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15 January 2019

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Our reference:
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The Manager
Companies Announcement Office
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Takeover offer by Golden Investments (Australia) Pte. Ltd. for Stanmore Coal Limited – Third Supplementary Bidder's Statement and Notices under sections 650F(1) and 630(3) of the Corporations Act

We act for Golden Investments (Australia) Pte. Ltd. (**Golden Investments**) in relation to its off-market takeover bid for all of the ordinary shares in Stanmore Coal Limited (**Stanmore Coal**).

In accordance with section 647(3)(b) of the Corporations Act, we **enclose** a copy of Golden Investments' third supplementary bidder's statement dated 15 January 2019 (**Third Supplementary Bidder's Statement**), which supplements Golden Investments' original bidder's statement dated 19 November 2018, first supplementary bidder's statement dated 14 December 2018 and second supplementary bidder's statement dated 27 December 2018.

The Third Supplementary Bidder's Statement annexes:

- Grant Thornton's Independent Review Report of the Target's Statement **(Independent Review Report)**;
- notice required under section 650F(1) of the Corporations Act, freeing the offer of conditions; and
- notice of the status of conditions required under section 630(3) of the Corporations Act.

The Third Supplementary Bidder's Statement (including the Independent Review Report and annexed notices) was lodged with the Australian Securities and Investments Commission and sent to Stanmore Coal earlier today.

Yours faithfully

Adam Edelman
Partner
Norton Rose Fulbright Australia

APAC-#77889153-v3

golden energy and resources

BEST AND FINAL OFFER – DECLARED UNCONDITIONAL – NO EXTENSIONS, EXPIRING 7PM (SYDNEY TIME) 22 JANUARY 2019: ACCELERATED PAYMENT ON OR BEFORE 5 FEBRUARY 2019

The Offer is final and will not be increased or extended by Golden Investments in the absence of a competing proposal

Third Supplementary Bidder's Statement

ACCEPT

In relation to an off-market bid by

Golden Investments (Australia) Pte. Ltd.

to purchase all of your ordinary shares in

Stanmore Coal Limited
ABN 27 131 920 968

for $0.95 per share

This is an important document that requires your immediate attention. If you are in any doubt as to how to deal with this document, you should consult your financial or other professional adviser as soon as possible

Australian Financial Advisor
CLSA

Corporate Advisor
VIRTOVA CAPITAL MANAGEMENT LIMITED

Australian Legal Advisor
NORTON ROSE FULBRIGHT

Foreign Legal Advisor
Mehigan LLP

1 Introduction

1.1 Third Supplementary Bidder's Statement

This document is a supplementary bidder's statement given pursuant to Division 4 of Part 6.5 of the *Corporations Act 2001* (Cth) (**Corporations Act**) in compliance with the requirements of section 643 of the Corporations Act by Golden Investments (Australia) Pte. Ltd. (**Golden Investments**), a company owned by Golden Energy and Resources Limited and Ascend Global Investment Fund SPC, in relation to its off-market takeover offer to acquire all of the ordinary shares in Stanmore Coal Limited ABN 27 131 920 968 (**Stanmore Coal**).

It is the third supplementary bidder's statement (**Third Supplementary Bidder's Statement**) issued by Golden Investments to the bidder's statement dated 19 November 2018 issued by Golden Investments (**Original Bidder's Statement**). This Third Supplementary Bidder's Statement supplements and is to be read together with the Original Bidder's Statement, the first supplementary bidder's statement dated 14 December 2018 (**First Supplementary Bidder's Statement**) and the second supplementary bidder's statement dated 27 December 2018 (**Second Supplementary Bidder's Statement**). This document prevails in the event of any inconsistency with the Original Bidder's Statement, the First Supplementary Bidder's Statement and the Second Supplementary Bidder's Statement.

1.2 Important notices

This Third Supplementary Bidder's Statement is dated 15 January 2019, which is the date on which it was lodged with the Australian Securities and Investments Commission (**ASIC**).

Neither ASIC nor its officers take any responsibility for the contents of this Third Supplementary Bidder's Statement.

1.3 Defined terms and interpretation

Unless the context otherwise requires, capitalised terms in this Third Supplementary Bidder's Statement have the same meaning given to them in Section 13.1 of the Original Bidder's Statement. The rules of interpretation set out in Section 13.2 of the Original Bidder's Statement also apply to this Third Supplementary Bidder's Statement, unless the context otherwise requires.

2 Overview

- ***Offer has been declared unconditional***

- ***Best and Final Offer with no increase to Offer Price or extension to Offer Period by Golden Investments in the absence of a competing proposal***

- ***Grant Thornton undertakes Independent Review of Target's Statement and finds material issues with BDO's Independent Expert's Report. Grant Thornton shows in its Independent Review report that by adjusting the key assumptions underpinning BDO's assessed value of Stanmore Coal shares for the impact of the identified***

material issues, the resulting mechanical recalculation of BDO's assessed valuation is a range of $0.84-$1.10 per Stanmore Coal share[1]

- ***No alternative offer has emerged since the Offer was first announced on 19 November 2018, neither before its initial closing date on 3 January 2019, nor since the extension of the Offer to 22 January 2019. For the reasons identified in Section 6 of this Third Supplementary Bidder's Statement, there is also little prospect of an alternative to the Offer arising in the final week of the Offer Period***

- ***Golden Investments' Offer represents a certain full liquidity opportunity for Shareholders with significant holdings which is presently available only until the Closing Date (22 January 2019), after which point the Offer will lapse***

- ***After the Offer expires, the price support provided by the Offer to Stanmore Coal's Share price will cease and it is possible that the Stanmore Coal Share price will trade (and remain) at levels below the Offer Price***

- ***Accelerated payment of the cash consideration means that the time value of money is maximised for Shareholders who accept the Offer***

3 The Offer has been declared unconditional

Golden Investments has elected to free the Offer from the Conditions. This means that the Offer is now an unconditional, cash Offer to buy all of your Stanmore Coal Shares (on the terms set out in Annexure A of the Original Bidder's Statement).

Golden Investments' notice freeing the Offer of the Conditions and its Notice of Status of Conditions are attached as Annexure B and Annexure C, respectively.

Golden Investments will also pay the cash consideration by no later than 5 February 2019 to all Shareholders who validly accept the Offer by 7.00pm (Sydney time), 22 January 2019.

4 Best and Final Offer

Golden Investments advises that, in the absence of a competing proposal, it will not extend the Offer Period beyond the current Closing Date of 22 January 2019 and will not increase the current Offer Price of $0.95 per Stanmore Coal Share.

However, in accordance with the Corporations Act, the Closing Date will be automatically extended by 14 days if Golden Investments' Voting Power increases to more than 50% or if a competing proposal is announced and the Offer Price is increased within the last 7 days of the Offer Period.

As at the date of this Third Supplementary Bidder's Statement, Golden Investments is not aware of any potential competing proposal.

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[1] Grant Thornton specifies in the GT Independent Review that this range does not reflect Grant Thornton's view of the market value per share or the market value, as the case may be, of Stanmore Coal or any of its assets, rather it represents a mechanical calculation of how the value per share or the value, as the case may be, assessed by BDO may change in conjunction with varying some of the key assumptions.

5 Grant Thornton finds material issues with BDO's Independent Expert's Report

Grant Thornton Corporate Finance Pty Ltd (**Grant Thornton**) was commissioned by Golden Investments to undertake a review of the Target's Statement (**GT Independent Review**). The GT Independent Review is attached in full as Annexure A.

In summary, the GT Independent Review identified a number of material issues in the Independent Expert's Report prepared by BDO Corporate Finance (Qld) Ltd (**BDO** or the **Independent Expert**) contained within the Target's Statement (**BDO Report**), on which the Stanmore Coal Directors relied as a key basis for recommending that Stanmore Coal Shareholders reject the Offer. These may have a material impact on your assessment of the Offer and the importance you ascribe to the valuation contained in the BDO Report.

Grant Thornton's mechanical recalculation, taking into account the cumulative impact of each of their key findings (as summarised below), of BDO's assessment of the value of Stanmore Coal Shares in the BDO Report indicates that the Offer Price falls within the assessed recalculated range of values (summarised in the table below, and page 9 of the GT Independent Review).

Scenario Case	Assumptions	Value per share Low ($)	Value per share High ($)
BDO assessed value	BDO valuation assessment	1.48	1.90
Scenario 1	• Consensus prices applied to Semi-Soft Coking Coal (SSCC) and Pulverized Coal Injection (PCI), and adopting Semi-Hard Coking Coal (SHCC) prices based on the difference between BDO's Hard Coking Coal (HCC) prices and Consensus Hard Coking Coal prices (Refer Sections 1.1-1.2 of the GT Independent Review) • Discount rate for Isaac Downs increased by 2% points (Refer Pages 6-7 of the GT Independent Review) • Revised value of other mineral assets (Refer Section 4 of GT Independent Review), corporate costs (Refer Section 5 of the GT Independent Review) and Wotonga South deferred payment (Refer Page 8 of the GT Independent Review)	0.84	1.10
Scenario 2	• As Scenario 1, but without adjusting discount rate for Isaac Downs	0.90	1.16
Scenario 3	• As Scenario 1, but without adjusting SHCC prices based on the difference between BDO HCC prices and Consensus HCC prices	0.89	1.15

Source: Page 9 of the GT Independent Review.[2]

[2] IBID.

The key findings of the GT Independent Review include:

- **Selective and outdated coal price and exchange rate forecasts (see pages 4 - 5 and sections 1.1 - 1.2 of the GT Independent Review):**
  - The BDO Report gives no indication that BDO has complied with the requirements of ASIC Regulatory Guide 112 in critically reviewing the coal price and exchange rate forecasts prepared by Wood Mackenzie – the sole source used by BDO for the coal price and exchange rate inputs for the BDO Report.
  - Best practice for an Independent Expert is to assess forecast commodity prices based on multiple sources, including broker consensus estimates, and to critically consider the appropriateness of the selected commodity prices utilised in its analysis. There is no evidence of this having been done by BDO.
  - The Wood Mackenzie forecasts used are (and were at the date of the Target's Statement) outdated (being dated as at June 2018), whereas more recent consensus estimates available are materially different.
- Given the extreme sensitivity of the valuation of Stanmore Coal Shares to the coal price (a +/- 10% change in coal prices affects BDO's assessed value by ~$150 million (or ~40% of the value assessed by BDO)), this is particularly concerning to Golden Investments. Shareholders are not able to assess the appropriateness, merits, reliability or veracity of the Wood Mackenzie forecasts without such analysis. Given the fundamental importance of coal price and exchange rate assumptions, an ability to assess the reasonableness is essential.

IMPACT: The table below sets out a mechanical calculation of the value of the Isaac Plains Complex if brokers' consensus estimates for coal prices and exchange rates are used rather than the Wood Mackenzie prices adopted by BDO under a number of scenarios.

Scenario Case	**Isaac Plains Complex Low ($m)**	**Isaac Plains Complex High ($m)**	**Assumptions**	**Variance from BDO Value (Low) %**	**Variance from BDO Value (High) %**
BDO assessed value	344.4	369.1	BDO valuation assessment		
Scenario 1	218.0	237.1	• Consensus prices applied to Semi-Soft Coking Coal (SSCC) and Pulverized Coal Injection (PCI), and adopting Semi-Hard Coking Coal (SHCC) prices based on the difference between BDO's Hard Coking Coal (HCC) prices and Consensus Hard Coking Coal prices (Refer Sections 1.1-1.2 of the GT Independent Review)	(37%)	(36%)

Scenario Case	Isaac Plains Complex Low ($m)	Isaac Plains Complex High ($m)	Assumptions	Variance from BDO Value (Low) %	Variance from BDO Value (High) %
Scenario 2	231.2	251.5	• As Scenario 1, but without adjusting SHCC prices for the difference between BDO HCC prices and Consensus HCC prices	(33%)	(32%)

Source: Page 5 of the GT Independent Review.[3]

- **Unexplained and inaccurate material value uplift on Isaac Downs (see pages 6 - 7 and sections 2 - 3 of the GT Independent Review)**

  - As announced to ASX on 12 June 2018, Stanmore Coal paid $30 million cash plus a royalty capped at $10 million in total to purchase Isaac Downs (previously known as Wotonga South) from Peabody Energy Corp. (**Peabody**), but BDO has valued Isaac Downs between $175.8 million and $198.5 million a mere 5.5 months later (with no significant development milestones having been announced during that period up to 1 December 2018 valuation date).

  - BDO gives no explanation for this 6.2 times or 523% increase in value.

  - This value uplift is too significant to be left unexplained and seems difficult to justify. Specifically, why Peabody, one of the world's largest coal producers, which sold Wotonga South to Stanmore Coal on an arm's length basis, would do so at such a large discount to BDO's valuation of Isaac Downs, or how Stanmore Coal is able to realise this magnitude of value uplift in such a short period of time. Especially given that no event has been evident in the period since its purchase which could realise such value; the definitive and bankable feasibility study has not been completed, several key approvals remain outstanding (including native title and environmental approvals under both the Federal and State legislation), and additional infrastructure (including a public highway bypass for a coal haul road) requires approvals and construction, all of which are required to progress to production (refer page 32 of Target's Statement).

  - BDO applies the same discount rate used for the producing mines to that of a development asset with considerable associated risks and uncertainty without any corresponding risk adjustment which, Grant Thornton considers, results in this valuation being inaccurate.

