	N/A	N/A
Preferred	1.4	7.7	5.9
Primary Valuation Basis and Rationale	The Geoscientific and Yardstick methods provide a similar preferred valuation. The Yardstick method is selected as the valuation range more accurately reflects the low value which may be attributed if Lilyvale was considered a standalone project (no strategic interest from Kestrel Coal)		

Table 20.28 Valuation summary Isaac Downs (EPC 728)

EPC 728	Low Value (\$M)	High Value (\$M)	Preferred Value (\$M)
Adopted Valuation Method			
Appraised Value	7.8	11.7	9.7
Geoscientific	7.3	11.0	9.2
Yardstick	N/A	N/A	N/A
Market Comparable	N/A	N/A	N/A
Preferred	7.8	11.7	9.7
Primary Valuation Basis and Rationale	<p>The Appraised Value method is selected as exploration potential is considered high and reasonable to warrant further assessment. Identification of JORC Resources from further exploration has the potential to materially increase the value of the tenement. EPC 728 is located in close proximity to existing operations and infrastructure</p> <p>Note: Not inclusive of Isaac Downs MDL 137 which is being valued using the DCF Approach</p>		

Table 20.29 Valuation summary New Cambria

EPC 1113 EPC 2039 EPC 2371	Low Value (\$M)	High Value (\$M)	Preferred Value (\$M)
Adopted Valuation Method			
Appraised Value	0.3	0.4	0.3
Geoscientific	N/A	N/A	N/A
Yardstick	N/A	N/A	N/A
Market Comparable	0.1	0.9	0.4
Preferred	0.1	0.9	0.4
Primary Valuation Basis and Rationale	<p>The preferred values from Appraised Value and Market Comparables are similar and generally reflect the low level of prospectivity from exploration undertaken. The market comparable method is selected as it presents a broader valuation range based on the large size of the EPCs. Identification of JORC Resources from further exploration has the potential to materially increase the value of the tenement.</p>		

20.5 Valuation

The market valuation ranges for each of the exploration assets is shown in Table 20.30 below. The 10 tenements have been valued by Palaris at a total market value ranging from \$69.5 M to \$153.6 M, with a preferred valuation of \$106.1 M.

Table 20.30 Valuation summary

Project	Tenements	Basin	Preferred Valuation Method	Low (\$M)	High (\$M)	Preferred (\$M)
Isaac South	EPC755	Bowen	Yardstick	13.9	40.6	25.7
Isaac Plains Underground	ML70342, ML700018, ML700019	Bowen	Yardstick	10.7	31.2	19.7
The Range	EPC1112, EPC2030	Surat	Yardstick	10.8	17.2	14.3
Clifford	EPC1274, EPC1276	Surat	Yardstick	6.7	14.3	9.6
Mackenzie	EPC 2081	Bowen	Yardstick	2.4	7.4	5.1
Belview	EPC1114, EPC1186, EPC1798	Bowen	Yardstick	13.2	17.0	13.2
Tennyson	EPC1168, EPC1580	Bowen	Yardstick	2.5	5.6	4.2
Lilyvale	EPC1687, EPC2157	Bowen	Yardstick	1.4	7.7	4.2
Isaac Downs (Wotonga South)	EPC728	Bowen	Appraised Value	7.8	11.7	9.7
New Cambria	EPC1113, EPC2039, EPC2371	Bowen	Market Comparable	0.1	0.9	0.4
Total				69.5	153.6	106.1

Valuation date: 1 December, 2018

Currency: 2018 Australian dollars (A\$)

Ownership basis: 100% of asset with the exception of Clifford (60%), Mackenzie (95%) and Lilyvale (85%) and at the asset level only. Ownership percentages have not been independently verified.

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ANNEXURE B.

TAX ADVISER'S REPORT

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10 December 2018

The Directors
Stanmore Coal Limited
Level 8
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Brisbane QLD 4000

Dear Directors

Australian Taxation Report

We have been requested by Stanmore Coal Limited (**Stanmore**) to prepare a summary of the Australian tax consequences for Australian resident and non-resident Stanmore Shareholders who accept the Offer and dispose of their Stanmore Shares pursuant to the Offer for inclusion in the Target's Statement dated on or about 12 December 2018 (**Target's Statement**). The information contained in this summary is only general in nature.

