

# Stanmore Coal Limited

ABN 27 131 920 968

## Notice of annual general meeting & explanatory memorandum

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### Meeting information:

Date: Friday, 26 October 2018

Time: 10.00am (Brisbane time)

Place: Mercure Hotel, 85-87 North Quay, Brisbane Qld 4000

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

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# Chairman's letter

Dear Shareholder

The Annual General Meeting (**AGM**) of Stanmore Coal Limited (**Company**) will take place on Friday 26 October 2018 at the Mercure Hotel, 85-87 North Quay, Brisbane commencing at 10:00am. A copy of the notice of meeting is attached.

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

- Our financial and statutory reports for 2018
- The re-election of Mr Stephen Bizzell to the Board of Directors
- The re-election of Mr Chris McAuliffe to the Board of Directors
- The election of Mr Andrew Martin to the Board of Directors
- The approval of FY19 performance rights to be issued to the Managing Director, Mr Dan Clifford
- The approval of the Dividend Reinvestment Plan
- The adoption of a new company constitution

You will also be asked to cast a non-binding vote in respect of the adoption of the Remuneration Report for 2018.

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

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

Yours sincerely

**Stewart Butel**  
Chairman

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# Notice of Annual General Meeting

## Stanmore Coal Limited

Notice is given that the Annual General Meeting of Shareholders of Stanmore Coal Limited ABN 27 131 920 968 (**Company**) will be held at Mercure Hotel, 85-87 North Quay, Brisbane Qld 4000, on Friday 26 October 2018 commencing at 10.00am (Brisbane time).

### ORDINARY BUSINESS

#### Financial Reports

To receive and consider the Company's Annual Report comprising the Directors' report and auditors' report, Directors' declaration, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to and forming part of the financial statements for the Company and its controlled entities for the financial year ended 30 June 2018.

#### Resolution 1: Adoption of Remuneration Report

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

*"That the Remuneration Report for the year ended 30 June 2018 (as set out in the Directors' Report) be adopted."*

<b>Note:</b> The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.
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#### Resolution 2: Re-election of Mr Stephen Bizzell as a Non-Executive Director

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

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

#### Resolution 3: Re-election of Mr Chris McAuliffe as a Non-Executive Director

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

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

#### Resolution 4: Election of Mr Andrew Martin as a Non-Executive Director

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

*"That Mr Andrew Martin, being eligible, be elected as a Non-Executive Director."*

### SPECIAL BUSINESS

#### Resolution 5: Grant of FY19 Rights to Mr Dan Clifford, Managing Director

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

*"That, for the purposes of Listing Rule 10.14 and for all other purposes, the issue of 585,730 Rights under the SCLRP to the Managing Director, Mr Dan Clifford (which relate to FY19) on the terms and conditions described in the Explanatory Memorandum, be approved."*

## Resolution 6: Approval of the Dividend Reinvestment Plan

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

*“That the terms of the Company’s Dividend Reinvestment Plan, a copy of which has been initialled by the Company Secretary for the purposes of identification and tabled at the meeting, and the application of that plan to the dividend of \$0.02 proposed to be paid by the Company for the year ending 30 June 2018, be approved for the purposes of Rule 62.8 of the Constitution.”*

## Resolution 7: Adoption of a new company constitution

To consider and, if thought fit, pass the following resolution as a special resolution:

*“That, pursuant to section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form submitted to this meeting and signed by the Chairman for identification purposes with effect from the close of the meeting.”*

### VOTING EXCLUSION STATEMENT

The resolutions above are subject to the following voting exclusions.

#### Resolution 1 (Adoption of Remuneration Report)

The Company will disregard any votes cast on **Resolution 1** by:

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

#### Resolution 5 (Grant of FY19 Rights to Mr Dan Clifford, Managing Director)

The Company will disregard any votes cast in favour of **Resolution 5** by:

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

#### Exceptions to voting exclusions

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

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

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

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

**By order of the Board**

**Ian Poole**

Company Secretary

Date: 21 September 2018

# Voting information

## How to vote

You may vote by:

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

## Voting in person

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

## Voting by proxy

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

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

All proxy forms will need to be lodged with the Company no later than 48 hours before commencement of the Meeting (ie lodged by 10.00am (Brisbane time) on 24 October 2018). Any proxy form received after the time will not be valid for the Meeting.