  IMPACT: The table below sets out the cumulative impact under various scenarios on the value of Isaac Downs adopting brokers' consensus prices and exchange rates, and increasing the discount rate for the cash flows being derived by Isaac Downs by 2% points. The increase in the discount rate reflects the risks outlined above and it is based on the additional uncertainties of the cash flows of a development project (Isaac Downs) compared with producing mines (Isaac Plains East and Isaac Plains).

[3] IBID.

Scenario Case	Isaac Downs Low ($m)	Isaac Downs High ($m)	Assumptions	Variance from BDO Value (Low) %	Variance from BDO Value (High) %
BDO assessed value	175.8	198.5	• All assumptions from BDO held constant		
Scenario 1	106.4	121.1	• Consensus prices applied to Semi-Soft Coking Coal (SSCC) and Pulverized Coal Injection (PCI), and adopting Semi-Hard Coking Coal (SHCC) prices based on the difference between BDO's Hard Coking Coal (HCC) prices and Consensus Hard Coking Coal prices (Refer Sections 1.1-1.2 of the GT Independent Review) • Discount rate for Isaac Downs increased by 2% points (Refer Pages 5-7 of the GT Independent Review) • All other assumptions held constant	(39%)	(39%)
Scenario 2	116.7	132.3	• As Scenario 1, but without adjusting SHCC prices for the difference between BDO HCC prices and Consensus HCC prices	(34%)	(33%)

Source: Page 7 of the GT Independent Review.[4]

- **Errors in the calculation of the value of the other mineral assets (held by Stanmore Coal outside the Isaac Plains Complex) (see page 8 and section 4 of the GT Independent Review)**

  - BDO has relied on the $69.5 million to $153.6 million valuation prepared by the Independent Technical Expert (Palaris).

  - However, there are a number of material factual errors identified by Grant Thornton in the calculation of the value of these mineral assets, relating to the resource multiples used from comparable transactions and their level of comparability.

  IMPACT: Adjusting for these calculations errors result in a valuation range for these mineral assets of between $60.3 million and $108.8 million, a material decline from the valuation ascribed to these mineral assets by BDO and Palaris.

- **Incorrect deduction of capitalised corporate costs (see pages 7 - 8 and section 5 of the GT Independent Review)**

  - BDO has ignored $2.4 million per annum from the base annual corporate costs which are related to corporate development expenses, where these

[4] IBID.

costs are identified by BDO as being for further developing assets and enhancing their value.

- Given that a significant component of the value assessed by BDO for the Isaac Plains Complex is from the development of Isaac Downs into production, it is erroneous not to include these corporate costs.

IMPACT: As a result of this adjustment, the net present value of corporate costs significantly increases from $17.9 million (as assessed by BDO) to $24.5 million.

- **Incorrect assessment of Isaac Downs (formerly called Wotonga South) payments (see page 8)**

  - BDO has incorrectly assessed the net present value of the remaining, non-contingent payments in connection with the acquisition of the Isaac Downs development asset (formerly called Wotonga South) as $13 million. BDO used a discount rate of 10% and applied that rate over what appears to be a much longer period of time than the period in which the payments are to be made pursuant to Stanmore Coal's public disclosure.

  IMPACT: The correct net present value of these payments is circa $19 million, not $13 million.

- **Unusually low Weighted Average Cost of Capital ('WACC') (see page 8 and section 6 of the GT Independent Review)**

  - The discount rate or WACC adopted by BDO of between 9% -11% on a real basis is low when the risks underlying future cash flows are taken into account, specifically as they relate to Isaac Downs.

  - Grant Thornton has shown that BDO's assessment of the beta factor and interest rate on the debt in the WACC is inaccurate and not supported.

  IMPACT: The discount rate for Isaac Downs' cash flows should be increased by 2 percentage points.

- **Value range for the Isaac Plains Complex far too narrow (see page 8 of the GT Independent Review)**

  - BDO has indicated an extremely narrow value range for the Isaac Plains Complex of +/- 3.5% from the mid-point, which gives the wrong impression that there is a high degree of certainty in the valuation notwithstanding the considerable underlying risks associated with the assets, the historical volatility in coal prices and exchange rates (especially given their impact on value), and the different views of market participants on these forecasts.

  IMPACT: Grant Thornton considers that this has the potential to mislead Stanmore Shareholders and that the overall valuation is overly optimistic.

6 No alternative offer has emerged and the Offer represents the only full liquidity option available to Shareholders with significant holdings

The Stanmore Coal Directors advised that one of the reasons why Shareholders should not accept the Offer is that it would deprive Shareholders of the opportunity to consider any subsequent superior offers.

However, it has now been two months since Golden Investments announced its Offer and no such competing offer or proposals have been announced in that time. Indeed, in the Target's Statement, the directors conceded that no proposal superior to the Takeover Offer had been received by the directors as of the date of the BDO Independent Expert's Report.

While the emergence of a competing offer cannot be ruled out, the prospects of such an outcome during the Offer Period now seem remote. Further, in view of Golden Investments' Relevant Interest and Voting Power of approximately 19.99%, any competing offer cannot reach the 90% compulsory acquisition threshold and any third party friendly scheme of arrangement proposal with Stanmore Coal would be extremely unlikely to succeed without the support of Golden Investments.

Consequently, Shareholders should not hold out in the hope of a superior offer materialising, and should instead accept the presently available, unconditional Offer before the Closing Date.

After the Closing Date, there can be no guarantee that Shareholders with significant holdings will have another opportunity to take up a full liquidity opportunity with assured value for Stanmore Coal Shares.

After the Offer expires, the price support provided by the Offer to Stanmore Coal's Share price will cease and it is possible that the Stanmore Coal Share price will trade (and remain) at levels below the Offer Price.

7 The information released by Stanmore Coal in its Third and Fourth Supplementary Target's Statements does not change the view on the valuation of Stanmore Coal Shares and the Offer

Golden Investments notes that on 14 January 2019 Stanmore Coal released both its third supplementary target's statement, in which Stanmore Coal disclosed its December Quarterly Production Report (**Third Supplementary Target's Statement**) and its fourth supplementary target's statement, under which it disclosed an FY19 Earnings Guidance Update (**Fourth Supplementary Target's Statement**).

Golden Investments believes that the information contained in both the Third Supplementary Target's Statement and Fourth Supplementary Target's statements – parts of which were previously disclosed to the ASX (such as in the Isaac Downs resources estimate which was included in the first supplementary target's statement, dated 21 December 2018 (**First Supplementary Target's Statement**)) - does not relevantly change its view on the value of Stanmore Coal and its Offer, which are instead based on a long-term life-of-mine model, not one-off, historical production reports or near-term earnings estimates.

Grant Thornton in the GT Independent Review report has also considered the information released by Stanmore Coal in these statements and concluded that they do not alter the issues identified in the GT Independent Review.

8 Accelerated payment

Golden Investments will pay the cash consideration by no later than 5 February 2019 to all Shareholders who validly accept the Offer by 7.00pm (Sydney time), on 22 January 2019.

9 On-market purchases

As the Offer is unconditional, Golden Investments advises that where permitted to do so by the Corporations Act, it may purchase Stanmore Coal Shares on-market during the Offer Period for prices at or below the Offer Price.

10 Consent

Grant Thornton Corporate Finance Pty Ltd has given, and has not withdrawn before the lodgement of this Third Supplementary Bidder's Statement with ASIC, its written consent to be named in this Third Supplementary Bidder's Statement, in the form and context in which it is so named.

This Third Supplementary Bidder's Statement contains statements made, or based on statements made, in the Target's Statement (including the Independent Expert's Report), First Supplementary Target's Statement, Third Supplementary Target's Statement and Fourth Supplementary Target's Statement or in other announcements made by Stanmore Coal to the ASX. Under the terms of ASIC Class Order 13/521, the persons making those statements are not required to consent, and have not consented to the inclusion of those statements or of statements based on those statements in this Third Supplementary Bidder's Statement.

Stanmore Coal Shareholders who would like to receive a copy of the Target's Statement or any documents referred to in accordance with Class Order 13/521 (or relevant extracts from those documents) may obtain a copy of free of charge by contacting the Offer Information Line on 1300 349 217 (callers in Australia) or +61 3 9415 4186 (callers outside Australia) between 8:30am and 5:00pm (Sydney time) on Business Days.

11 Next Steps

Golden Investments encourages Stanmore Coal Shareholders to accept the Offer as soon as possible. The Offer will remain open for acceptance until 7:00pm (Sydney time) on 22 January 2019 (unless extended under the Corporations Act). Full details of how to accept the Offer are contained in Annexure A of the Original Bidder's Statement.

If you have any questions or would like another copy of the Original Bidder's Statement and/or the Acceptance Form, please contact the Offer Information Line on 1300 349 217 (callers within Australia) or +61 3 9415 4186 (callers outside Australia) between 8:30am and 5:00pm (Sydney time) on Business Days.

12 Authorisation

This Third Supplemental Bidder's Statement has been approved by a resolution passed by the directors of Golden Investments.

Signed for and on behalf of Golden Investments:

Mark Zhou
Director
Golden Investments

Mulyadi Tjandra
Director
Golden Investments

Annexure A – Grant Thornton’s Independent Review Report

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Independent Review of the Target's Statement issued by Stanmore Coal Limited, including the Independent Expert's Report and Technical Specialist Report

14 January 2019

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Directors
Golden Investments (Australia) Pte. Ltd.
Singapore

14 January 2019

Dear Directors

Introduction

On 19 November 2018, Golden Investments (Australia) Pte. Ltd. ("Golden Investments"), a company owned by Golden Energy and Resources Limited ("GEAR") and Ascend Global Investment Fund SPC ("Ascend Global") announced a A$0.95 cash per share off-market takeover offer ("Offer") for all the issued capital of Stanmore Coal Limited ("Stanmore" or "the Company").

On 26 November 2018, the Directors of Stanmore advised shareholders to reject the Offer. Directors based their recommendation, among other things, on an Independent Expert Report ("IER") prepared by BDO Corporate Finance Queensland ("BDO" or "Independent Expert"). BDO engaged Palaris Australia Pty Ltd ("Palaris") to prepare an Independent Technical Specialist Report ("ITSR") on Stanmore's assets. The IER and ITSR were annexed to the Target's Statement released by Stanmore on 12 December 2018.

Golden Investments was incorporated on 1 November 2018 for the sole purpose of acquiring Stanmore. Golden Investments is 51% owned by GEAR and 49% owned by Ascend Global.

GEAR is one of Indonesia's leading coal producers. The company owns approximately 2.4 billion tonnes of thermal coal resources and 828 million tonnes of reserves as of 31 December 2017. GEAR trades on the Singapore Stock Exchange with a market capitalisation of circa A$530 million[1] as of 11 January 2019.

Ascend Global is an investment fund managed by Ascend Capital, a Singapore company. Ascend Capital has assets under management of $US93 million as at 31 December 2017.

On 4 December 2018, GEAR acquired 50.1 million Stanmore Shares at a purchase price of A$0.95 per share from Greatgroup Investments, Stanmore's then largest shareholder, representing a 19.9% stake ownership in the Company[2].

Unless otherwise stated, defined terms in this report have the same meanings as the defined terms in the Target's Statement.

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[1] Based on an exchange rate of 1 USD = 1.0246 AUD.
[2] Golden Investments has an agreement with GEAR to acquire those shares at the conclusion of the Offer.

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Purpose of the report and limitations

Golden Investments has engaged Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") to prepare an independent review of the Target's Statement including the IER and ITSR, as supplemented from time to time.

We note the following limitations in relation to our procedures:

- In preparing this report ("Independent Review Report"), we have only relied on publicly available information and we have not had the opportunity to discuss with Management or Directors of Stanmore.
- We have not been privy to the financial model used by BDO in the valuation assessment of the Isaac Plains Complex. Therefore, any illustrative impact on the value per share of Stanmore described in this report is indicative only, and based on Grant Thornton Corporate Finance's best estimates of the assumptions underpinning the BDO valuation.
- We have not been engaged to, nor have we attempted to, assess the market value of Stanmore or to form an opinion on the fairness and reasonableness of the Offer.
- We have only been engaged to undertake a review of the valuation assumptions and methodologies employed by BDO in the IER and comment on the impact of any changes as appropriate. Although the impact of our assumptions on BDO's assessed value has been stated in the form of a value per share, this does not reflect Grant Thornton Corporate Finance's view of the market value of Stanmore but it only represents a mechanical calculation of how the value of Stanmore assessed by BDO changes in conjunction with varying some of the key assumptions.
- Our Independent Review Report should not be considered and it is not an IER in accordance with ASIC Regulatory Guide 111: "Content of Expert's Report" ("RG111").
- Unless otherwise stated in the Independent Review Report, we do not consider any other assumptions adopted by BDO in the IER to be particularly conservative, a revision to which would result in a higher value of Stanmore.
- This Independent Review Report is based on information current as at the date of this report and the information utilised may be overtaken by time or events.

Summary of our findings

We note that BDO has undertaken a valuation of the Isaac Plains Complex based on the net present value of the future cash flows. The key assumptions underlying the future cash flows are disclosed in the ITSR, the IER and the Target's Statement. Based on this information, we have been able to recreate a high level Discounted Cash Flow ("DCF") model for the Isaac Plains Complex ("Desktop DCF Model") that we have used for the purpose of undertaking several scenario analyses and assumptions testing.

