

stanmorecoal



14 January 2019

The Manager
Companies Announcement Office
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney, NSW 2000

Dear Sir / Madam

STANMORE COAL LIMITED TAKEOVER OFFER BY GOLDEN INVESTMENTS (AUSTRALIA) PTE. LTD

As required by s647(3) of the Corporations Act 2001 (Cth), we enclose a copy of the third Supplementary Target's Statement dated 14 January 2019 and served today by Stanmore Coal Limited (**Stanmore**) on Golden Investments (Australia) Pte. Ltd (**Golden Investments**), supplementing Stanmore's Target's Statement dated 12 December 2018, Stanmore's first and second Supplementary Target's Statement dated 21 December 2018 in response to Golden Investments' Bidder's Statement dated 19 November 2018 as supplemented by the Supplementary Bidder's Statement dated 14 December 2018 and second Supplementary Bidder's Statement dated 27 December 2018.

Yours faithfully,

Ian Poole
Company Secretary

For further information, please contact:

Dan Clifford
Managing Director
07 3238 1000

Ian Poole
Chief Financial Officer & Company Secretary
07 3238 1000

About Stanmore Coal Limited (ASX: SMR)

Stanmore Coal operates the Isaac Plains coking coal mine in Queensland's prime Bowen Basin region. Stanmore Coal owns 100% of the Isaac Plains Complex which includes the original Isaac Plains Mine, the adjoining Isaac Plains East (operational), Isaac Downs (open cut mine project) and the Isaac Plains Underground Mine (currently being assessed in a Bankable Feasibility Study). The Company is focused on the creation of shareholder value via the efficient operation of the Isaac Plains Complex and the identification of further development opportunities within the region. In addition, Stanmore Coal holds a number of high-quality development assets (both coking and thermal coal resources) located in Queensland Bowen and Surat basins.

Stanmore Coal Limited ACN 131 920 968

p: +61 7 3238 1000
f: +61 7 3238 1098

e: info@stanmorecoal.com.au
w: www.stanmorecoal.com.au

Level 8, 100 Edward Street, Brisbane QLD 4000
GPO Box 2602, Brisbane QLD 4001

THIRD SUPPLEMENTARY TARGET'S STATEMENT BY STANMORE COAL LIMITED (ACN 131 920 968)

1 Introduction

This document is a supplementary target's statement under section 644 of the Corporations Act 2001 (Cth) (**Third Supplementary Target's Statement**). It is the third Supplementary Target's Statement to the Target's Statement issued by Stanmore Coal Limited (**Stanmore**), dated 12 December 2018 (**Original Target's Statement**), the Supplementary Target's Statement issued by Stanmore dated 21 December 2018 and the second Supplementary Target's Statement issued by Stanmore dated 21 December 2018 (together, the **Supplementary Target's Statements**) in relation to Golden Investments (Australia) Pte. Ltd's (**Golden Investments**) unsolicited, conditional off-market takeover offer for all the ordinary shares in Stanmore, made pursuant to the Bidder's Statement dated 19 November 2018 as supplemented by the first Supplementary Bidder's Statement dated 14 December 2018 and second Supplementary Bidder's Statement dated 27 December 2018 .

This Third Supplementary Target's Statement supplements, and should be read together with, the Original Target's Statement, and the Supplementary Target's Statements. This Third Supplementary Target's Statement will prevail to the extent of any inconsistency with the Original Target's Statement and Supplementary Target's Statements. Unless the context requires otherwise, terms defined in section 9 of the Original Target's Statement have the same meaning where used in this Third Supplementary Target's Statement.

This Third Supplementary Target's Statement is dated and was lodged with ASIC and ASX on 14 January 2019. Neither ASIC or ASX, nor any of their respective officers, takes any responsibility for the contents of this Third Supplementary Target's Statement.

The Third Supplementary Target's Statement is an important document and requires your immediate attention.

The Third Supplementary Target's Statement does not take into account the individual investment objectives, tax position, financial or particular needs of any person. It does not contain financial product advice. You should seek independent legal, investment, financial or taxation advice before making a decision as to whether or not to accept the Offer.

If you have recently sold all of your Stanmore Shares, please disregard this document.