This summary does not address all tax consequences to Stanmore Shareholders of the Offer, and in particular, does not address the positions of Stanmore Shareholders who:

- acquired their Stanmore Shares in the course of a business of trading or investing in securities, such as share traders, investment companies, banks or insurance companies, or who otherwise hold Stanmore Shares on revenue account or as trading stock; and/or
- acquired their interests in their Stanmore Shares pursuant to an employee share, option or rights plan; and/or
- are subject to the "taxation of financial arrangements" rules in Division 230 of the Tax Act in respect of their Stanmore Shares;
- acquired (or are deemed to have acquired) their Stanmore Shares before 20 September 1985; and/or
- have a tax year ending on a date other than 30 June.

The actual tax consequences to Stanmore Shareholders who accept the Offer may differ depending upon their individual circumstances.

Stanmore Shareholders should be advised to consult their own professional tax adviser regarding the consequences of the Offer in light of their particular circumstances. Stanmore Shareholders who are not resident in Australia should obtain advice on the taxation implications arising from the Offer in their local jurisdiction.

This summary is based on Australian tax laws and regulations and the current administrative practice of the Australian Taxation Office (the **ATO**) as at the date of this Target's Statement.

Defined terms used in this letter take their meaning from the Target's Statement, unless the context requires otherwise.

1 Income Tax Consequences of Offer

1.1 Sale - Australian resident Stanmore Shareholders

(a) Capital gains tax (CGT)

Stanmore Shareholders who accept the Offer and dispose of their Stanmore Shares pursuant to the Offer will have a CGT event occur in respect of their Stanmore Shares.

This means that Stanmore Shareholders will need to determine whether a capital gain, or a capital loss, arises in respect of their Stanmore Shares.

On the basis that the CGT event will arise as a consequence of acceptance of the Offer and satisfaction of the conditions in the same tax year, the time of the CGT event will be the date of the disposal, which would be expected to be in the year ending 30 June 2019.

Stanmore Shareholders will make a capital gain on a relevant CGT event to the extent that their capital proceeds from the disposal of their Stanmore Shares are greater than their 'cost base' for their Stanmore Shares.

The 'CGT Discount' may be available to reduce the taxable gain for a Stanmore Shareholder who is an individual, complying superannuation entity or trust (discussed below).

Stanmore Shareholders will make a capital loss on a relevant CGT event to the extent that their capital proceeds from the disposal of their Stanmore Shares are less than their 'reduced cost base' for their Stanmore Shares.

(b) Cost base or reduced cost base

The first element of a Stanmore Shareholder's cost base, or reduced cost base, for their Stanmore Shares is the amount paid by the Stanmore Shareholder for their Stanmore Shares. Other amounts associated with the acquisition or disposal of the Stanmore Shares such as broker fees, may be added to their cost base.

Also, the cost base or reduced cost base of a Stanmore Shareholder's Stanmore Shares may be subject to adjustments because of the character of any capital components of distributable amounts received by the Stanmore Shareholder during the period of ownership of their Stanmore Shares.

(c) Capital proceeds

The overall capital proceeds that will be received by Stanmore Shareholders from the disposal of their Stanmore Shares will be the Offer Price.

(d) Net capital gain or loss

Any capital gain (or capital loss) made by a Stanmore Shareholder will be aggregated with other capital gains and capital losses of the Stanmore Shareholder in the relevant year of income to determine whether the Stanmore Shareholder has an overall net capital gain or overall net capital loss for the income year in which the CGT event occurs. A net capital gain, if any, will be included in the Stanmore Shareholder's assessable income and will be subject to income tax. A net capital loss may not be deducted against other assessable income, but may be carried forward to be offset against net capital gains realised in later income years.