We note that the Desktop DCF Model has limitations as it is only based on limited information included in the Target's Statement, however we are of the opinion that it is sufficiently accurate from a materiality perspective to allow us to understand the impact on the value of Stanmore if certain assumptions are changed. We note that based on the Desktop DCF Model, we are able to substantially recreate with a delta of +/- 5% the value assessed by BDO for the Isaac Plains Complex.

Grant Thornton Corporate Finance notes that on 14 January 2019 Stanmore released the 3rd and a 4th Supplementary Target's Statements where the company disclosed the December Quarterly Production Report (3rd Supplementary Target's Statement) and FY19 Earnings Guidance Update (4th Supplementary Target's Statement). Grant Thornton Corporate Finance has considered the information released by Stanmore in these statements and we have concluded that they do not alter the issues identified below.

Coal prices

BDO has relied on the Wood Mackenzie June 2018 coal prices and exchange rate forecasts as inputs for the Isaac Plains Complex valuation based on the DCF. Based on the disclosure in the IER, it appears that BDO has not benchmarked the Wood Mackenzie coal prices and exchange rate assumptions to any additional sources of information or tested their reasonableness. No information has been disclosed in the IER on how the forecast coal prices and exchange rate have been prepared by Wood Mackenzie, on what basis and for what purpose. In addition, we note that the Wood Mackenzie coal price forecast is dated June 2018 and accordingly circa 6 months old compared with the valuation date (1 December 2018).

Based on the disclosure in the IER, it appears that BDO has not complied with the requirements of ASIC RG112[3] in critically reviewing the coal prices and exchange rate forecast prepared by Wood Mackenzie.

It is market best practice for an Independent Expert to assess the forecast commodity prices based on brokers consensus estimates. Whilst we do not dispute that Wood Mackenzie is a reputable provider of global commodity prices and we are not commenting on whether or not the adopted coal prices and exchange rates are reasonable or otherwise, rather we make the observation that Wood Mackenzie June 2018 forecast coal prices are materially different from more recent brokers consensus estimates prices (as discussed below). In accordance with ASIC RG 112, BDO was required to investigate and comment on the reasoning for these differences and in forming a view on the appropriate coal prices to adopt for the purpose of the valuation. A market best practice approach would have been to consider the various sources of information available, including Wood Mackenzie and brokers consensus prices, and estimate a sensible range for annual coal prices which may have resulted in a lower valuation of the Isaac Plains Complex.

[3] The use by BDO of the Wood Mackenzie forecast coal prices and exchange rate should be in accordance with the requirements of ASIC Regulatory Guide 112 "Independence of Experts" ("RG112") paragraph 67 to 77 "Use of specialists".

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We have set out below a summary of our benchmark of the coal price forecasts adopted by BDO against E&M[4] estimates and brokers[5] consensus estimates:[6]

- *Hard Coking Coal ("HCC")* – HCC prices adopted by BDO are higher than consensus forecast. The HCC price does not impact directly the Isaac Plains Complex valuation as Stanmore does not own any hard coking coal assets in operations, development or exploration. However, considering that brokers consensus estimates for SHCC are not available, we have assumed that the difference between BDO HCC prices and brokers consensus estimates HCC is applicable to SHCC[7] to assess a more recent consensus prices for SHCC compared with the Wood Mackenzie June 2018 SHCC prices.

- *Semi-Soft Coking Coal ("SSCC")* – The SSCC price adopted by BDO is materially higher in comparison to brokers consensus estimates by between circa 9% and circa 26% in the FY19-FY22 period. SSCC is the primary coal produced at Isaac Plains and Isaac Plains East (95% of total saleable product between FY19 and FY21).

- *Pulverised Coal Injection ("PCI")* – The PCI coal prices adopted by BDO are significantly higher than brokers consensus estimates. We note that 2022 and long term BDO prices were circa 15% and circa 10% higher, respectively, than brokers consensus estimates. As the Isaac Downs asset is forecast to begin production in FY22 and is expected produce c. 40% PCI coal, the higher prices adopted by BDO have a material upside impact on the value of Isaac Downs.

We have included in the table below a mechanical calculation of the value of the Isaac Plains Complex if brokers' consensus estimates for coal prices and exchange rate estimates are used rather than the Wood Mackenzie prices adopted by BDO under a number of scenarios.

Scenario Case	Isaac Plains Complex Low (A$m)	Isaac Plains Complex High (A$m)	Assumptions	Variance from BDO value Low (%)	Variance from BDO value High (%)
BDO assessed value	344.4	369.1	BDO valuation assessment		
Scenario 1	218.0	237.1	Broker consensus price applied to SSCC and PCI and reducing BDO SHCC prices based on the difference between BDO HCC prices and brokers consensus HCC prices	(37%)	(36%)
Scenario 2 (1)	231.2	251.5	As scenario 1 but without adjusting BDO SHCC prices for the difference between BDO HCC prices and brokers consensus HCC prices	(33%)	(32%)

Note 1 – Given that brokers consensus prices are not available for SHCC and under Scenario 1 we have assumed that BDO SHCC prices are adjusted for the difference between BDO HCC prices and brokers consensus HCC prices, we believe it appropriate to also show to Stanmore Shareholders the impact on the value of Isaac Downs if BDO SHCC prices are adopted.

The table above does not reflect Grant Thornton Corporate Finance's view of the market value of Isaac Plains Complex rather it represents a mechanical calculation of how the value of Isaac

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[4] E&M consensus estimates are provided in the Energy & Metals Consensus Forecasts 17th of December 2018 report. We note that whilst the E&M Report was issued after the IER, E&M releases consensus forecast on a monthly basis and the November 2018 coal prices forecast was not materially different from the December 2018. E&M has not consented to the use and/or reference of the data in the Independent Review Report.

[5] Brokers consensus estimates are based on KPMG consensus forecast report as at September/October 2018 (https://home.kpmg/content/dam/kpmg/au/pdf/2018/coal-price-fx-consensus-forecast-sept-oct-2018.pdf). KPMG has not consented to the use and/or reference of the data in the Independent Review Report.

[6] Thermal coal prices assessed by BDO are lower than brokers consensus estimates however the value contribution from thermal coal to the Isaac Plains Complex is immaterial. SHCC prices forecast are not provided by brokers, so we have benchmarked HCC and we have assumed that the pricing difference between BDO HCC prices and brokers consensus HCC prices is applicable to the SHCC adopted by BDO. Long term HCC prices adopted by BDO are circa 5% higher than long term HCC prices from brokers consensus.

[7] We note that in the Target's Statement, Stanmore states that it expects the SHCC produced from Isaac Downs to be priced broadly in line with pricing current received by Poitrel, which are at 17% discount to the Platts PLV HCC benchmark.

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Plains Complex assessed by BDO may change in conjunction with varying some of the key assumptions.

Value uplift and valuation of Isaac Downs

We note that the Independent Expert has valued Isaac Downs between A$175.8 million and A$198.5 million with a mid-point of A$187.1 million as at 1 December 2018. As announced to the ASX on 12 June 2018, Stanmore paid A$30 million cash for the Isaac Downs acquisition plus a production based royalty capped at circa A$10 million in total (paid quarterly if the premium HCC price is over A$170/t).

Based on the Independent Expert's assessment of Isaac Downs, this asset has increased its value by circa 6.2 times or 523% in the space of circa 5.5 months[8] notwithstanding that during this period Stanmore has not announced any significant milestones to advance Isaac Downs towards production.

The Independent Expert does not provide any explanation of why Peabody Energy Corp., the seller of Isaac Downs and one of the major coal producers globally, would be prepared to sell Isaac Downs in an arm's length transaction at such a large discount to the apparent market value in the IER. We acknowledge that Stanmore is able to realise some special value[9] from the acquisition of Isaac Downs which is not available to other purchasers and accordingly not fully reflected in the purchase price. However, the magnitude of the value uplift in such a short period of time is too significant to be left unexplained by the Independent Expert or to be justified by the special value that Stanmore is able to realise.

In our opinion, the valuation of Isaac Downs prepared by BDO is inaccurate. BDO has applied the same discount rate to assess the net present value of the future cash flows of a development asset (Isaac Downs) as it has to the producing assets of Isaac Plains and Isaac Plains East. In our opinion this is not appropriate due to the following:

- Isaac Downs is still three years away from commencing production and it requires several approvals including native title and environmental approvals under both the Federal and State legislation to progress to production.

- Additional infrastructure is required before Isaac Downs could commence production, including a new haul road that requires construction of a bridge on a public highway.

- As set out in the ITSR, there is a degree of uncertainty in relation to the ability of Isaac Downs to produce higher-grade coals such as SHCC and PCI. In particular, Palaris states that *"additional work is required to characterise the products from Isaac Downs, as insufficient carbonisation data is available, to accurately describe the product from this property[10]".* Notwithstanding the above, the valuation of Isaac Downs has been undertaken assuming the production of the more valuable SHCC and PCI without evidencing the risks/uncertainties to Stanmore Shareholders or presenting alternative scenarios.

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[8] Only referring to the base consideration of A$30 million as we do not have information to assess the fair market value of the production based royalty.
[9] Derived from the fact that Stanmore can treat Isaac Downs as a satellite deposit for the Isaac Plain Complex with coal beneficiation and train loading activities all undertaken at the existing CHPP. The CHPP is currently operating below nameplate capacity.
[10] Page 173 of Target's Statement or Page 46 of Palaris' report.

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- Completion of a definitive and bankable feasibility study to finalise the capital and operational cost assumptions included in the financial model.

In our view, all these factors should lend to a higher discount rate than that used for the producing assets.

We have set out in the table below the cumulative impact under various scenarios on the value of Isaac Downs adopting brokers consensus prices and increasing the discount rate for the cash flows being derived by Isaac Downs by 2% points. The increase in the discount reflects the risks outlined above and it is based on the additional uncertainties of the cash flows of a development project (Isaac Downs) compared with producing mines (Isaac Plains East and Isaac Plains).

Scenario Case	Isaac Downs Low (A$m)	Isaac Downs High (A$m)	Assumptions	Variance from BDO value Low (%)	Variance from BDO value High (%)
BDO assessed value	175.8	198.5	All assumptions from BDO held constant		
Scenario 1	106.4	121.1	Broker consensus pricing on PCI coal BDO SHCC prices adjusted for the difference between BDO HCC prices and brokers consensus HCC prices Increasing the discount rate by 2% points	(39%)	(39%)
Scenario 2 (1)	116.7	132.3	As scenario 1 but without adjusting SHCC prices for the difference between BDO HCC prices and brokers consensus HCC prices	(34%)	(33%)

Note 1 – Given that brokers consensus prices are not available for SHCC and under Scenario 1 we have assumed that BDO SHCC prices are adjusted for the difference between BDO HCC prices and brokers consensus HCC prices, we believe it appropriate to also show to Stanmore Shareholders the impact on the value of Isaac Downs if BDO SHCC prices are adopted.

The table above does not reflect Grant Thornton Corporate Finance's view of the market value of Isaac Downs rather it represents a mechanical calculation of how the value of Isaac Downs assessed by BDO may change in conjunction with varying some of the key assumptions.

We are of the opinion that BDO should have presented the alternative value scenarios above to Stanmore Shareholders and considered their outcomes in order to establish an appropriate valuation range for Isaac Downs.

Other issues

- *Value of the mineral assets* – For the valuation of the mineral assets of Stanmore not included in the DCF of the Isaac Plains Complex, BDO has relied on the valuation prepared by Palaris that has assessed the value of these assets between A$69.5 million and A$153.6 million[11]. We have identified a number of errors in the Palaris' calculation of the value of the other mineral assets held by Stanmore outside the Isaac Plains Complex. These errors are mainly in relation to the assessment of the resource multiple of the comparable transactions and/or their level of comparability. As a consequence, we have adjusted the value of the other mineral assets assessed by Palaris to properly reflect the correct resource multiples arising from the comparable transactions. As a result, the valuation range changes to between A$60.3 million and A$108.8 million.

[11] Palaris used the Yardstick method to value most of the mineral assets. This methodology is based on the EV/Resource Multiple of selected comparable transactions.

- *Capitalised corporate costs* – In the calculation of the capitalised value of the corporate costs to be deducted from the value of the enterprise of Stanmore, BDO has excluded from the base annual corporate costs[12] circa A$2.4 million per annum which are in relation to the corporate development expenses (refer to section 8.4.2 of the IER). In BDO's view, these development costs are for the purpose of further developing assets and enhancing their value. We are of the opinion that this approach is not correct as a significant component of the value assessed by BDO for the Isaac Plains Complex is derived from the development of Isaac Downs into production over the next three-year period. In our opinion, corporate development costs of A$2.4 million per annum should be considered in the net present value of corporate costs for a period of at least five year until Isaac Downs reaches steady state production. As a result of this adjustment, the net present value of the corporate costs increases from A$17.9 million to A$24.5 million. In addition, we note that Stanmore is expected to incur defence related costs between A$1 million and A$3.75 million which should be considered in the valuation assessment.

- *Wotonga South payment* – In section 8.4.3 of the IER, BDO considers the other assets and liabilities not previously taken into account in the valuation assessment. Stanmore completed the acquisition of Isaac Downs (previously known as Wotonga South) on 31 July 2018. A$10 million of the agreed cash consideration was paid before the valuation date (1 December 2018). BDO discloses that the remaining A$20 million is payable in H2 FY19 (A$15 million) and during FY20 (A$5 million). BDO has incorrectly assessed the net present value of these payments at A$13 million using a discount rate of 10%. The correct net present value of these payments is circa A$19 million as these payments are close to the valuation date (only a few months away). Accordingly, BDO has underestimated the other liabilities by circa A$6 million.

