

stanmorecoal



18 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 fifth Supplementary Target's Statement dated 18 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 and third and fourth Supplementary Target's Statement dated 14 January 2019 in response to Golden Investments' Bidder's Statement dated 19 November 2018 (as supplemented).

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.

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FIFTH 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) (***Fifth Supplementary Target's Statement***). It is the fifth Supplementary Target's Statement to the Target's Statement issued by Stanmore Coal Limited (***Stanmore***), dated 12 December 2018 (***Original Target's Statement***), the first and second Supplementary Target's Statement issued by Stanmore dated 21 December 2018, and third and fourth Supplementary Target's Statement issued by Stanmore dated 14 January 2019 (together, the ***Supplementary Target's Statements***) in relation to Golden Investments (Australia) Pte. Ltd's (***Golden Investments***) unsolicited, off-market takeover offer for all the ordinary shares in Stanmore, made pursuant to the Bidder's Statement dated 19 November 2018 (as supplemented).

This Fifth Supplementary Target's Statement supplements, and should be read together with, the Original Target's Statement and the Supplementary Target's Statements. This Fifth 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 Fifth Supplementary Target's Statement.

This Fifth Supplementary Target's Statement is dated and was lodged with ASIC and ASX on 18 January 2019. Neither ASIC or ASX, nor any of their respective officers, takes any responsibility for the contents of this Fifth Supplementary Target's Statement.

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

The Fifth 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 Chairman's letter to shareholders

Please see the Chairman's letter attached to this Fifth 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 Fifth Supplementary Target's Statement.

4 Consent

BDO Corporate Finance (QLD) Limited has given, and has not withdrawn before the lodgement of this Fifth Supplementary Target's Statement with ASIC, its written consent to be named in this Fifth Supplementary Target's Statement, in the form and context which it is so named.

5 Shareholder Information Line

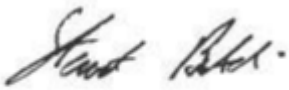
Stanmore Shareholders can call the Shareholder Information Line on 1300 970 086 (within Australia) or +61 1300 970 086 (outside Australia), between 8.30am and 5.30pm (AEDT) Monday to Friday if they have any queries in relation to the Offer.

6 Authorisation

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

Dated 18 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 – Chairman's letter



18 January 2019

Dear fellow shareholder

I am writing to update you on the unsolicited and inadequate takeover offer from Golden Investments.

On 15 January 2019, Golden Investments declared its Offer unconditional and confirmed that there will be no increase in the Offer Price or extension to the Offer Period (which closes next Tuesday, 22 January 2019).¹

REJECT THE OFFER

The Board reiterates its unanimous recommendation that Stanmore Coal shareholders should REJECT the Offer and TAKE NO ACTION.

The Offer is clearly inadequate and does not reflect Stanmore's strong operating performance, portfolio of high-quality development projects and positive outlook. The Offer substantially undervalues Stanmore shares on a range of measures:

- The premium implied by Golden Investments' Offer is well below the levels typically paid in Australian corporate control transactions
- The Offer implies an enterprise value for Stanmore which is a multiple of only 1.5 to 1.7 times Stanmore's guidance for FY19 EBITDA. This represents a valuation that is substantially below those of other ASX-listed peer coal companies²
- The average broker target price for Stanmore shares is currently \$1.49 per share which is well above the Offer Price. Several brokers have increased their target prices for Stanmore shares since the Offer was made.³

Comprehensive details of the reasons for the Board's recommendation to reject the Offer are provided in the Target's Statement provided to shareholders on 12 December 2018.

Since the Offer, Stanmore shares have consistently traded above the Offer Price. Additionally, Stanmore shares traded above the Offer Price as recently as two weeks before the Offer was announced. The Board notes that Golden Investments has not to date received any substantial acceptances of their Offer.

SHAREHOLDER VALUE CREATION SINCE THE OFFER

Since the Offer was announced, Stanmore Coal has reported record coal production and record sales in the December quarter.

- ROM production 799kt, up 60% on September quarter (3.2Mt annualised rate)
- Coal processing 833kt (3.3Mt annualised rate)

¹ In the absence of a competing proposal.

² See section 1.1(d) of Stanmore's Target's Statement dated 12 December 2018 for details of peers and EV and EBITDA calculations.

³ Stanmore is aware of four brokers who provide a target price for Stanmore (with one broker initiating coverage on Stanmore after the Target's Statement dated 12 December 2018) and research from all four brokers has been used in calculating the average target price. These target prices were A\$1.75, A\$1.30, A\$1.40 and A\$1.50, with an average of A\$1.49 per Stanmore share. The relevant reports are dated 15 January 2019, 15 January 2019, 14 December 2018 and 21 November 2018, being the most recent reports available after the announcement of the Offer. Stanmore notes the two reports dated 15 January 2019 take into account the updated FY19 earnings guidance and December Quarterly Production Report announced by Stanmore on 14 January 2019. The average broker valuation is included solely as an indication of market views as to the value of Stanmore shares. The Directors do not adopt or endorse any of the broker valuations or the average valuation.

- Saleable coal production 641kt (2.6Mt annualised rate)
- Coal sales 573kt, up 80% on September quarter (2.3Mt annualised rate).