2 December Quarterly Production Report

Please see the announcement regarding the December Quarterly Production Report attached to this Third Supplementary Target's Statement

3 No change to your Director's recommendation

Your Directors continue to unanimously recommend that Stanmore Shareholders **REJECT** the Offer, by **TAKING NO ACTION**, for the reasons set out in Section 1 of the Original Target's Statement as supplemented by the Supplementary Target's Statements and this Third Supplementary Target's Statement.

4 Shareholder Information Line

Stanmore Shareholders can call 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 if they have any queries in relation to the Offer.

5 Authorisation

This Third Supplementary Target's Statement has been approved by a resolution passed by the Directors of Stanmore.

Dated 14 January 2019

Signed for and on behalf of Stanmore Coal Limited by:

A handwritten signature in black ink, appearing to read "Stewart Butel".

Stewart Butel

Chairman

Annexure – December Quarterly Production Report



14 January 2019

DECEMBER QUARTERLY PRODUCTION REPORT

Highlights

- Record ROM¹ mined in the December quarter of 799kt (annualised rate of 3.2Mt)
- Record ROM coal processed of 833kt (annualised rate of 3.3Mt) resulting in record saleable coal production of 641kt (annualised rate of 2.6Mt) in the December quarter
- Record coal sales of 573kt (annualised rate of 2.3Mt)
- Dragline successfully relocated to the low strip ratio Isaac Plains East pits
- Maiden Coal Reserve of 24.5 Mt (15.8Mt Marketable Coal Reserve) announced for Isaac Downs Project, together with an update to Coal Resources to 33Mt
- March quarter semi-soft coking coal benchmark (forward looking) set at US\$131/tonne

PRODUCTION AND SALES

Thousands of tonnes	Quarter Ended					Year-to-date		
	Dec 2018	Sep 2018	Change %*	Dec 2017	Change %*	Dec 2018	Dec 2017	Change %*
ROM¹ coal produced	799	498	60%	271	195%	1,298	714	82%
ROM strip ratio (BCM/ROM t)	8.8	11.0	(20%)	14.8	(41%)	9.8	13.0	(25%)
Saleable coal produced	641	337	90%	197	225%	977	512	91%
Saleable coal purchased	-	10	n.a.	-	n.a.	10	-	n.a.
Total coal sales	573	319	80%	183	214%	892	594	50%
Product coal stockpiles	176	111	58%	177	(0%)	176	177	(0%)
ROM coal stockpile	171	158	8%	54	217%	171	54	217%

*Note: Change is favourable/unfavourable

¹ Run of Mine

SAFETY PERFORMANCE

During the quarter there were 2 injuries (TRI) recorded at Isaac Plains, with no injuries across other Stanmore projects and tenements. The 12-month TRIFR at the end of the December 2018 quarter was 14.21.

ISAAC PLAINS COMPLEX OPERATIONS

Isaac Plains Complex	Quarter
ROM coal mined (k tonnes)	799
Isaac Plains	265
Isaac Plains East	534
Product coal sold (k tonnes)	573
FOB cost (A\$/t, ex. royalty)	94
ASP (A\$/t, net of royalty)	150

Records were achieved at the Isaac Plains Complex for all key production metrics in the December quarter:

- ROM production 799kt (3.2Mt annualised rate)
- Coal processing 833kt (3.3Mt annualised rate)
- Saleable coal production 641kt (2.6Mt annualised rate)
- Coal sales 573kt (2.3Mt annualised rate)

The dragline successfully relocated from Isaac Plains to Isaac Plains East in late December. Mining operations are currently underway from 3 pits at Isaac Plains East.