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

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

- by hand delivery to:  
**Link Market Services Limited**  
**1A Homebush Bay Drive**  
**Rhodes, NSW 2138**  
or  
**Link Market Services**  
**Level 12, 680 George Street**  
**Sydney, NSW 2000**
- by faxing the proxy form to:  
**Link Market Services**  
**+61 2 9287 0309**

Shareholders can also vote online at:

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

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

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

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

**Voting by corporate representatives**

A corporate Shareholder wishing to appoint a person to act as its representative at the Meeting must provide that person with an authority executed in accordance with the company's constitution and the Corporations Act authorising him or her to act as a corporate representative. The authority must be sent to the Company or its share registry in advance of the Meeting or be handed in at the Meeting when registering as a corporate representative.

**Right to vote**

The Board has determined that, for the purposes of the Meeting, Shares will be taken to be held by the persons who were the registered holders of those Shares at 7.00pm (Sydney time) on 24 October 2018. Accordingly, the Share transfers registered after the time will be disregarded in determining entitlements to attend and vote at the Meeting.

**Shareholder questions and comments**

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



# Explanatory Memorandum

## Stanmore Coal Limited

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting of the Company to be held at Mercure Hotel, 85-87 North Quay, Brisbane Qld 4000 on Friday, 26 October 2018 commencing at 10.00am (Brisbane time).

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

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

### ORDINARY BUSINESS

#### Financial Reports

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

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

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

Written questions must be submitted by 5.00pm (Brisbane time) on Friday 19 October 2018 to:

#### By post

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

#### By email

ian.poole@stanmorecoal.com.au

### Resolution 1: Adoption of Remuneration Report

#### *The Remuneration Report*

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

In summary the Remuneration Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and other Key Management Personnel;
- explains the relationship between the Board's remuneration policy and the Company's performance;

- sets out remuneration details for each Director and the other most highly remunerated Key Management Personnel; and
- details and explains any performance conditions applicable to the remuneration of executive Directors and other Key Management Personnel.

The Company's business strategy of managing an operating coal business can only be achieved by identifying and retaining high calibre employees with appropriate experience and capability. Developing an appropriate compensation strategy for the Company's employees is a key factor in ensuring employees are engaged and motivated to improve the Company's performance over the long term. The Board's intention is to maximise stakeholder benefit from the retention of a high quality Board and executive team without creating an undue cost burden for the Company. The Board regularly reviews the appropriateness of employees' fixed compensation considering the Company's cost structure and the practices of its peers.

#### *Directors' recommendation*

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

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

#### **Resolution 2: Re-election of Mr Stephen Bizzell as a Non-Executive Director**

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

Mr Bizzell commenced as a Non-Executive Director on 5 October 2009. Stephen is the Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd. He was an Executive Director of Arrow Energy Ltd from 1999 until its acquisition in 2010 by Shell and PetroChina for \$3.5 billion. He was instrumental in Arrow's corporate and commercial success and its growth from a junior explorer to a large integrated energy company. He was also a co-founder and director of Bow Energy Ltd until its \$550 million takeover.

Stephen qualified as a Chartered Accountant and early in his career was employed in the Corporate Finance division of Ernst & Young and the Corporate Tax division of Coopers & Lybrand. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions. He has over 20 years' corporate finance and public company management experience in the resources and energy sectors in Australia and Canada with various public companies.

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

- Armour Energy Limited (Appointed 09/03/2012 - current)
- Augend Ltd (formerly Titan Energy Services Ltd) (Appointed 28/03/2011 - resigned 14/04/2016)
- Diversa Ltd (Appointed 09/03/2012 - resigned 06/10/2016)
- Laneway Resources Limited (Appointed 28/06/1996 - current)
- Renascor Resources Limited (Appointed 01/09/2010 - current)
- UIL Energy Ltd (Appointed 01/08/2014 - current)

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

#### *Directors' recommendation*

The Directors (other than Mr Bizzell) unanimously recommend that you vote in favour of Resolution 2.