- *Weighted Average Cost of Capital ("WACC")* – The real discount rate adopted by BDO between 9% and 11% seems low when the risks underlying the future cash flows are taken into account as discussed before. In addition to the above, we are of the opinion that BDO's assessment of the beta factor and interest rate on the debt in the WACC are inaccurate and not supported. Accordingly, we are of the opinion that the discount rate for the Isaac Downs cash flows should be increase by 2% points.

- *Value range* – The Independent Expert has adopted an extremely narrow value range for the Isaac Plains Complex of circa +/- 3.5% from the mid-point and Isaac Plains East (+/- 0.8% from the mid-point). We are of the opinion that this narrow value range has the potential to be misleading for Stanmore Shareholders and to provide them with the incorrect impression that there is a high degree of certainty in the value range of the Isaac Plains Complex and Isaac Plains East assessed by BDO. This is difficult to support considering the underlying risks discussed above, the historical volatility in coal prices and exchange rates and the different views of market participants on their forecast.

- *Exchange rate* – BDO has relied on the Wood Mackenzie June 2018 forecast USD/AUD exchange rate, however BDO has not disclosed the USD/AUD exchange rate.

[12] Starting point base corporate costs assessed at A$5.14 million by BDO.

Valuation impact of our findings

We have set out in the scenario analyses below, the impact of our findings on the value per Stanmore share assessed by BDO.

Scenario Case	Assumptions	Value per share Low (A$)	Value per share High (A$)
BDO assessed value	BDO valuation assessment	1.48	1.90
Scenario 1	Broker consensus price applied to SSCC and PCI and adjusting BDO SHCC prices for the difference between BDO HCC prices and brokers consensus HCC prices Discount rate for Isaac Downs increased by 2% points Revised value of other mineral assets, corporate costs and Wotonga South deferred payment	0.84	1.10
Scenario 2	As Scenario 1 but without adjusting discount rate for Isaac Downs	0.90	1.16
Scenario 3 (1)	As scenario 1 but without adjusting BDO SHCC prices based on the difference between BDO HCC prices and brokers consensus HCC prices	0.89	1.15

Note 1 – Given that brokers consensus prices are not available for SHCC and under Scenario 1 we have assumed that BDO SHCC prices are adjusted for the difference between BDO HCC prices and brokers consensus HCC prices, we believe it appropriate to also show to Stanmore Shareholders the impact on the value of Isaac Downs if BDO SHCC prices are adopted.

The table above does not reflect Grant Thornton Corporate Finance's view of the market value of Stanmore rather it only represents a mechanical calculation of how the value of Stanmore assessed by BDO changes in conjunction with varying some of the key assumptions.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to accept the Offer is a matter for each Stanmore Shareholder to decide based on their own views of value of Stanmore and expectations about future market conditions, Stanmore's performance, risk profile and investment strategy. If Stanmore Shareholders are in doubt about the action they should take in relation to the Offer, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

PAUL GOOLEY
Director

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14 January 2019

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Golden Investments (Australia) Pte. Ltd. to provide general financial product advice in the form of a review of an Independent Expert's Report in relation to the Offer. This report is included in Golden Investments' Third Supplementary Bidder's Statement.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail investors make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is Golden Investments. Grant Thornton Corporate Finance receives its remuneration from Golden Investments. In respect of the Report, Grant Thornton Corporate Finance has received from Golden Investments a fixed fee, which is based on a commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of Golden Investments in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Golden Investments (and associated entities) or Stanmore Coal Limited that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority who can be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the takeover should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

Contents

1 Discounted Cash Flow Analysis – Isaac Plains Complex

As discussed in the executive summary, we have been able to recreate the Desktop DCF Model for the purpose of undertaking certain scenario analyses and assumptions testing on the value of the Isaac Plains Complex. In the recreation of the Desktop DCF Model, we have adopted the following assumptions sourced from the Target's Statement.

- *Saleable coal* – we have used the saleable tonnes Life-of-Mine ("LOM") as provided in the graph in the ITSR (page 145 of the Target's Statement). We note that our assessment of the saleable tonnes may be subject to some minor discrepancies as the information in the ITSR is provided in a graph format and not in a table with specific figures.

- *Price per tonne (real A$)* – we have applied the price per tonne sourced from figure 8.2 of the IER which we have assumed to be in A$ and real terms. We note our assessment of the coal prices may be subject to some minor disrepancies as the information in the IER is provided in a graph format and not in a table with specific figures. The price per tonne is multiplied by the saleable volume to calculate annual revenues.

- *FOB cash costs* – we have applied the Free-On-Board ("FOB") cash costs as set out on pages 145 and 146 of the Target's Statement net of corporate overhead costs as we understand that BDO has considered them separately. The adjusted FOB cash costs have been multiplied by the saleable volume to calculate the total annual cost.

- *Tax and tax loss benefit* – We have applied 30% corporate tax rate and assumed that Stanmore will benefit in 2019 by A$38 million of gross accumulated tax losses.

- *Sustaining and growth capital expenditures* – We have assumed the sustaining and growth capital expenditures set out in table 9.4 of the ITSR.

- *Discount rate* – we have used real BDO WACC of 9% to 11% to discount the cash flow in the Desktop DCF Model. However, as discussed in Section 6 in this report, we do not agree with the underlying computation and assessment of the discount rate.

Based on high-level modelling above, we are able to substantially recreate the value of the Isaac Plains Complex assessed by BDO with a delta of c. +/- 5%, which provides us with a robust base to sensitise the value of the Isaac Plains Complex.

1.1 Coal price assumptions

BDO has relied on the Wood Mackenzie June 2018 coal prices forecasts as inputs for the Isaac Plains Complex DCF valuation[13].

[13] We understand that BDO has then applied a price discount/premium to the benchmark price to account for the variation of coal quality in the Isaac Plains Complex, as instructed by Palaris, however the actual discount/premium is not disclosed in the IER or ITSR.

The use of the Wood Mackenzie forecast coal prices and exchange rate is regulated under ASIC RG112 paragraph 67 to 77 “Use of specialists”. Under those paragraphs, the Independent Expert is required, among other things, to:

- Critically review the specialist report, particularly to consider whether the specialist has used assumptions and methodologies which appears to be reasonable and has drawn on source data which appears to be appropriate in the circumstances [RG112, Par 71a].
- If the specialist report is not prepared specifically for the current transaction, as it appears to be the case for the Wood Mackenzie coal price forecast, this should be clearly explained to security holders [RG112, Par 69].
- A specialist report commissioned by the expert should be dated close enough to the date of the independent expert report to ensure that assumptions applied have not been overtaken by time or events [RG112, Par 72].

In our opinion, BDO has not complied, or at least there is no evidence from the disclosure included in the IER, with the requirements of RG112 in relation to the Wood Mackenzie coal prices due to the following:

- It does not appear that BDO has critically reviewed the assumptions and methodologies adopted by Wood Mackenzie to forecast coal prices and exchange rates.
- It is not disclosed in the IER that Wood Mackenzie prepared coal prices and exchange rate forecast for a different purpose rather than for the consideration of the Offer.
- BDO does not comment on the validity or otherwise of commodity prices and exchange rate forecast prepared 6 months before the valuation date.

As discussed in the executive summary, we are of the opinion that BDO should have benchmarked Wood Mackenzie prices against consensus estimates and determined an appropriate range to adopt in the valuation of the Isaac Plains Complex. The fact that BDO adopted a single annual value point estimate for coal prices so distant in the future could also be potentially misleading for Stanmore Shareholders given the historical volatility, uncertainty in relation to future trends and differing views from market participants. Based on the sensitivity table provided in figure 8.4 of the IER, a change in the coal price of 10% per annum over the forecast period impacts the value of the Isaac Plains Complex by circa A$150 million (or circa 40% of the value assessed by BDO).

1.2 Consensus forecast coal prices

We have analysed in this section the coal price forecasts used by BDO against E&M[14] estimates and brokers[15] consensus estimates. We have reviewed pricing for Hard Coking Coal (HCC), Pulverized Coal Injection (PCI), Semi-Soft Coking Coal (SSCC) and thermal coal[16]. The E&M and brokers consensus estimates do not include forecasts for SHCC and as a result we did not complete a price variance analysis on it. We also note that the E&M estimates do not include breakdowns on coal pricing for PCI and SSCC

[14] E&M consensus estimates are provided by Energy & Metals Consensus Forecasts 17th December 2018 report, a reputable commodity forecast publication. E&M has not consented to the use and/or reference of the data in the Independent Review Report.
[15] Brokers consensus estimates are based on KPMG consensus forecast report as at September/October 2018. KPMG has not consented to the use and/or reference of the data in the Independent Review Report.
[16] The thermal coal benchmark is set out in Appendix B as thermal coal volumes are immaterial in the assessment of the Isaac Plains Complex.

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so we relied only on the brokers consensus estimates as a benchmark for these two types of coal.

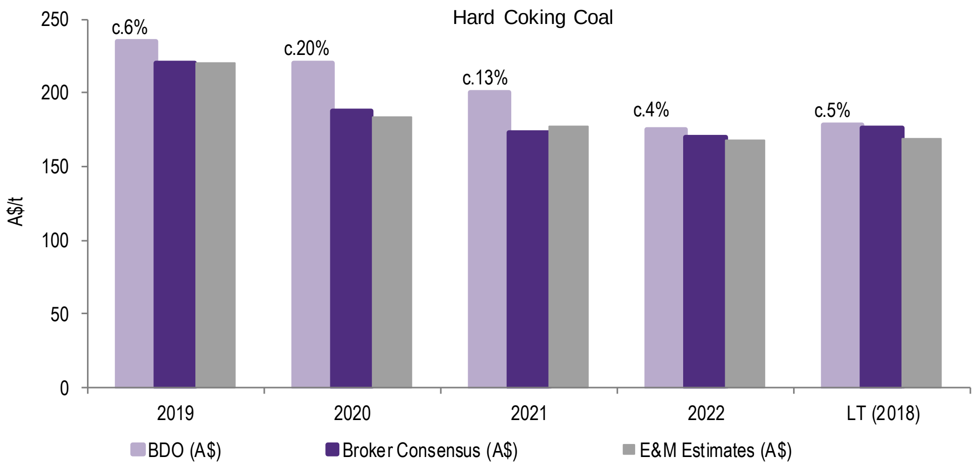
We note that BDO forecast coal prices are derived from the line chart disclose in the figure 8.2 of the IER and accordingly the figures that we have assumed may not be the exact figures used by BDO in their valuation but they should be appropriate from a materiality perspective. In addition, BDO omits to disclose in the figure 8.2 of the IER if the coal prices are in US$ or in A$ and if they are nominal or real. Based on other disclosures in the IER, we believe that the prices are in A$ and in real terms as BDO is using a real discount rate, indicates that the financial model is in real terms and the long-term prices in figure 8.2 of the IER are substantially flat-lined from 2023 indicating the absence of inflation.

We note the following in relation to our benchmarking analysis which is outlined in the following graphs:

- Brokers consensus prices are provided in US$ which we have converted to A$ (in order to compare with BDO prices) using the consensus forecast exchange rate[17]. We note that some of the differences in prices outlined in the graphs below may be driven by different assumptions on the exchange rate rather than coal prices, however BDO does not disclose the assumption adopted for exchange rate.

- For ease of reference, the comparisons in the following graphs between BDO prices and brokers consensus prices are based on year end pricing whereas the brokers consensus prices adopted in our sensitivities and scenario analysis are based on the average over the year in order to not adversely affect the valuation of Stanmore due to decreasing coal prices forecast. In addition, for SSCC, the 2019 price has been estimated as the average between the actual price received by Stanmore in the September quarter of 2018 (A$184/t) and the 2019 year end brokers consensus price.

Hard Coking Coal



Source: Page 119 of Target's Statement, GTCF analysis

Note: Variance is calculated based on BDO vs E&M consensus price

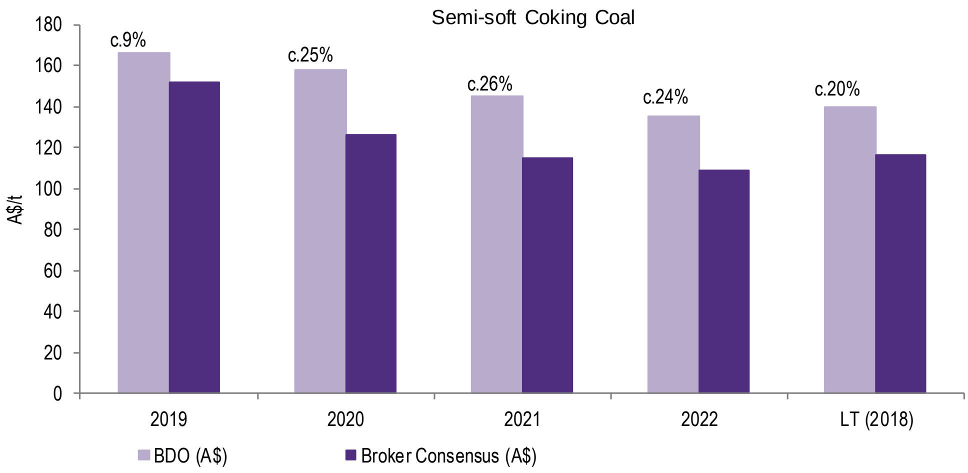
The HCC price does not impact directly the Isaac Plains Complex valuation as Stanmore does not own any hard coking coal assets in operations, development or exploration. Whilst, we do not have consensus benchmark information for SHCC, considering that the HCC prices adopted by BDO are higher than consensus forecast (excluding 2022), it is not unreasonable to assume that BDO adopted SHCC prices are also higher than consensus estimate by a similar percentage. We say this because in the Target's

[17] Brokers consensus forecast exchange rate is dated September/October 2018: 0.74 (2019); 0.75 (2020); 0.77 (2021); 0.75 (2022); 0.75 (long term).