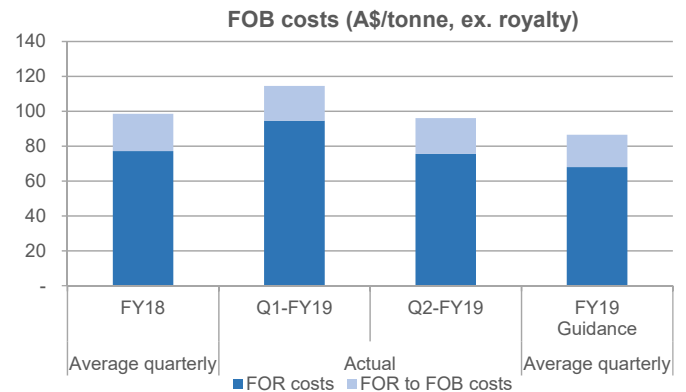
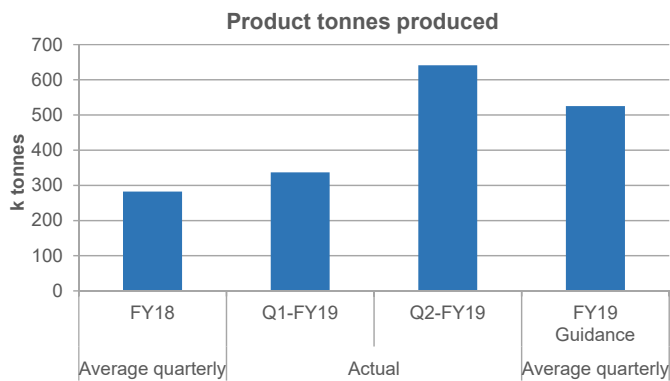
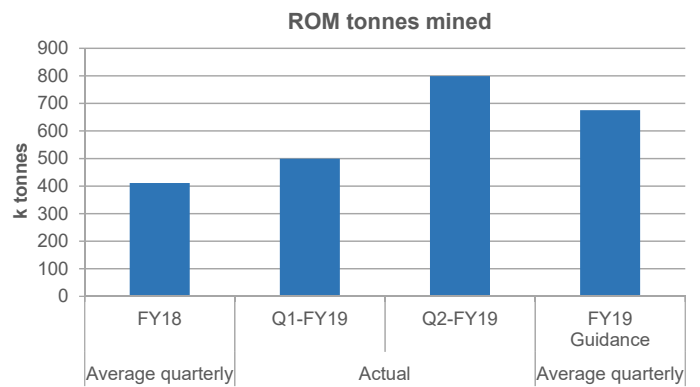
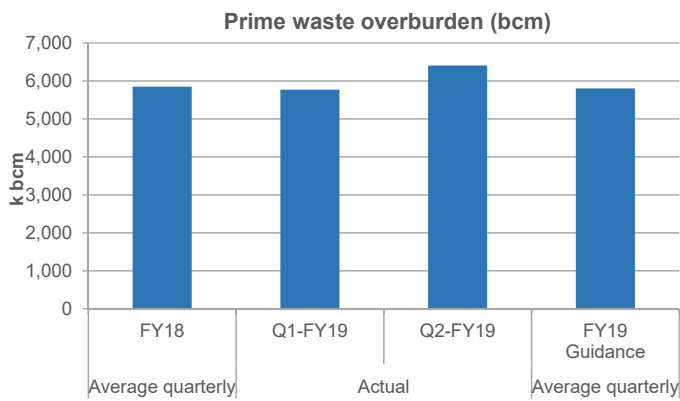


Dragline crossing Smoky Creek to Isaac Plains East



Dragline operating at Isaac Plains East

The underlying FOB costs (excluding royalty) for the December quarter were \$94/t sold and in line with Management's expectation for the quarter as the higher strip ratio Isaac Plains mine (16:1) and the initial box cuts at Isaac Plains East were mined as planned. Now that the dragline has successfully relocated to the low strip ratio pits at Isaac Plains East, a significant reduction in the cost of production is expected for the remainder of the year.



COAL SALES

Record coal sales of 573kt were achieved in the December quarter, up by 80% on the prior quarter of 319kt. Product stockpiles also increased in the quarter by 58% to 176kt. As of late December / early January port queues started reducing which will improve working capital flows.

The average price per tonne of coal sold was A\$168 (US\$120), with 441kt of semi-soft coking coal sold at A\$185 (US\$132) per tonne and 132kt of thermal coal sold at A\$113 (US\$80) per tonne.

Stanmore's pricing for its semi-soft coking coal is based on a quarterly negotiated benchmark price agreed in advance of the commencement of the quarter, as well as a negotiated lagging benchmark price which references the hard-coking coal index of the first two months of the current quarter and the last month of the prior quarter.

Semi-soft Benchmark Summary (US\$/t, Financial Year)	Q1-19	Q2-19	Q3-19	Q4-19
Forward looking	137	130	131	TBA
Index based (backward looking)	129	TBA	TBA	TBA

ISAAC DOWNS

An update to the Coal Resources Statement was announced on 21 December 2018 with Total Coal Resources increased to 33 million tonnes over the three tenements MDL137², EPC755³ and EPC728 that make up the Isaac Downs Project.⁴

Seam	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Coal Resources (Mt)
Leichhardt	9.9	8.2	2.8	21
Vermont Upper	6.6	3.8	1.6	12
Grand Total	17	12	4	33

² Mineral Development License

³ Exploration Permit for Coal

⁴ ASX announcement on 21 December 2018 "First Supplementary Target's Statement"

A maiden Coal Reserve⁴ was also declared for the Isaac Downs Project totalling 24.5 million tonnes.