(e) CGT Discount

If a Stanmore Shareholder is an individual, complying superannuation entity or a trust, and held their Stanmore Shares for 12 months or more before the disposal, the Stanmore Shareholder may be entitled to a 'CGT Discount' for any capital gain made on the disposal of

their Stanmore Shares. Stanmore Shareholders should seek independent advice to determine if their Stanmore Shares have been held for the requisite period.

The 'CGT Discount' provisions may entitle Stanmore Shareholders to reduce their capital gain on the disposal of a Stanmore Share (after deducting available capital losses) by half, in the case of individuals and trusts, or by one-third in the case of complying superannuation entities. However, trustees should seek specific advice regarding the tax consequences of making distributions attributable to discounted capital gains. The 'CGT Discount' is not available to companies.

A Stanmore Shareholder who acquired their Stanmore Shares on or before 11.45am on 21 September 1999 may choose to apply the indexation method and index their cost base up to 30 September 1999 instead of applying the 'CGT Discount' as described above.

1.2 Sale - Non-Australian residents

Any capital gain or capital loss made by a non-Australian resident Stanmore Shareholder from the disposal of their Stanmore Shares will be disregarded unless their Stanmore Shares are 'taxable Australian property'.

A Stanmore Share will be 'taxable Australian property' for a Stanmore Shareholder only if:

- the Stanmore Shareholder's Stanmore Share is, or has been, held by the Stanmore Shareholder in carrying on a business at or through a permanent establishment in Australia; or
- the Stanmore Shareholder is an individual who made an election to disregard making a capital gain or capital loss from a CGT event I1 in respect of the Stanmore Share when they ceased to be an Australian resident (if the Stanmore Shareholder was ever an Australian resident); or
- broadly, more than 50% of the assets directly or indirectly owned by Stanmore constitute 'taxable Australian real property', which can include Australian mining assets, and the Stanmore Shareholder, together with any associates, owns, or owned, at the time of acceptance of the Offer or throughout a 12 month period during the two years preceding the time of acceptance of the Offer, 10% or more of all the issued Stanmore Shares (in which case the Stanmore Shares would constitute an 'indirect Australian real property interest').

A Stanmore Shareholder who believes that one of the categories above may be applicable to their circumstances should seek their own advice.

If a non-Australian resident Stanmore Shareholder's Stanmore Shares are 'taxable Australian property' and the Stanmore Shareholder makes a capital gain as a result of the disposal of their Stanmore Shares, the Stanmore Shareholder will not be entitled to any 'CGT Discount'.

2 Foreign resident capital gains tax withholding

The Bidder's Offer is subject to any withholding required under Australian Law (clause 8.3(g) of Annexure A of the Bidder's Statement).

In accordance with the foreign resident capital gains tax withholding rules contained in the tax legislation, the Bidder may be required to withhold and pay to the ATO 12.5% of the Offer Price otherwise payable to a Stanmore Shareholder if the interest acquired is an 'indirect Australian real property interest' and on the acquisition date, the Bidder:

- knows or reasonably believes the Stanmore Shareholder is a foreign resident; or
- does not reasonably believe the Stanmore Shareholder is an Australian resident, and either:

- the Stanmore Shareholder has an address outside Australia; or
- the Bidder is authorised to pay the Offer Price to a place outside Australia (such as an overseas bank account),

unless an exception applies.

The Bidder's Statement does not contain information on whether the Bidder proposes to withhold any part of the Offer Price under these rules or otherwise undertake any steps to clarify the position with Stanmore Shareholders, such as requiring a statement from Stanmore Shareholders about their residency.


3 GST

No GST should be payable by a Stanmore Shareholder (whether Australian resident or non-resident) in respect of any of the steps of the Offer.