Statement, Stanmore states that it expects the SHCC produced from Isaac Downs to be priced broadly in line with pricing current received by Poitrel, which are at 17% discount to the Platts PLV HCC benchmark.

We note that the Resource and Energy Quarterly Report for December 2018 released by the Australian Government forecast HCC prices of US$165/t for 2019 and US$145/t for 2020[18] which are substantially in line with brokers consensus forecast for those years and in our opinion provides further support for the brokers consensus estimates.

Semi-Soft Coking Coal



Source: Page 119 of Target's Statement, GTCF analysis

Note: Variance is calculated based on BDO vs brokers consensus price

The SSCC prices adopted by BDO are materially higher than brokers consensus estimates. SSCC is the primary type of coal in the Isaac Plains and Isaac Plains East mining assets and they account for over 95% of total saleable product between FY19 and FY21 and circa 45% of total saleable product in FY22.

We note that Stanmore disclosed in the September 2018 Quarterly Production Report that it sold SSCC at a price of US$134/t in the quarter which is a slight reduction from US$136/t in the June quarter. The Brokers consensus forecast for the year-end 2018 is US$130/t which is in line with the SSCC forward looking benchmark for Q2-19 disclosed by Stanmore in the September 2018 Quarterly Production Report.

[18] Based on the forecast for Q1 2020 and Q2 2020.

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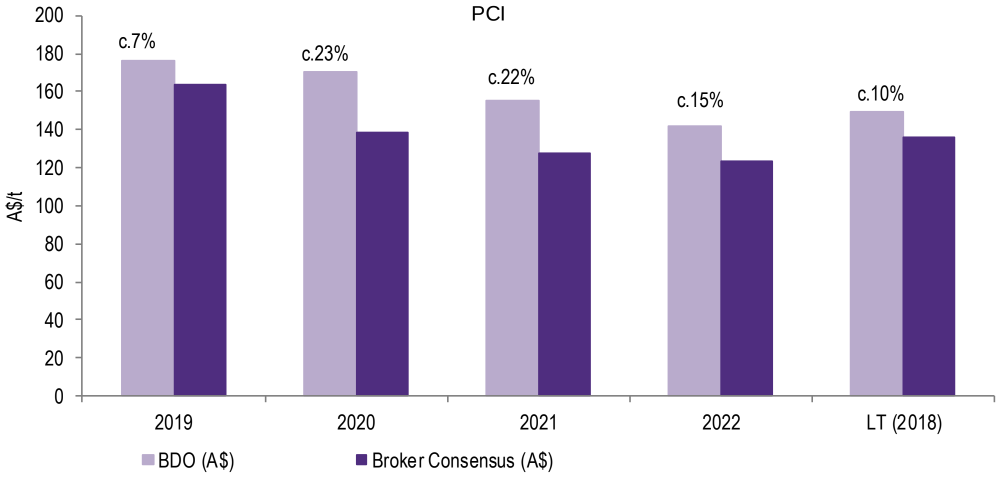
PCI coal



Source: Page 119 of Target's Statement, GTCF analysis

Note: Variance is calculated based on BDO vs brokers consensus price

The PCI coal is significantly higher in the BDO assumptions in comparison to consensus estimates. We note that 2022 and long term BDO pricing was c. 15% and c. 10% higher, respectively. As the Isaac Downs asset is forecasted to commence production in FY22 and is expected produce c. 40% PCI coal, the higher variance in BDO pricing has a significant impact on the value of Isaac Downs.

2 Value range for the Isaac Plains Complex and value uplift of Isaac Downs

The Independent Expert has adopted a value range for the Isaac Plains Complex that is extremely narrow of circa +/- 3.5% from the mid-point. We also note that the value range for Isaac Plains East is c. 0.8% from the mid-point. We are of the opinion that this narrow value range has the potential to be misleading for Stanmore Shareholders and provide them with the impression that there is a high degree of certainty in the value range of the Isaac Plains Complex which is difficult to support.

As set out in the sensitivity analysis in figure 8.4 of the IER, a 10% increase or decrease in the adopted coal prices or exchange rate will increase or decrease the value of the Isaac Plains Complex by c. A$150 million or c. 40% of the mid-point value. Considering that most of the value of the Isaac Plains Complex is expected to be derived over the next 10 year period, it is plausible that coal prices and exchange rate may have significant volatility and potentially diverge, possibly significantly, from the precise value point assumptions adopted by BDO.

In our opinion, the value of the Isaac Plains Complex and in particular of Isaac Downs is overly optimistic due to the following:

- Forecast coal prices do not take into account alternative views of brokers' consensus estimates.
- BDO has valued Isaac Downs, which is a development project, on the same basis and adopting the same discount rate as producing mines like Isaac Plains and Isaac Plains East.
- BDO assumes that Isaac Downs will commence production in FY22 and it will produce mainly SHCC and PCI coal for a main period of 7 years. However, we note that coal has never been produced from

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Isaac Downs and the ITSR outlines a degree of uncertainties and more work being required in order to be able to accordingly classify the coal from Isaac Downs. In particular, we note the following relevant paragraphs from the ITSR:

> 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 the washing strategies, and further carbonisation studies.

Source: Page 147 of Target's Statement

> 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).

Source: Page 173 of Target's Statement

> CSN and CSR are both below the average coking coal and result in semi-soft classification. Further carbonisation studies are required for accurate delineation of the products of Isaac Downs.

Source: Page 173 of Target's Statement

If the coal volumes currently expected to be produced at Isaac Downs as SHCC are instead SSCC or PCI Coal, the value of Isaac Downs reduces materially.

- Isaac Downs is a development project which is expected to transition into a producing coal mine over the next three years. There is a higher degree of uncertainty in assessing the market value of a development project as the capital and operating cost estimates still need to be confirmed in a definitive/bankable feasibility study.

- There is uncertainty in relation to the timing required for Isaac Downs to obtain the required authorisations and permits to commence production.

- In section 8.7 of the IER, BDO alludes to investor uncertainty in relation to Stanmore's ability to ramp-up its operations at Isaac Plains East to its stated underlying EBITDA of A$130 million to A$150 million in an attempt to justify the difference between the sum-of-parts valuation and the trading prices before the announcement of the Offer. The full paragraph is outlined below:

> 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 as 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.

Source: Page 125 of Target's Statement

It is not clear how this risk has been captured in the Isaac Plains East valuation and in its narrow valuation range (+/- 0.8% from the mid-point) assessed by BDO.

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3 Market Based Valuation

BDO has assessed the marked-based value of Stanmore between A$1.48 and A$1.90 per share on a control basis based on the sum-of-parts valuation and between A$0.84 and A$0.90 per share on a minority basis based on the trading prices on the ASX or (Market Based Valuation ("MBV") methodology as per the IER).

In section 8.8, where BDO concludes on the value of Stanmore Shares, it disregards the conclusion of the MBV and relies only on the sum-of-parts valuation to form a view on the value of Stanmore.

It is not clear on how the Independent Expert could not consider further the conclusion of the MBV considering the following:

- The Independent Expert has undertaken a liquidity analysis in section 8.6.2 and it seems to conclude that the level of liquidity is not unreasonable although moderate.

- Stanmore is covered by four investments' analysts that keep the market updated on a regular basis on the performance of the company.

- In section 1.1 (a) of the Target's Statement, the Directors of Stanmore urge Shareholders to have regard to the shorter-term historical trading prices of Stanmore when assessing the premium implied by the Offer, which seems to indicate that the Directors consider the trading prices an appropriate valuation method.

The premium for control implied in the sum-of-parts value between A$1.48 to A$1.90 per share (control value) compared with the MBV between A$0.84 and A$0.90 (minority basis) is between 76% and 111% as set out in section 8.7 of the IER.

BDO states that the difference between the sum-of-parts valuation and the MBV is higher than what can be explained from their assumed control premium[19]. The Independent Expert argues that possible explanations of the difference are investor uncertainty in relation to Stanmore's ability to ramp-up its operations at Isaac Plains Easts to its stated underlying EBITDA between A$130 million and A$150 million and/or investors having a more bearish view of coal prices. If this is the case, the following do not appear to be considered appropriately:

- The rationale for BDO to adopt a single value point for the annual coal prices projections between 1 January 2019 and 31 December 2032 when historically coal prices have been subject to substantial volatility and BDO itself admits that investors may have a more bearish view.

- The justification for BDO not testing the reasonableness of Wood Mackenzie coal price forecast against brokers' consensus estimates.

- It is not clear how the ramp-up risk of Isaac Plains East has been taken into account by the Independent Expert in the sum-of-parts valuation considering the extremely narrow value range of Isaac Plains East (+/- 0.8%).

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[19] Between 20% and 40%.

In our opinion, a more plausible explanation of why the difference between the sum-of-parts valuation and the MBV is higher than what is able to be explained from a control premium is that the valuation of the Isaac Downs Complex is overly optimistic, driven by the Wood Mackenzie forecast coal prices being in most cases significantly above consensus forecast and the valuation of Isaac Downs.

In the table below, we have taken the components of the BDO sum-of-parts valuation of Stanmore included in the IER excluding Isaac Downs and compared it with the trading prices before the announcement of the Isaac Downs acquisition on 12 June 2018[20] to test what the theoretical control premium would be.

Prior to Isaac Downs acquisition (11 June 2018)		
A$ million	Low	High
Equity value (control basis)	205.4	291.5
Total number of Stanmore Sahres	251,800,978	251,800,978
Value per Stanmore Share	0.82	1.16
1 month VWAP	0.68	0.68
Implied premium for control on 1 month VWAP	**21%**	**71%**
6 month VWAP	0.69	0.69
Implied premium for control on 6 month VWAP	**18%**	**68%**

Source: GTCF analysis
Note: The equity value on a control basis has been estimated based on table 8.5 of the IER after deducting the value of Isaac Downs assessed by BDO

As outlined in the table above, the average control premium implied in the BDO sum-of-parts valuation excluding Isaac Downs compared with the trading prices before the Isaac Downs acquisition is in line, although at the high-end, with the premium for control as assessed in Appendix 1 of the IER.

In our opinion, this analysis supports the statement that Isaac Downs is overvalued by BDO and the magnitude of the value uplift of Isaac Downs in the space of five to six months since the acquisition is not explained in the IER.

4 Valuation of Stanmore's Mineral Assets

For the valuation of Stanmore's mineral assets not included in the DCF of the Isaac Plains Complex, BDO has relied on the valuation prepared by Palaris that has assessed the value of these assets between A$69.5 million and A$153.6 million.

Palaris used the Yardstick method to value most of the mineral assets. This methodology is based on the EV/Resource Multiple of selected comparable transactions. We have outlined below a summary of the valuation assessment undertaken by Palaris and some of the key assumptions.

4.1 Isaac South

In the valuation of Isaac South, Palaris has relied on five comparable transactions. We note that Isaac South has significant additional mining risk compared with the comparable transactions which should be considered in the applicable multiple. In particular, as set out in section 13.1.2 of the ITSR, Stanmore holds the exploration permit, EPC755, for only the eastern portion of the Isaac South project detailed in the

[20] We note that for the purpose of this mechanical calculation, we have taken the sum-of-parts valuation of Stanmore undertaken by the Independent Expert at face value and it does not represent Grant Thornton's view of the market value of Stanmore.

feasibility study in 2006. The western portion of the project is located within MDL277 which is currently held by Exxaro Australian Pty Ltd and Anglocoal (Grosvenor) Pty Ltd and it currently going through a renewal process ("Isaac South Mining Risk"). Palaris has indicated that no study is available for review that evaluates an operation solely within EPC755.

1. *Wesfarmers Limited acquisition of MDL162 from Peabody. Palaris' selected resource multiple: 0.27 $/t. Deal value: A$70m; 255Mt resources.*

   We agree with Palaris assessment and we consider this transaction broadly comparable to Isaac South.

2. *Stanmore Coal Limited acquisition of MDL135/137 Wotonga/Isaac Plains East from Millenium Coal Pty Ltd. Palaris' selected resource multiple: 0.48 $/t. Deal value: A$7m; 14.5Mt resources.*

   We are of the opinion that deal value estimated by Palaris is inaccurate as the total consideration of A$7 million adopted by Palaris in the calculation of the resource multiple consists of the following:

   - A$2 million cash payment at completion.
   - Deferred payment of A$2 million upon grant of mining lease which was obtained three years later.
   - Deferred payment of up to A$3 million payable as royalty at A$1 per tonne sold which is subject to the mine commencing operations.

   It is evident from the above that the two deferred payments should be heavily discounted in the assessment of the deal value to reflect the risk attached to those payments at the time of the transaction. Certainly, it is not correct to include 100% of the undiscounted deferred payments value in the deal value. In addition, the royalty payment is highly uncertain. If we discount the first deferred payment of A$2 million for 3 years (time until the actual grant of mining lease) at a discount rate of 15% nominal[21] and assume a royalty payment between nil and 50%, the resource multiple should be between A$0.23/t and A$0.33/t.

   Apart from the discrepancy above and the Isaac South Mining Risk, we consider the transaction broadly comparable.