Stanmore's dragline was also successfully relocated from Isaac Plains to Isaac Plains East in late December, supporting increased production and reduced production costs for the remainder of the year.

Since the Offer, Stanmore Coal has also materially upgraded its forecasts for coal production and EBITDA for the 2019 financial year. Underlying EBITDA guidance for FY19 has been revised to between \$140 million and \$155 million (previously \$130 million to \$150 million), based on upgraded forecast saleable coal production of 2.15Mtpa (previously 2.0Mtpa). FY18 underlying EBITDA was \$45.6 million.⁴

These announcements demonstrate the outstanding operational performance of the business. Stanmore Coal remains focused on managing operations at the Isaac Plains Complex and creating significant additional value for shareholders. This fact has not been reflected in Golden Investments' Offer.

INTERIM DIVIDEND AND SHARE BUY-BACK

The Board has today announced that, as part of its capital management strategy, it has declared a fully franked interim dividend of 3 cents per share, and intends to implement an on-market share buy-back for up to 10% of the Company's fully paid ordinary shares (approximately 25.3 million shares).

With a focus on generating strong cash flows and maintaining balance sheet strength, Stanmore Coal aims to deliver returns to shareholders through improving returns on invested capital. As well as share price appreciation, Stanmore Coal seeks to pay dividends over time commensurate with performance in earnings, cash flow, the cyclical nature of our industry and any capital management decisions from time to time. In declaring the interim dividend, the Board is confident that the strong operational performance and positive outlook for the business will continue to generate adequate funding for operations, development and growth investments.

INDEPENDENT EXPERT'S REPORT

Stanmore's Target's Statement included an independent expert's report from BDO Corporate Finance. It is important to note that this report was only one of a number of considerations that led the Board to unanimously recommend that shareholders reject the Golden Investments Offer. BDO's report valued Stanmore shares at between \$1.48 and \$1.90 per share on a controlling interest basis, and concluded that the offer is NOT FAIR AND NOT REASONABLE to Stanmore shareholders.

In its announcement on 15 January, Golden Investments has sought to criticise the BDO independent expert's report on the basis of a review undertaken by a firm engaged by Golden Investments, Grant Thornton.

ASIC HAS CONCERNS WITH GRANT THORNTON REPORT

ASIC identified and raised concerns with Golden Investments in relation to the Grant Thornton review and in particular, Grant Thornton's mechanical recalculation of the Independent Expert's valuation range for Stanmore Coal. ASIC has required Golden Investments to retract Grant Thornton's mechanical recalculation of the Independent Experts valuation range and some other information from their supplementary Bidder's Statement. ASIC has also required Golden Investments to inform shareholders that they should disregard that information.

In any event, BDO (and Palaris, the technical expert engaged by BDO) have reviewed the Grant Thornton report, and BDO has confirmed that there is nothing in that report which changes its conclusions that the Offer is not fair and not reasonable. In particular, BDO have confirmed they:

- Have not identified any material issues

⁴ Stanmore's financial results are reported under International Financial Reporting Standards (IFRS). References to underlying EBITDA is "non-IFRS financial information" under ASIC Regulatory Guide 230 Disclosing non-IFRS information published by the Australian Securities and Investments Commission. Because non-IFRS financial measures are not based on Australian Accounting Standards or any other recognised body of accounting standards, they do not have a prescribed meaning and the way that Stanmore calculates them may be different from the way other companies calculate similarly-titled measures. Stanmore shareholders should therefore not place undue reliance on these non-IFRS financial measures. Underlying EBITDA reflects statutory EBITDA as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of Stanmore. Non-IFRS measures have not been audited.

- Are comfortable that they have used an appropriate, industry accepted and contemporary basis for coal prices in the IER
- Are comfortable that they have adopted an appropriate methodology and discount rate for valuation of Isaac Downs in the context of the Isaac Plains Complex; and
- Are comfortable that the Independent Technical Specialist has appropriately considered the value of the Mineral Assets, when considered as a whole

Additionally, BDO have advised that they have reconsidered the value of the Wotonga South Payment (mentioned on page 123 of the Target's Statement) in light of the Grant Thornton report, and acknowledge that it is appropriate to increase the value of the payment adopted from \$13 million to \$19.6 million. BDO advise that this results, in isolation, in a value change of approximately \$0.026 per Stanmore share, which is a change of approximately 1.5% at the midpoint of BDO's value range, and immaterial to their conclusion.

CONCLUSION

The Directors are confident of the outlook for your Company and its capacity to create value for shareholders. This is reinforced by the strong and improving operating performance of the business and the material improvement in the Board's expectations for production and earnings for FY19.

The outlook for Stanmore Coal and the reasons set out in the Target's Statement support the Board's unanimous recommendation that shareholders REJECT the Offer from Golden Investments and TAKE NO ACTION.

If Stanmore shareholders have any questions in relation to the Offer, they can contact the Stanmore Coal Information Line on 1300 970 086 (within Australia) or +61 1300 970 086 (outside Australia). The Information Line will operate Monday to Friday between 8.30am and 5.30pm (Australian Eastern Daylight Time).

The Directors thank you for your continued support of Stanmore Coal.

Regards



Stewart Butel

Chairman

Stanmore Coal Limited

For further information, please contact:

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Managing Director
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Ian Poole
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