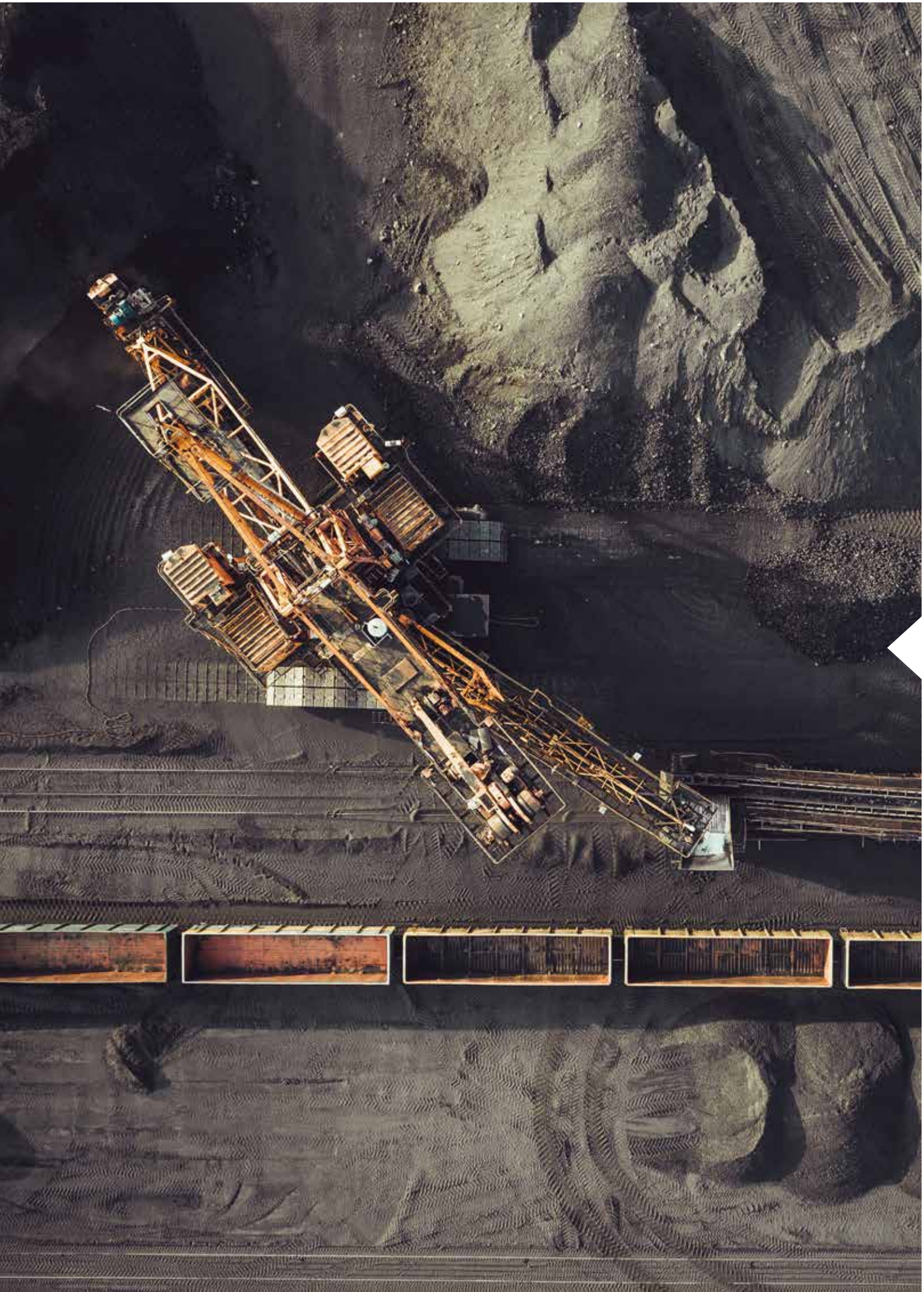
4 Stamp Duty

No stamp duty should be payable by a Stanmore Shareholder in respect of any of the steps of the Offer.

Yours faithfully



ALLENS



ANNEXURE C

EBITDA GUIDANCE AND BROKER FORECASTS

When assessing the EV to EBITDA trading multiples of Stanmore's selected peer set, the Company has had regard first to published company EBITDA guidance for the year ending 30 June 2019, and where this information has not been publicly stated has had regard to the average broker forecast EBITDA for that same period. For companies that have provided FY2019 guidance, this value and reference are provided in the table below.