3. *Whitehaven Coal Limited acquisition of MDL183, or 75% of the assets of Winchester South, from Rio Tinto. In May 2018, it acquired the remaining 25% at the same purchase price (on a pro-rated basis). Palaris' selected resource multiple: 0.97 $/t. Deal value: A$259.7m (75%); 356Mt resources (100%).*

   We note that JORC resources increased significantly (from 356Mt to 530Mt) shortly after the transaction (October 2018), but it appears that no further drilling activities were performed since the acquisition and the purchaser only received data from the previous owners and hired a mining engineer to recalculate the coal resource. Therefore, in our opinion the higher JORC resource estimate should be adopted in calculating the resource multiple which then reduces to A$0.65/t.

[21] Based on the nominal WACC adopted by BDO plus circa 2% premium for the pre-development status.

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In addition to the above, we are of the opinion that MDL183 should be considered more valuable than Isaac South due to the following:

- Isaac South Mining Risk discussed above.
- MDL 183 has significantly larger estimated resources (530Mt resources as of October 2018) compared to Isaac South (c. 51.9Mt resources) and estimated production of 7.5Mt per annum.
- MDL183 is expected to produce high quality hard coking coking coals with very low strip ratio of 5:1 versus 15:1 for Isaac South.

4. *South32 Limited acquisition of 50% of the assets of Eagle Downs from China Baowu Steel Group. The other 50% is owned by Aquila Resources which is part of Chinese steel producer BaoWu. Palaris' selected resource multiple: 0.50 $/t. Deal value: A$280.2m (50%); 1.122Mt resources (100%).*

   We are of the opinion that the total deal value is inaccurate. The total consideration consisted of the following:

   - US$106 million upfront payment.
   - A deferred payment of US$27 million due three years after completion.
   - A coal price linked to royalty payments that will be payable when/if the asset commences production and it is capped at US$80 million.

   Palaris has calculated the deal value assuming 100% of the deferred consideration and the coal price linked royalty payment, without risk adjusting these payments which in our opinion is not correct.

   If the deferred payment is net present valued at 10%[22] and we assume 50% of the coal price linked royalty payment to take into account the risk implied in future coal prices and development risk, the total consideration reduces from A$280 million adopted by Palaris to circa A$220 million and the resource multiple becomes A$0.40/t.

   In addition to the above discrepancies, we note that the Eagle Down is an underground longwall coal mine operation which accordingly should not be utilised as comparable companies for an open-cut mine operation like Isaac South.

5. *Sojitz Corporation (Japan) acquisition of 100% of the assets of Gregory Crinum coking coal mine from BHP and Mitsubishi Corp. Palaris' selected resource multiple: 0.79 $/t. Deal value: A$100; 126Mt resources.*

   We consider that this transaction is not comparable for the valuation assessment of Isaac South as it refers to the acquisition of an operating mine which was placed in care and maintenance in 2016 which cannot be compared with a pre-development asset such as Isaac South. The acquisition included the Crinum underground mine, Gregory open cut mine, undeveloped coal resources on-site

[22] Low risk given that it is not performance linked.

infrastructure such as a coal handling and preparation plant, maintenance workshop and administration facilities.

Conclusion on the value of Isaac South

Based on the above, we are of the opinion that the resource multiple applicable to Isaac South should be between A$0.20/t and A$0.40/t mainly based on MDL162 and Wotonga/Isaac Plains East acquisitions but taking into account the Isaac South Mining Risk. This implies a value of Isaac South between A$10.3 million and A$20.6 million.

4.2 Isaac Plains Underground

We note that Palaris has adopted the same comparable transactions selected for the valuation of Isaac South in assessing the resource multiple applicable to Isaac Plains Underground. We will therefore not elaborate on each transaction in detail and we have outlined below some high level commercial comments:

- Isaac Plains Underground is a potential board and pillar underground mine, while the comparable transactions are mainly open-cut project/mines with the exception of the Eagle Downs Project and the Crinum mine. Open-cut mining is considered the preferred choice of extracting mineral deposits due to higher safety, higher recovery rate and increased cost-effectiveness compared to underground mining.

- There seems to be more risk in the Isaac Plains Underground mining operation. The currently granted federal and state environmental approvals do not allow underground activities to commence. Potentially, further imposed environmental approval conditions may result in the project being uneconomical. This is further supported by the fact that cut out distance estimates are not realised due to Leichhardt seam roof stability issues, resulting in larger productivity and operating time discounts.

Based on the above, we are of the opinion that the resource multiple applicable to Isaac Underground should be between A$0.27/t and A$0.50/t as it should trade at a discount to the Isaac South mine. This implies a value of Isaac Plains Underground between A$10.7 million and A$19.8 million.

4.3 The Range

In the valuation of The Range, Palaris has relied on four comparable transactions which we have analysed at high level below.

1. *New Hope Coal Limited acquisition of 51% of assets of the North Surat Project from Cockatoo Coal Limited. Palaris' selected resource multiple: 0.06 $/t. Deal value: A$25m; 404Mt resources.*

Both tenements are located in the same Surat Basin, however the North Surat Project represented a pre-development project with much larger estimated resources (746Mt) relative to The Range (286Mt). The development of these projects is dependent on the highly uncertain development of the Surat Basin Rail Link as they are otherwise stranded.

The North Surat project will most likely be producing low ash, high quality thermal coal. The Range expects to produce export grade thermal coal with low to moderate ash content and high product moisture. Palaris notes the risk of lack of global demand/pricing for these lower energy thermal products, illustrating that The Range's thermal coal is potentially of lower quality.

2. *Bowen Coking Coal Limited acquisition of Isaac River MDL444 and EPC830 from Acacia Coal Limited. Palaris' selected resource multiple: 0.04 $/t. Deal value: A$0.2 million; 5.3Mt resources*

First, we note that the Isaac River tenement is located in the Bowen Basin, while The Range is located in the Surat Basin. Projects in the Surat Basin are materially different from the Bowen Basin, with the former being known for constrained regional infrastructure.

Both projects are exploration projects as well open-cut mining operations. Isaac River operates on a much smaller scale, as such minimal on-site infrastructure is required as services can be negotiated with nearby mines. The Range has inadequate on-site infrastructure with amendments necessary for the CHHP and associated coal handling facilities.

Isaac River expects to produce low ash, low moisture semi-soft or semi-hard coking coal as a primary product and high energy thermal coal as a secondary product. This is higher coal quality than The Range, which expects to produce export grade thermal coal with low to moderate ash content and high product moisture.

3. *Springsure Sure Creek Coal acquisition Comet Ridge Project EPC12300 and MLA70005 from Bowen Coke Coal Limited. Palaris' selected resource multiple: 0.05 $/t. Deal value: A$3.1 million; 57Mt resources.*

We are of the opinion that the total deal value is inaccurate. The total consideration consisted of the following:

- A$0.1 million milestone payment.
- A coal production linked royalty payment, equivalent to a maximum cash payment of A$3 million.

Palaris has calculated the deal value assuming 100% of the royalty consideration without risk adjusting these payments which in our opinion is not correct as they are subject to the significant risk of the exploration assets not being developed. If we only assume 50% of the coal production linked royalty payment to take into account the risk implied in development risk, the total consideration reduces from A$3.1 million as adopted by Palaris to circa A$1.6 million. Accordingly, we are of the opinion that the correct resource multiple to adopt should be approximately A$0.03/t. In addition, we note that Bowen Coking Coal Limited terminated the term sheet with Springsure Creek Coal Pty Ltd in October 2018, one month before the release of Palaris' report on Stanmore Coal, accordingly the deal should have not been considered in the first instance.

4. *Bounty Mining Limited acquisition of Cook Colliery and Minyango Projects from Caledon Coal Pty Ltd and BlackWater Coal Pty Ltd. Palaris' selected resource multiple: 0.05 $/t. Deal value: A$31.5 million; 650Mt resources*

We are of the opinion that the total deal value adopted by Palaris is inaccurate. The total consideration consisted of the following:

- A$6.7 million cash payment upon completion
- A$24.8 million deferred cash payment paid over 18 months.

Palaris has calculated the deal value assuming 100% of the deferred cash payment without risk adjusting it. If the deferred payment is net present valued at 15% over 18 months, the total consideration reduced from A$31.5 million adopted by Palaris to circa A$26.8 million. Accordingly, we are of the opinion that the correct resource multiple to adopt should be A$0.04/t. As evidence of the risk, we note that Bounty has recently experienced financial distress which casts additional doubt in relation to the true market value of the deferred cash payment.

Apart from above discrepancy, we note that the Cook and Minyango tenement is located in the Bowen Basin, while The Range is located in the Surat Basin. The Cook Colliery mine is partly operational, and the Minyango Project will be in the mid-term. The Range is a late stage exploration asset, in a region with significant logistical impediments to development and commercialisation, on a smaller scale (286Mt resources, 117Mt marketable reserves) and accordingly it should trade at a materially lower multiple.

In addition, both Cook Minyango Projects are underground mines whereas the Range involves solely open-cut mining operations.

Based on the above, we are of the opinion that the resource multiple applicable to The Range should be between A$0.03/t and A$0.04/t which implies a value of The Range between A$8.6 million and A$11.4 million.

4.4 Clifford

We note that Palaris has adopted the same comparable transactions selected for the valuation of The Range in assessing the resource multiple applicable to Clifford, with the exception of the acquisition of the Cooroorah and Mt. Hillalong tenements. Clifford is located in the North Surat Basin, similar to the North Surat Project but the other assets are located in the Bowen Basin. Despite Clifford's estimated resources being large, a significant portion of estimated resources (c. 70%) is inferred. Also, Clifford is a late stage exploration project, whereas the identified comparable transactions are pre-development projects. We note that Surat Basin coals are characterised by high clay contents, which can cause difficulty in processing and potentially reduces product value.

Based on the above, we are of the opinion that the resource multiple applied to Clifford should be between A$0.018/t and A$0.028/t. This implies a value of Clifford between A$6.7 million and A$10.6 million.

4.5 Belview

We note that Palaris has adopted the same comparable transactions selected for the valuation of The Range in assessing the resource multiple applicable to Belview. Belview is located in the Bowen Basin, similar to some of the identified comparable transactions. Although Belview's estimated resources are higher than some of the identified comparable transactions (Comet Ridge and Isaac River), a significant portion of the resources (c. 85%) is inferred. Belview is also a late stage exploration project, whereas the identified comparable transactions are pre-development projects. Belview expects to produce primary hard

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coking coal, with secondary PCI and thermal products. This is quite similar to the identified comparable transactions. However, Belview is an underground longwall operation. The other identified comparable transactions are open-cut mining operations, with the exception of the Cook and Minyango projects acquired by Bounty Mining.

Based on the above, we are of the opinion that the resource multiple applicable to Belview should be between A$0.03/t and A$0.04/t. This implies a value of Belview between A$9.9 million and A$13.2 million.

Conclusion on the value of the other mineral assets

Below we have summarised the impact of the resource multiple revisions on the total tenements value.

Value Stanmore's Mineral Assets after revision resource multiples

			Resource multiple ($/t)			Resources (Mt)	Valuation	
Project	Basin	Stage	Preferred	Low	High		Low (A$m)	High (A$m)
Isaac South	Bowen	Pre-development	NA	0.20	0.40	51.4	10.3	20.6
Isaac Plains Underground	Bowen	Pre-development	NA	0.27	0.50	39.5	10.7	19.8
The Range	Surat	Exploration	NA	0.030	0.040	286.1	8.6	11.4
Clifford	Surat	Exploration	NA	0.018	0.028	378.0	6.7	10.6
Belview	Bowen	Exploration	NA	0.030	0.040	330.0	9.9	13.2
Other projects	Bowen	Exploration	-	-	-	-	14.2	33.3
Total value of the other mineral assets							**60.3**	**108.8**

The table above does not reflect Grant Thornton Corporate Finance's view of the market value of the Other Mineral Assets rather it represents a mechanical calculation of how the value of the Other Mineral Assets assessed by BDO/Palaris may change by adjusting the errors outlined in the sections above and taking into account our specific comment on the level of comparability. We have not undertaken a search of other relevant comparable transactions but we have limited our analysis on the transactions identified by Palaris.

5 Capitalised corporate overheads

BDO has removed the corporate overheads from the Isaac Plains Complex DCF model and assessed the value separately. BDO has assessed the corporate overheads at a base rate of A$5.14 million per annum and scaled down if coal production does not exceed a minimum amount, which is not specified in the IER.

BDO has not provided disclosure on what costs are included in the base rate of A$5.14 million and how it has been assessed. We have considered in the table below the corporate overhead costs that we have derived from the FY17 and FY18 audited accounts.

Corporate overheads	FY17	FY18
A$ million	Audited	Audited
Employee - salaries and wages	2,839	2,761
Employee - superannuation	205	226
Other overhead expenses	2,048	3,242
Total corporate overheads	**5,092**	**6,229**

Source: GTCF analysis

Based on the above, the base rate corporate costs of A$5.14 million per annum does not appear unreasonable although towards the low-end of the expected range considering that Stanmore may have incurred one-off expenses in relation to the acquisition of Isaac Downs in FY18 and BDO may have excluded certain listed company costs from the above table considering that the valuation has been undertaken on a 100% basis.

In the calculation of the net present value of the corporate costs, BDO has reduced the base rate corporate costs by A$2.39 million being corporate overheads related to business development expenses. In BDO's opinion, the corporate development expenses are for the purpose of further developing assets and enhancing their value.