### **Resolution 3: Re-election of Mr Chris McAuliffe as a Non-Executive Director**

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

Mr McAuliffe has served as a Non-Executive Director on the Board since 17 July 2012.

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

During the past three years Mr McAuliffe has also served as a director of the following listed companies:

- Chaswood Resources Holdings Limited (SGX) (appointed 30 April 2012, resigned 1 July 2018)
- Xplorer PLC (London) (appointed 27 June 2013 – current)

Mr McAuliffe is a member of the Audit & Risk Management Committee.

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

#### *Directors' recommendation*

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

### **Resolution 4: Election of Mr Andrew Martin as a Non-Executive Director**

The Company received a nomination from St Lucia Resources International Pty Ltd ACN 137 265 804 (**St Lucia**) for the election of Mr Andrew Martin as a Director of the Company. St Lucia is the registered holder of 13,078,270 Shares in the Company, representing 5.21% of the Company's issued share capital. St Lucia is an entity associated with the former managing director and co-founder of the Company, Mr Nick Jorss. Mr Martin is also a shareholder and director of St Lucia. Mr Martin is a former non-executive director of the Company (from 2008 - 2014) and a former alternate director (2014 - 2016). If Mr Martin is appointed as a Director, he will not be regarded as an independent director due to his relationship with a substantial shareholder, St Lucia.

St Lucia has provided the following biographical information on Mr Martin:

#### **Andrew Martin**

Mr Martin has more than 20 years' experience in corporate finance and advisory, particularly in infrastructure, utilities and natural resources. He is a former Head of Infrastructure and Utilities for Deutsche Bank in Australia and New Zealand and led and/or was involved in major transactions across the electricity, gas, road, rail, ports and coal sectors.

Mr Martin holds a Bachelor of Economics (Honours) from the University of Sydney.

Mr Martin has previously been a director of Renascor Resources Ltd (from 2010 - 2017) and the Company.

#### *Directors' recommendation*

The Directors (other than Mr Patrick O'Connor who makes no recommendation) recommend that you vote in favour of Resolution 4.

## SPECIAL BUSINESS

### Resolution 5: Grant of FY19 Rights to Mr Dan Clifford, Managing Director

Mr Clifford's Executive Services Agreement with the Company, the material terms of which were disclosed in the ASX announcement of 4 October 2016, contains a provision for his remuneration to include an annual component of long term incentive opportunity. Mr Clifford's FY19 remuneration package (effective 1 July 2018) has been reviewed and the long-term incentive percentage at 'Target' has been increased from 50% to 60%. The long term incentive opportunity is the subject matter of this Resolution.

It is proposed that a total of 585,730 Rights will be offered to Mr Clifford in FY19. The target number of Rights have been calculated by first multiplying his base salary for FY19 by the target long term incentive percentage (60%) and then dividing that figure by \$0.883, being the 10-day VWAP of Shares in the 24 hours following the release of the Company's 2018 annual financial results (**Target Rights**). The 585,730 Rights proposed to be issued to Mr Clifford is double the number of Target Rights, recognising that at maximum performance, the stretch award (and therefore the maximum number of Rights that may vest) is double that of the target (see table below).

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

The measurement period for the vesting of Mr Clifford's Rights is three years, commencing on 1 July 2018 and ending on 30 June 2021.

#### *Vesting Condition*

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

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

Performance Level	ATSR of Company Compound Annual Growth Rate (CAGR)	% of Rights vesting
Stretch	36.24%	100%
Between Target and Stretch	>26.23%, < 36.24%	Pro-rata
Target	26.23%	60%
Between Threshold and Target	>14.33%, < 26.23%	Pro-rata
Threshold	14.33%	0%
Below Threshold	<14.33%	0%

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

In considering the performance levels, the Board has adopted a nominated Share price at 1 July 2018 of \$0.87 per Share and a threshold Share price of \$1.30, a target Share price of \$1.75 and a stretch Share price of \$2.20 to determine the ATSR of the Company Compound Annual Growth Rate (**CAGR**) shown in the above table. Given the measurement of the performance level will be the 10 day VWAP of Shares at 30 June 2021, the Non-Executive Directors believe the Vesting Condition to be appropriate.