The selection criteria for the average broker forecast numbers used in this Target's Statement has been based on using those broker forecasts that Stanmore had access to and that have published forecasts. The selection criteria for each company and each broker forecast number used is provided in the last column of the table below. The Directors do not adopt any broker forecast or average calculated from more than one broker forecast, for Stanmore or any other company. The broker forecasts have been included solely as an indication of market views.

Summary of FY2019 EBITDA Company Guidance

Peer	Financial Year End	FY2019 EBITDA Guidance Used	Source
Stanmore	30 June	Guidance range of A\$130m to A\$150m	FY19 Earnings Guidance, dated 19 November 2018
Coronado Global Resources	31 December	A\$958m Sum of 2HCY18 Forecast EBITDA (US\$324m) and 50% of CY19 Forecast EBITDA (US\$737m, 100% basis). Converted at prevailing spot AUD/USD of 0.7229 as at 7 December 2018, as per IRESS	UBS Investor Presentation, dated 13 November 2018
TerraCom	30 June	A\$140m Midpoint of A\$130m to A\$150m guidance	Investor Presentation, dated 15 October 2018
Bathurst Resources	30 June	A\$88m Company guidance of NZ\$92m converted at prevailing post AUD/NZD of 1.050 as at 7 December 2018, as per IRESS	AGM Presentation, dated 28 November 2018

Summary of Broker FY19 EBITDA Forecasts

Peer	Financial Year End	Number of broker forecasts used in average	Range of broker forecasts used in average	Date of broker forecasts used in average	Selection criteria for inclusion in average
Whitehaven Coal	30 June	10	A\$974m to A\$1,433m	11 October 2018 to 8 November 2018	Latest available published EBITDA estimates from each broker within the last six months
New Hope Group	31 July	3	A\$667m to A\$787m The New Hope Group FY19 EBITDA forecast utilised in the EV/EBITDA calculation is adjusted to June year end using FY18 actual underlying EBITDA of A\$453m (calculated as 11/12 multiplied by FY19 EBITDA forecast + 1/12 multiplied by FY18 actual underlying EBITDA) Underlying EBITDA is defined as reported EBITDA adjusted for non-regular items	7 August 2018 to 8 November 2018	Latest available published EBITDA estimates from each broker within the last six months

Summary of Resources / Reserves*

Coal Reserves and Coal Resources have been collated from each company's most recent JORC-compliant disclosure. EV to Coal Reserve multiples are shown on a recoverable and attributable basis (i.e. net to each company's working interest in the relevant Coal Reserves), and include both proved and probable Coal Reserves. EV to Coal Resource multiples are shown on an attributable basis and include Measured, Indicated and Inferred Resources.

Peer	Total Coal Resources (100% Basis)	Total Coal Reserves (100% Basis)	Total Coal Resources (Attributable Basis)	Total Coal Reserves (Attributable Basis)	Sources
TerraCom	2,473Mt	17Mt	2,085Mt	17Mt	2018 Annual Report, dated 26 October 2018
Yancoal	8,327Mt	1,710Mt	5,966Mt	1,188Mt	Post Hearing Information Pack, dated 23 November 2018
Bathurst	202Mt	38Mt	174Mt	33Mt	2018 Annual Report, dated 31 October 2018
Whitehaven Coal	4,432Mt	984Mt	4,068Mt	790Mt	August 2018 Coal Resources and Reserves Update, dated 09 August 2018. Coal Resources for Winchester South Project dated 25 October 2018
New Hope Group	2,695Mt	770Mt	2,332Mt	629Mt	2018 Annual Financial Report, dated 18 September 2018
Coronado	2,276Mt	1,034Mt	2,276Mt	1,034Mt	IPO Prospectus dated 22 October 2018

*Note: Total Coal Resource and Coal Reserve figures may not match exactly to those released by each respective company due to rounding errors

CORPORATE DIRECTORY

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Dan Clifford (Managing Director)
Stephen Bizzell
Neal O'Connor

Company Secretary

Ian Poole

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