We are of the opinion that the adopted approach is not reasonable due to the following:

- Isaac Downs is at least three years away from commencement of production and it requires significant development and permitting.

- BDO sum-of-parts valuation assumes that value of Isaac Downs is enhanced from circa A$30 million base purchase price in June 2018 to circa A$187.2 million (mid-point) which assumes that the project moves from development to production over the next three years.

If development costs of A$2.35 million per annum are considered in the corporate costs for a period of at least five years, the net present value of the corporate costs would increase from A$17.9 million to A$24.5 million. In addition, we note that Stanmore is expected to incur defence related costs between A$1 million and A$3.75 million which BDO has not considered in their valuation assessment.

6 Weighted average cost of capital

6.1 Comments on the overall assessment of the discount rate

The Independent Expert has adopted a real after-tax Weighted Average Cost of Capital ("WACC") between 9.0% and 11.0% to assess the net present value of the future cash flows.

The selected discount rate seems to be in line with the discount rate selected by investment analysts in the published brokers' reports in relation to Stanmore (10% real in most circumstances). However, the discount rate should not be considered in isolation and it should be a function of the underlying assumptions adopted in the DCF.

In our opinion there are other optimistic assumptions adopted in the DCF which are not necessarily reflected in the discount rate. In particular we note the following:

- Ramp-up risk for Isaac Plains East.

- The risks attached to the development of Isaac Downs as discussed in section 2

- The current infrastructure capacity does not match the coal volume in the financial model. Palaris has noted that they consider this as low risk, however, they have flagged potentially higher prices to access the additional infrastructure capacity.

- The dragline is 40 years old and in the case of a major failure, mining costs will increase significantly.

6.2 Detailed assessment in the discount rate

As disclosed in the Second Supplementary Target's Statement, BDO has assessed the discount rate between 9% and 11% on a real basis which equates to approximately 11.7% to 13.8% on a nominal basis assuming 2.5% inflation.

We have set out below the key assumptions adopted by BDO in the assessment of the WACC:

- A risk-free rate of 2.76% based on the Australian Government 15-year bond rate as 1 December 2018.
- An equity market risk premium of 6.0%.
- A beta in the range of 1.0 to 1.3.
- Return on debt of between 5% and 6%.
- Capital structure of 90% equity and 10% debt.

Based on the above, we have recreated below the discount rate assessed by BDO.

WACC Calculation	Low	High
Cost of equity		
Risk-free rate	2.76%	2.76%
Beta	1.0	1.3
Market risk premium	6.0%	6.0%
Specific risk premium (1)	3.9%	4.3%
Cost of equity	**12.7%**	**14.9%**
Cost of debt		
Cost of debt (pre-tax)	5.0%	6.0%
Tax	(1.5%)	(1.8%)
Cost of debt (post-tax)	**3.5%**	**4.2%**
Capital structure		
Proportion of debt	10.0%	10.0%
Proportion of equity	90.0%	90.0%
BDO assessed WACC on a nominal basis	**11.7%**	**13.8%**
Inflation	2.5%	2.5%
BDO assessed WACC on a real basis	**9.0%**	**11.0%**

Source: Page 120 and 121 Target's Statement, Page 4 second Supplementary Target's Statement, GTCF analysis
Note 1 – the specific risk premium applied is not disclosed in the BDO IER. We have estimated in order to obtain the discount rate in line with the nominal and real discount rate disclosed in the IER.

Beta calculation

BDO assumed a beta in the range of 1.0 to 1.3. The Independent Expert has not provided any sources, working papers, calculations or reasoning for selecting this beta range. As such, it is difficult to test the reasonableness of the assumption selected and the methods for selecting this beta range.

Accordingly, we have undertaken a high-level assessment of the beta applicable to Stanmore having regard to the following assumptions:

- *Basket of companies* – We have examined the betas of comparable companies mentioned in the Target's Statement (Page 11 and 12) dated 12 December 2018, as well as several other listed coal companies operating in Australia and overseas.
- *Beta period* – Based on market best practice, we have relied on the 5-year monthly beta observations.
- *Underlying index* – we have calculated the beta having regard to the correlation with the local index and with the MSCI World Index given that coal is traded in US$ and it is subject to global trends.
- *Leverage* – We have unlevered the beta using an average gearing ratio over 5 years for each company, unless stated otherwise, and we have re-levered the betas using the BDO's assumed debt level of 10%[23].
- *Statistically relevant observations* – We also analysed whether the regressions coefficients are valid by means of F and T-tests using a confidence interval of 95%[24]. We note that many regression coefficients are not valid.

We have summarised in the table below the findings of our analysis. Refer to Appendix C for full details.

Beta oveview	
5-year monthly beta based on the local index	
Stanmore Coal Beta	3.02
Median of the statistically relevant companies	1.58
5-year monthly beta based on the MSCI index	
Stanmore Coal Beta	2.38
Median of the statistically relevant companies	1.24

Source: Page 120 Target's Statement, GTCF analysis

Based on the above analysis, the beta assessed by BDO is low compared with the listed peers and the beta of Stanmore which, in absence of information include in the IER, is difficult to justify in particular at the low end of the beta range.

[23]BDO has assumed a debt on enterprise value of 10% corresponding to a debt to equity ratio of approximately 11%.

[24] We incorporated a confidence level of 95%, which is a common threshold used by researchers, to determine the significance level in the F/T-tests to determine whether the regression coefficients are valid. If we change the confidence level to 99% Whitehaven and New Hope are still valid regression coefficients.

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In our opinion, a beta range between 1.3 and 1.6 would have been more appropriate and representative of the beta of the comparable companies.

Interest rate on the debt

In the Supplementary Target's Statement, BDO disclosed that in the calculation of the WACC, it has adopted an interest rate between 5% and 6%. BDO is not clear on the basis of their estimate, only stating that the assumed cost on debt is based on broadly comparable companies and observed interest rates. Additionally BDO does not disclose if the interest rate on debt is based on a pre- or post-tax basis.

As Stanmore has an existing debt facility in place, we have reviewed the terms of the existing debt to determine the cost of debt for the company. In the ASX announcement on 31 August 2017, Stanmore disclosed the key terms of the financing arrangement with Taurus which are summarised below:

- Maturity date – 15 November 2019.
- Interest rate on drawn funds of 10.0%.
- Interest rate on undrawn funds of 2.0%.
- Establishment fee of 3.0%.
- Royalty payable of 1.0% on LOM proceeds from the Isaac Plains Complex.

We note that the interest rate on the facility is 10.0% on drawn funds, with a LOM 1.0% royalty payment on the proceeds of the Isaac Plains Complex. While we have not recalculated the market value of the interest rate, if the upfront fees and the royalty payment is taken into account, the effective interest rate currently paid by the Company is substantially higher than the assumption adopted by BDO. Whilst we acknowledge that Stanmore may be able to refinance its current debt with more cost effective debt facilities as it ramps-up production, the interest rate selected by BDO is not explained or supported in the IER.

7 Other issues in the Independent Expert Report

We have set out below a number of other deficiencies we have identified in the IER:

- Paragraph 68 of ASIC RG 111[25] prescribes the expert to discuss how much weight is being placed on each methodology used in the valuation[26]. In section 8.1 of the IER, BDO indicates that it has used both the sum-of-parts valuation and the MBV to form a view on the most appropriate value range for Stanmore, however in section 8.8, BDO solely relies on the sum-of-parts valuation to assess the market value per share between A$1.48 to A$1.90. BDO's conflicting statements are outlined below.

> 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 basis, for the purpose of this Report (refer Section 8.8).

Source: Page 117 Target's Statement

[25] Australian Securities and Investments Commission Regulatory Guide 111 "Content of Expert's Report".
[26] For instance, one methodology may be identified as the primary methodology whereas another is used to provide a cross-check to the valuation.

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> 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 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.

Source: Page 125 Target's Statement

- BDO has not undertaken a cross check of the value assessed based on the sum-of-parts valuation having regard to the EV/Resource Multiple which is a valuation methodology commonly adopted by Independent Experts in the preparation of an IER in this industry. This would have been particularly useful given that BDO has substantially disregarded the valuation based on the trading prices as outlined above and accordingly it has only relied on one valuation methodology in assessing the value of Stanmore.

- As set out on page 145 of the Target's Statement, Palaris has assessed the strip ratio average at 6.6:1 in FY22 and 7.5:1 in FY23 once Isaac Downs becomes operational. It is not clear how the strip ratio in FY22 and FY23 have been derived considering that Stanmore had disclosed a strip ratio in the range of 8:1 to 10:1 when Isaac Downs is in production. We have set out below the relevant abstract from the Target's Statement.

> 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.

Source: Page 15 of the Target's Statement

7 Sources of information, disclaimer and consents

7.1 Sources of information

In preparing this Report Grant Thornton Corporate Finance has used various sources of information, including:

- Target's Statement, IER and ITSR.
- Publicly available documents in relation to Stanmore and the comparable companies
- S&P Global
- brokers consensus forecasts
- Various industry and broker reports
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of Golden Investments and its advisers.

7.2 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information made publicly available by Stanmore, and other publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any such information is false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information published by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information published is materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information used by us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This report has been prepared to assist the Directors of Golden Investments in communicating with the Stanmore Shareholders in relation to the Offer. This report should not be used for any other purpose. In particular, this report is not and it should not be considered an Independent Expert's Report in relation to the Offer. This report is only a review and critique of the Target's Statement issued by Stanmore in relation to the Offer. It is not intended that this report should be used for any purpose.

Golden Investments has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information made available by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which it did not provide to BDO

Corporate Finance Queensland for the purpose of the Independent Advisor's Report. Golden Investments will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

7.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in statements by Golden Investments to Stanmore Shareholders in connection with the Offer. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Glossary

A$ or $	Australian Dollar
ABV	Asset Based Valuation
AGM	Annual general meeting
Ascend Global	Ascend Global Investment Fund SPC
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance Queensland
BFS	Bankeable feasibility statement
brokers consensus estimates	Estimates based on KPGM consensus forecast report as at September/October 2018
CAGR	Compounded Annual Growth Rate
CAPM	Capital Asset Pricing Model
CHPP	Coal handling preperation plant
Company, the	Stanmore Coal Limited (ASX:SMR)
Corporations Act	Corporations Act 2001
DCF	Discounted Cash Flow
Desktop DCF Model	High level DCF model for the Isaac Plains Complex
Directors, the	The Directors of the Company
E&M	Energy & Metals Consensus Forecasts 17 December 2018 report
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPC	Exploration permit coal
EV	Enterprise Value
FIRB	Foreign Investment Review Board
FOB	Free-on-board
FSG	Financial Services Guide
FYXX	Financial year ended 30 June 20XX
GEAR	Golden Energy and Resources Limited
Golden Investments	Golden Investments (Australia) Pte. Ltd.
Greatgroup	Greatgroup Investments Limited
GTAL	Grant Thornton Australia Limited
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
HCC	Hard Coking Coal
IER	Independent Expert Report by BDO Corporate Finance Queensland
Independent Adviser's Report	Report prepared by BDO Corporate Finance Queensland dated on 11 December 2018
Independent Expert	BDO Corporate Finance Queensland
Isaac South Mining Risk	Western portion Isaac South Project is located within MDL277 currently held by Exxarco and Anglocoal
ITSR	Independent Technical Specialist Report
JORC	Australasian Joint Ore Reserves Committee
LOM	Life of mine
Management, the	The management of Stanmore Coal Limited and its advisors
MBV	Market based valuation
MDL	Mining development lease
Mt	Million tonnes
Mtpa	Million tonnes per annum
NPAT	Net profit after tax
NSW	New South Wales

Offer	A$0.95 cash per share off-market takeover off for all the ordinary shares in Stanmore
pa	Per annum
Palaris	Palaris Australia Pty Ltd
Palaris Report, the	The Palaris Independent Technical Assessment and Valuation Report
PCI	Pulverised Coal Injection
Report, the	Independent Review Report prepared by Grant Thronton Corporate Finance
RG111	Regulatory Guide 111: "Content of Expert Report" published by ASIC
RG112	Regulatory Guide 112: "Independence of experts" published by ASIC
ROM	Run-of-Mine
Shareholders, the	The holders of fully paid ordinary shares in the Company
SHCC	Semi Hard Coking Coal
SSCC	Semi Soft Coking Coal
Stanmore or the Company	Stanmore Coal Limited (ASX:SMR)
Stanmore's Mineral Assets	Stanmore's tenements
Supplementary Target's Statement (I)	The first Supplementary Target's Statement, dated 21 December 2018, issued by Stanmore in regards to Golden Investments' takeover offer
Supplementary Target's Statement (II)	The second Supplementary Target's Statement, dated 21 December 2018, issued by Stanmore in regards to Golden Investments' takeover offer
t	Tonne
Target's Statement	The Target's Statement, dated 12 December 2018, issued by Stanmore in regards to Golden Investments' takeover offer
US$	United States Dollar
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital
We, us, our	Grant Thornton Corporate Finance Pty Ltd

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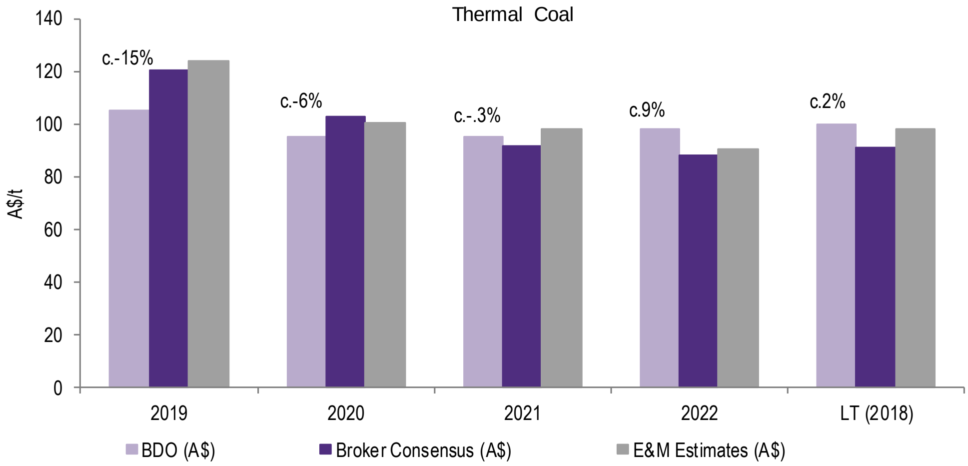
Appendix B – Thermal coal prices consensus forecast

Thermal coal



Source: Page 119 Target's Statement, GTCF analysis

Note: Variance is calculated based on BDO vs E&M consensus price

The thermal coal prices used by BDO are significantly lower in comparison to E&M estimates for calendar year-end 2019 to 2021, ranging from c.15% to c. 3% lower. The long-term price, after 2022, is slightly higher at c. 2%. However as thermal coal volumes are limited, the variance in the price has an immaterial impact on the valuation of the Isaac Plains Complex.