	Proved (Mt)	Probable (Mt)	Coal Reserves (Mt)
Coal Reserve	17.0	7.5	24.5
Marketable Coal Reserve	11.2	4.6	15.8

Exploration has also commenced at Isaac Downs to support environmental studies, baseline data collection, and to further define the coal resources for project feasibility studies. Detailed mine and infrastructure design planning has also commenced.

CORPORATE

Stanmore's net cash position declined from \$19.3m to \$9.6m⁵ during the quarter (\$32.3m cash at bank). The working capital facility was drawn upon during the quarter (US\$16.0m) to offset delayed shipments following significant port queues. The working capital facility was fully repaid as at 4 January 2019.

The cash balance as at 14 January 2019 is \$23.7m (with a cash receipt expected tomorrow increasing the cash balance to \$31.2m), with a trade receivables balance of \$41.7m (after expected receipt tomorrow \$34.2m).

The cash balance during the quarter reflected the \$4.1m payment of a maiden 2cps dividend, \$1.5m on exploration and studies for Isaac Downs, \$2.0m in Isaac Plains East development, \$0.4m in the underground project BFS, \$2.6m in sustaining capital at Isaac Plains. Operating cash flows of \$24.1m were offset by a significant investment in working capital of \$23.0m, largely relating to trade receivables.

Cash Flow (\$m) *	Dec-18 Qtr
Operating Cashflow	24.1
Working Capital	(23.0)
Investing Cashflow	(6.8)
Financing Cashflow	18.6
Cash Movement	13.0
Opening Cash	19.3
Closing Cash	32.3

* Unaudited financial information

During the quarter Stanmore negotiated an extension of the Mining Services Agreement with Golding Contractors Pty Ltd for up to an additional 5-year⁶ period commencing on 1 July 2019 to 2024. The contract provides Stanmore with flexibility to scale up and down production through a cost-effective structure to meet market conditions and manage the transition to Isaac Downs once environmental approvals are achieved.

Stanmore also secured additional long-term⁷ port capacity at DBCT⁸ during the quarter to match the infrastructure capacity at its Isaac Plains Complex. The additional long-term port capacity now provides further certainty to enable the company to consider a number of options to fill the CHPP to its nameplate capacity of 3.5Mtpa ROM. The company's tenure across two separate take or pay contracts of 5 and 10 years gives it flexibility to manage its exposure to long term obligations including those matched to its lowest cost production unit, the dragline.

Yours faithfully,

Ian Poole
Company Secretary

⁵ Net cash of \$9.6m represented by cash of \$32.3m less interest-bearing debt of \$22.7m (US\$16.0m)

⁶ Early termination available after 3 years

⁷ 10 years

⁸ Dalrymple Bay Coal Terminal

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Competent Persons Statement

The Coal Resource Estimate for the Isaac Downs Project has been prepared by a team of consultants under the guidance of Mr James Knowles. James Knowles is an employee of Measured Group Pty Ltd and holds a Bachelor of Science from the University of Sydney. James has more than 20 years of experience in the estimation of Coal Resources both in Australia and overseas. This expertise has been acquired principally through exploration and evaluation assignments at operating mines and exploration areas. The estimates of Open Cut Coal Resources for the Isaac Downs Project as at 31 December 2018 presented in this report have been prepared in accordance with the requirements of the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

The Coal Reserve Estimate for the Isaac Downs Project has been prepared by a team of consultants under the guidance of Mr Tony O'Connell. Tony O'Connell is an employee of Optimal Mining Solutions Pty Ltd and holds a Bachelor of Mining Engineering from the University of Queensland. Tony has over 20 years' experience relevant to the design, operation and reporting of open cut coal mines throughout Australia and the world. The estimates of Open Cut Coal Reserves for the Isaac Downs Project as at 31 December 2018 presented in this report have been prepared in accordance with the requirements of the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

The Resource and Reserve details can be found in the Supplementary Target's Statement No. 1 released to the ASX on 21st December 2018 and available on ASX and Stanmorecoal.com.au websites.

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