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

The other key features of the proposed FY19 grant of Rights to Mr Clifford are summarised in **Annexure B**.

*Information required by Listing Rules*

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

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

Name of Director	Dan Clifford.
<b>Details of proposed issue</b>	
Maximum number of Rights to be approved under Resolution 5	585,730 Rights.
Date by which the Rights will be granted	Within twelve months of the Resolution being approved.
Names of any persons referred to in Listing Rule 10.14 entitled to participate in the SCLRP	Dan Clifford.
Issue price	Nil.
<b>Details of previous issues</b>	
Number of Rights issued under SCLRP	531,497 FY17 Rights and 1,105,020 FY18 Rights have been issued to Mr Clifford under the SCLRP. No other Directors have been issued Rights under the SCLRP.
Securities issued to persons under Listing Rule 10.14 since the last Shareholder approval on 25 October 2017	3,143,005

*Directors' recommendation*

The Directors (with Mr Clifford abstaining) unanimously recommend that you vote in favour of Resolution 5.

**Resolution 6: Approval of the Dividend Reinvestment Plan**

On 27 August 2018, the Company announced a maiden dividend of 2 cents per share declared payable on 23 November 2018 (**FY18 Dividend**). The Company also announced that subject to obtaining shareholder approval at the upcoming Annual General Meeting, the Company would commence a dividend reinvestment plan (**DRP**). The DRP provides a convenient way for Shareholders to invest their dividends in new fully paid shares in the Company, without paying brokerage and other associated costs. At each dividend payment date, dividends on Shares nominated by Shareholders to be the subject of the DRP are automatically invested in the Company's Shares.

There is no requirement under either the Listing Rules or the Corporations Act for a company to obtain shareholder approval before it establishes a dividend reinvestment plan. Under Rule 62.8 of the existing Constitution, however, the Board must obtain shareholder approval to adopt a dividend reinvestment plan and exercise the power conferred on them by Rule 62.1 (the discretion to adopt a dividend reinvestment plan). It is because of this rule (which will be removed under the proposed new constitution for consistency with most listed companies) that the Directors seek the authorisation from members for the DRP. A copy of the DRP rules was announced on 4 September 2018. A copy of the DRP can also be obtained by contacting the Company's share registry or on the Company's website at [www.stanmorecoal.com.au](http://www.stanmorecoal.com.au).

*Directors' recommendation*

The Directors unanimously recommend that Shareholders vote in favour of approving the terms of the DRP and the application of the DRP to the FY18 Dividend.

## **Resolution 7: Adoption of new company constitution**

The Company is seeking shareholder approval for the adoption of a new constitution. If approved by shareholders, the new constitution will be effective from the close of the Annual General Meeting.

The existing Constitution was originally adopted in 2009 and has not been comprehensively reviewed since that time.

Since 2009, there have been developments in Australian corporate law practice, including, among other things, a number of changes to the Corporations Act and the Listing Rules, changes to the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* and the widespread adoption by other listed companies of electronic forms of communication and general corporate commercial practice. Accordingly, the Company's current Constitution requires substantial updating.

The Board has determined that it is more appropriate to adopt a new constitution, which reflects these changes, rather than make each of the necessary amendments to the current Constitution.

A copy of the proposed new Constitution can be obtained prior to the meeting on the Company's website ([www.stanmorecoal.com.au](http://www.stanmorecoal.com.au)). A copy will also be available at the Annual General Meeting and a copy of the new constitution signed by the Chairman for the purposes of identification will be tabled at the meeting.

Many of the proposed changes are administrative or relatively minor in nature. The key differences between the existing Constitution and the proposed new constitution are outlined below.

### **Conduct of Shareholder meetings**

The proposed new constitution incorporates changes proposed to assist with the orderly conduct of general meetings.

### **Quorum of general meetings**

The provisions in the existing Constitution have been slightly relaxed regarding postponement of general meetings to assist the Board in managing such meetings, subject always to the Corporations Act.