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Appendix C – Beta assessment

Company Beta analysis	Listed in	Country	Regression Valid	Ref. Index	Period (years)	Timing	Market Cap A$ mio	5YR Equity Geared Beta	Applied Gearing ratio	Corp. Tax Rate %	Ungeared Beta	Regearing Ratio	Regeared Beta
Stanmore Coal Limited	Australia	Australia	Valid	XAO	5	Monthly	255	2.00	(40.5%)	30.0%	2.80	11.1%	3.02
ASX listed coal companies													
Whitehaven Coal Limited	Australia	Australia	Valid	XAO	5	Monthly	4,315	1.94	44.7%	30.0%	1.48	11.1%	1.60
New Hope Corporation Limited	Australia	Australia	Valid	XAO	5	Monthly	2,685	1.30	(14.1%)	30.0%	1.45	11.1%	1.56
TerraCom Limited	Australia	Australia	Not valid	XAO	5	Monthly	258	1.22	194.4%	30.0%	0.52	11.1%	0.56
Yancoal Australia Ltd	Australia	Australia	Not valid	XAO	5	Monthly	4,754	NM	75.0%	28.0%	NM	11.1%	NM
Universal Coal Plc	Australia	United Kingdor	Not valid	XAO	5	Monthly	175	0.10	35.6%	30.0%	0.08	11.1%	0.08
Australian Pacific Coal Limited	Australia	Australia	Not valid	XAO	5	Monthly	35	1.50	26.4%	30.0%	1.26	11.1%	1.36
Aspire Mining Limited	Australia	Australia	Not valid	XAO	5	Monthly	63	NM	19.0%	30.0%	NM	11.1%	NM
Jameson Resources Limited	Australia	Australia	Not valid	XAO	5	Monthly	45	1.15	(16.7%)	30.0%	1.30	11.1%	1.40
Global peers													
Peabody Energy Corporation	USA	USA	Valid	XAO	5	Monthly	5,079	1.72	8.4%	27.0%	1.62	11.1%	1.75
Alliance Resource Partners, L.P.	USA	USA	Not valid	XAO	5	Monthly	3,423	0.78	37.2%	27.0%	0.62	11.1%	0.66
Arch Coal, Inc.	USA	USA	Not valid	XAO	5	Monthly	2,231	0.25	11.5%	27.0%	0.23	11.1%	0.25
Foresight Energy LP	USA	USA	Not valid	XAO	5	Monthly	729	1.00	258.5%	27.0%	0.35	11.1%	0.37
Warrior Met Coal, Inc.	USA	USA	Not valid	XAO	5	Monthly	1,724	0.51	8.5%	27.0%	0.48	11.1%	0.52
CONSOL Coal Resources LP	USA	USA	Valid	XAO	5	Monthly	647	1.16	55.6%	27.0%	0.83	11.1%	0.89
Cloud Peak Energy Inc.	USA	USA	Not valid	XAO	5	Monthly	35	1.24	178.4%	27.0%	0.54	11.1%	0.58
Hallador Energy Company	USA	USA	Not valid	XAO	5	Monthly	224	NM	92.8%	27.0%	NM	11.1%	NM
Ramaco Resources, Inc.	USA	USA	Not valid	XAO	5	Monthly	281	0.65	(7.1%)	27.0%	0.68	11.1%	0.74
Bathurst Resources Limited	USA	USA	Not valid	XAO	5	Monthly	188	0.74	3.9%	28.0%	0.72	11.1%	0.78
Average peers								**1.02**			**0.81**		**0.87**
Median peers								**1.15**			**0.68**		**0.74**
Median peers (T-test significant)								**1.51**			**1.46**		**1.58**

Source: CapitalIQ and GTCF calculations

(1) Equity betas are calculated using data provided by CapitalIQ. The betas are based on a three/five-year period with weekly/monthly observations and have been unlevered based on the average gearing ratio over the same time period except for New Hope, Yancoal and Terracom - see next note for more information.(2): New Hope: average gearing ratio after March 2016 following acquisition 40% stake Bengalla JV from Rio Tinto; Yancoal: average gearing ratio after July 2017 following significant equity-offering; Terracom: average gearing ratio after July 2016 following operational turnaround and improvement financial performance (non-distress).(3) Betas have been relevered based on the BDO's assumed optimal capital structure of Stanmore (10% debt level).(4) To estimate the significance level used in the F/T-tests to determine if the regression coefficients are valid, we assumed a confidence level of 95%, which is a commonly threshold used by researchers. If we change the confidence level to 99% Whitehaven and New Hope are still valid regression coefficients.

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Appendix C – Beta assessment (cont'd)

Company Beta analysis	Listed in	Country	Regression Valid	Ref. Index	Period (years)	Timing	Market Cap A$ mio	5YR Equity Geared Beta	Applied Gearing ratio	Corp. Tax Rate %	Ungeared Beta	Regearing Ratio	Regeared Beta
Stanmore Coal Limited	Australia	Australia	Not valid	MSCI	5	Monthly	255	1.58	(40.5%)	30.0%	2.21	11.1%	2.38
ASX listed coal companies													
Whitehaven Coal Limited	Australia	Australia	Valid	MSCI	5	Monthly	4,315	2.11	44.7%	30.0%	1.61	11.1%	1.73
New Hope Corporation Limited	Australia	Australia	Valid	MSCI	5	Monthly	2,685	1.03	(14.1%)	30.0%	1.15	11.1%	1.24
TerraCom Limited	Australia	Australia	Not valid	MSCI	5	Monthly	258	0.99	194.4%	30.0%	0.42	11.1%	0.45
Yancoal Australia Ltd	Australia	Australia	Not valid	MSCI	5	Monthly	4,754	NM	75.0%	28.0%	NM	11.1%	NM
Universal Coal Plc	Australia	United Kingdor	Not valid	MSCI	5	Monthly	175	NM	35.6%	30.0%	NM	11.1%	NM
Australian Pacific Coal Limited	Australia	Australia	Not valid	MSCI	5	Monthly	35	NM	26.4%	30.0%	NM	11.1%	NM
Aspire Mining Limited	Australia	Australia	Not valid	MSCI	5	Monthly	63	NM	19.0%	30.0%	NM	11.1%	NM
Jameson Resources Limited	Australia	Australia	Not valid	MSCI	5	Monthly	45	1.09	(16.7%)	30.0%	1.23	11.1%	1.33
Global peers													
Peabody Energy Corporation	USA	USA	Not valid	MSCI	5	Monthly	5,079	0.49	8.4%	27.0%	0.46	11.1%	0.50
Alliance Resource Partners, L.P.	USA	USA	Valid	MSCI	5	Monthly	3,423	1.08	37.2%	27.0%	0.85	11.1%	0.92
Arch Coal, Inc.	USA	USA	Not valid	MSCI	5	Monthly	2,231	NM	11.5%	27.0%	NM	11.1%	NM
Foresight Energy LP	USA	USA	Not valid	MSCI	5	Monthly	729	1.07	258.5%	27.0%	0.37	11.1%	0.40
Warrior Met Coal, Inc.	USA	USA	Not valid	MSCI	5	Monthly	1,724	NM	8.5%	27.0%	NM	11.1%	NM
CONSOL Coal Resources LP	USA	USA	Valid	MSCI	5	Monthly	647	1.20	55.6%	27.0%	0.85	11.1%	0.92
Cloud Peak Energy Inc.	USA	USA	Valid	MSCI	5	Monthly	35	2.84	178.4%	27.0%	1.23	11.1%	1.33
Hallador Energy Company	USA	USA	Not valid	MSCI	5	Monthly	224	NM	92.8%	27.0%	NM	11.1%	NM
Ramaco Resources, Inc.	USA	USA	Not valid	MSCI	5	Monthly	281	0.41	(7.1%)	27.0%	0.43	11.1%	0.47
Bathurst Resources Limited	USA	USA	Not valid	MSCI	5	Monthly	188	0.62	3.9%	28.0%	0.61	11.1%	0.66
Average peers								**1.18**			**0.84**		**0.90**
Median peers								**1.07**			**0.85**		**0.92**
Median peers (T-test significant)								**1.20**			**1.15**		**1.24**

Source: CapitalIQ and GTCF calculations

(1) Equity betas are calculated using data provided by CapitalIQ. The betas are based on a three/five-year period with weekly/monthly observations and have been unlevered based on the average gearing ratio over the same time period except for New Hope, Yancoal and Terracom - see next note for more information.(2): New Hope: average gearing ratio after March 2016 following acquisition 40% stake Bengalla JV from Rio Tinto; Yancoal: average gearing ratio after July 2017 following significant equity-offering; Terracom: average gearing ratio after July 2016 following operational turnaround and improvement financial performance (non-distress).(3) Betas have been relevered based on the BDO's assumed optimal capital structure of Stanmore (10% debt level).(4) To estimate the significance level used in the F/T-tests to determine if the regression coefficients are valid, we assumed a confidence level of 95%, which is a commonly threshold used by researchers. If we change the confidence level to 99% Whitehaven and New Hope are still valid regression coefficients.

Annexure B

Golden Investments (Australia) Pte. Ltd.

Notice – Freeing of Conditions

To: **Stanmore Coal Limited ACN 131 920 968 (Stanmore Coal)**
ASX Limited (ASX)

In relation to the Offer by Golden Investments made pursuant to the bidder's statement dated 19 November 2018 (as supplemented by a first supplementary bidder's statement dated 14 December 2018, a second supplementary bidder's statement dated 27 December 2018, and a third supplementary bidder's statement dated today) **(Bidder's Statement),** Golden Investments gives notice under section 650F(1) of the Corporations Act that:

(1) it declares the Offer and any takeover contract arising from acceptance of the Offer free from the Conditions as set out in Section 9 of Annexure A of the Bidder's Statement, being:

(a) Minimum Acceptance Condition;

(b) No Prescribed Occurrence Condition;

(c) No Regulatory Impediment Condition;

(d) No Material Adverse Change;

(e) No Restricted Action; and

(f) No Misleading ASX Announcements; and

(2) as at the date of this notice, Golden Investments' Voting Power in Stanmore Coal is 19.99%.

Words defined in the Bidder's Statement have the same meaning in this notice, unless the context requires otherwise.

Mark Zhou
Director
Golden Investments (Australia) Pte. Ltd.

Mulyadi Tjandra
Director
Golden Investments (Australia) Pte. Ltd.

Date: 15 January 2019

Annexure C

Golden Investments (Australia) Pte. Ltd.

Notice – Status of Conditions

To: **Stanmore Coal Limited ACN 131 920 968 (Stanmore Coal)**
ASX Limited (ASX)

In relation to the Offer by Golden Investments made pursuant to the bidder's statement dated 19 November 2018 (as supplemented by a first supplementary bidder's statement dated 14 December 2018, a second supplementary bidder's statement dated 27 December 2018, and a third supplementary bidder's statement dated today) **(Bidder's Statement),** Golden Investments gives notice under section 630(3) of the Corporations Act that:

(1) by notice under section 630(4) of the Corporations Act dated 19 December 2018, the Offer was freed from the FIRB Condition set out in Section 9 of Annexure A of the Bidder's Statement;

(2) by notice under section 650F of the Corporations Act dated today and attached as Annexure B, the Offer has been freed from the Conditions, set out in Section 9 of Annexure A of the Bidder's Statement, being:

   (a) Minimum Acceptance Condition;

   (b) No Prescribed Occurrence Condition;

   (c) No Regulatory Impediment Condition;

   (d) No Material Adverse Change;

   (e) No Restricted Action; and

   (f) No Misleading ASX Announcements; and

(3) as at the date of this notice, Golden Investments' Voting Power in Stanmore Coal is 19.99%.

Words defined in the Bidder's Statement have the same meaning in this notice, unless the context requires otherwise.

Mark Zhou Director Golden Investments (Australia) Pte. Ltd.	Mulyadi Tjandra Director Golden Investments (Australia) Pte. Ltd.

Date: 15 January 2019

golden energy and resources