### **Direct voting**

The proposed new constitution allows the Board to introduce direct voting, which involves shareholders directly recording their vote electronically, or otherwise by approved means, before the meeting (rather than appointing a proxy or other representative to do so at the meeting). If the Board determines that votes may be cast by direct vote, the Board will be able to determine appropriate procedures for the implementation of direct voting, including as to the form, method and time requirements applicable.

Rule 10.5 also provides that a direct vote will not be revoked by the Shareholder's presence at the relevant general meeting, unless the Shareholder informs the Company (or its share registry) before the meeting starts that the shareholder wishes to vote on any resolution at the meeting.

### **Dividends**

Rule 16.1 and 16.11 will give the Board additional flexibility regarding the payment of dividends and other distributions, including giving the Board the discretion to establish a dividend reinvestment plan and apply it to dividends proposed to be paid by the Company from time to time. These new

provisions provide appropriate flexibility for the Company in relation to the issuing of dividends generally.

#### **Other matters**

Various other less significant amendments are contained in the new Constitution to reflect current corporate governance practices or for clarification. These include the following:

- **Definitions and interpretation** – Various defined terms used in the Constitution will be updated to reflect relevant name changes and the current Corporations Act and Listing Rules.
- **Redundant provisions** – A number of provisions in the Company's current Constitution duplicate existing Corporations Act or Listing Rule requirements and, if the proposed new Constitution is not adopted, will require amendment of the Constitution in the event of legislative or regulatory change. Accordingly, such rules have been omitted from the proposed new Constitution.

#### *Directors' recommendation*

The Directors unanimously recommend that Shareholders vote in favour of this special resolution.

**The Chairman of the AGM intends to vote all available proxies in favour of this special resolution.**



# Glossary of terms

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

<b>Annual General Meeting or Meeting</b>	the annual general meeting of the Shareholders convened pursuant to the Notice for the purposes of considering the resolutions set out in the Notice.
<b>Annual Report</b>	the annual report of the Company for the year ended 30 June 2018.
<b>ASX</b>	ASX Limited or the securities exchange it operates, as the context requires.
<b>ATSR</b>	Absolute Total Shareholder Return, being the change in Share price over a measurement period plus any dividends paid during the measurement period, assumed to be re-invested in Shares.
<b>Board</b>	the board of Directors of the Company.
<b>Closely Related Party</b>	in respect of a member of Key Management Personnel: <ul style="list-style-type: none"> <li>(a) a spouse or child of the member;</li> <li>(b) a child of the member's spouse;</li> <li>(c) a dependent of the member or of the member's spouse;</li> <li>(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;</li> <li>(e) a company that the member controls; or</li> <li>(f) a person prescribed by the <i>Corporations Regulations 2001</i> (Cth).</li> </ul>
<b>Company</b>	Stanmore Coal Limited ACN 131 920 968.
<b>Constitution</b>	the Constitution of the Company, as amended from time to time.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Directors</b>	the directors of the Company from time to time (each a <b>Director</b> ).
<b>DRP</b>	the Company's proposed Dividend Reinvestment Plan announced on 27 August 2018 and attached to the Company's announcement of 4 September 2018.
<b>Explanatory Memorandum</b>	the explanatory memorandum that accompanies the Notice.
<b>Key Management Personnel</b>	a person having authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiaries, directly or indirectly, including any Director (whether executive or otherwise) of the Company or any of its subsidiaries.
<b>Listing Rules</b>	the Listing Rules of the ASX.
<b>Notice or Notice of Meeting</b>	this notice of meeting of Shareholders.
<b>Performance Right</b>	the meaning given to that term in <b>Annexure A</b> .
<b>Remuneration Report</b>	the section of the Directors' report contained in the Annual Report entitled "Remuneration Report" which starts on page 17 of the Annual Report.
<b>Resolution</b>	a resolution to be proposed at the Annual General Meeting.



<b>Right</b>	a right issued under the SCLRP that entitles the holder, on vesting, to one Share (or an equivalent cash value). A Right can be a Performance Right, a Service Right or a Deferred Right as defined in <b>Annexure A</b> .
<b>SCLRP</b>	the Stanmore Coal Limited Rights Plan adopted by the Board on 30 October 2016, the terms and conditions of which are summarised in the Explanatory Memorandum and in <b>Annexure A</b> .
<b>Shares</b>	fully paid ordinary shares in the capital of the Company (each a <b>Share</b> ).
<b>Shareholder</b>	a registered holder of Shares.
<b>Vesting Conditions</b>	the conditions that must be satisfied for a Right to vest and entitle the holder to the value of a Share (which may be satisfied either in cash and/or in Shares).
<b>VWAP</b>	volume weighted average price.

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

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

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

Aspect	Details
Variation of Term and Conditions	To the extent permitted by the Listing Rules, the Board retains the discretion to vary the terms and conditions of the SCLRP. This includes varying the number of Rights to which a participant is entitled upon a reorganisation of the capital of the Company.
Issue or Acquisition of Shares	Shares allocated to a participant when Rights vest under the SCLRP may be issued by the Company or acquired on or off market by the Company or its nominee. The nominee may be a trust, the purpose of which is to facilitate the operation of the SCLRP.
Cost and Administration	The Company will pay all costs of issuing and acquiring Shares for the purposes of satisfying exercised Rights, as well as any brokerage on acquisitions of Shares for this purpose and all costs of administering the SCLRP.
Other Terms of the SCLRP	The SCLRP also contains customary and usual terms having regard to Australian law for dealing with winding up, administration, variation, suspension and termination of the SCLRP.
Hedging	The Company prohibits the hedging of Rights or Shares subject to dealing restrictions by participants.
Lapse and Forfeiture of Rights	Rights will lapse if the prescribed Vesting Conditions are not satisfied within the prescribed measurement period, subject to retesting.

## Annexure B – Summary of key features of the proposed grant of FY19 Rights to the Managing Director

Aspect	Details
Number of Performance Rights	A total of 585,730 Performance Rights are proposed to be granted to the Managing Director, Mr Dan Clifford, in FY19. The number of Performance Rights has been calculated as described in the Explanatory Memorandum.
Amount payable for Performance Rights	No amount will be payable by the Managing Director for the Performance Rights as they are part of the intended total remuneration package for FY19.
Vesting of Performance Rights	Upon the satisfaction of the Vesting Conditions, the value of Rights that vest will be evaluated and will be paid in Shares, cash or a combination of cash and Shares based on the then Share price. No exercise price is required to exercise vested Rights.
Measurement Period	The <b>Measurement Period</b> will be the three financial years from 1 July 2018 to 30 June 2021.
Vesting Condition	See Explanatory Memorandum.
Exercise Price	No amount will be payable by the Managing Director to exercise a Right that has vested.
Cessation of Employment	<p>Unless the Board determines otherwise, if the Managing Director ceases employment by reason of resignation, termination for poor performance or termination for cause, all unvested Rights held by the Managing Director will lapse.</p> <p>Unless the Board determines otherwise, if the Managing Director ceases employment for any other reason, including by reason of death, disability, redundancy, retirement or by agreement, Rights that were granted to the Managing Director during the financial year in which the termination occurred will be forfeited in the same proportion as the remainder of the financial year bears to the full year. All remaining Rights for which Vesting Conditions have not been satisfied as at the date of cessation of employment will then remain “on foot”, subject to the original Vesting Conditions.</p>
Change of Control of the Company	In the event of a change of control unvested Rights would vest in the same proportion as the share price has increased since the beginning of the Measurement Period. Remaining Rights would either lapse or some or all may vest at the Board’s discretion. In relation to Shares that have resulted from the vesting of Rights, dealing restrictions, if any, specified in the letter of grant would also be lifted, though the Company’s securities trading policy would continue to apply.
Voting and Dividend Rights	See Annexure A.
No Transfer of Performance Rights	See Annexure A.
Quotation	See Annexure A.
Variation of Terms and Conditions	See Annexure A.
Issue or Acquisition of Shares	See Annexure A.
Cost and Administration	See Annexure A.
Other Terms of the SCLRP	See Annexure A.
Hedging	See Annexure A.
Lapse and Forfeiture of Performance Rights	See Annexure A.





