STANMORE COAL LIMITED

Independent Expert's Report and Financial Services Guide

29 APRIL 2020

FINANCIAL SERVICES GUIDE

Dated: 29 April 2020

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

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

a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, and interests in managed investment schemes excluding investor directed portfolio services; and

b) Arranging to deal in financial products in relation to securities; and

c) applying for, acquiring, varying or disposing of a financial product in relation to interests in managed investment schemes excluding investor directed portfolio services, and securities.

General Financial Product Advice

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

The Assignment

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

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

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

Fees, commissions and other benefits we may receive

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

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

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

Associations and relationships

From time to time BDOCF or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDOCF has previously completed an IER for Stanmore in relation to Golden Investments' previous off-market takeover bid announced on 19 November 2018. In the last two years, we note that related entities have provided professional services including BDO Services Pty Ltd providing tax compliance services and BDO Audit Pty Ltd being Stanmore's external auditor.

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

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

Complaints

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

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

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

Compensation Arrangements

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

Contact Details

BDO Corporate Finance Ltd

Location Address:	Postal Address:
Level 10 12 Creek Street BRISBANE QLD 4000	GPO Box 457 BRISBANE QLD 4001
Phone: (07) 3237 5999	Email: cf.brisbane@bdo.com.au
Fax: (07) 3221 9227	

CONTENTS

GLOSSARY

Reference	Definition
$ or AUD	Australian dollars
ABV	Asset-based valuation
ADSP	Asian Distressed Segregated Portfolio
APES 225	Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited
Ascend Capital	Ascend Capital Advisors (S) Pte. Ltd
Ascend Global	Ascend Global Investment Fund SPC
ASIC	Australian Securities and Investment Commission
ASTR	Absolute Shareholder Total Returns
ASX	Australian Securities Exchange
BCCM	Bowen Central Coal Management
BDO Persons	BDOCF, BDO or any of its partners, directors, agents or associates
BDOCF	BDO Corporate Finance Ltd
BFS	Bankable Feasibility Statement
Bidder's Statement	The Bidder's Statement, dated 2 April 2020, issued by Golden Investments in regards to the on-market takeover offer for all ordinary shares in Stanmore
Board, the	The board of directors of the Company
BoL	Bill of Loading
CAPM	Capital asset pricing model
CCD	Capacity Commitment Deed
CHPP	Coal handling preparation plant
CME	Capitalisation of Maintainable Earnings
Company, the	Stanmore Coal Limited
Corporations Act, the	The Corporations Act 2001
DBCT	Dalrymple Bay Coal Terminal
DCF	Discounted cash flow
DES	Department of Environment and Science
Independent Directors, the	The independent directors of Stanmore, being Stewart Butel, Stephen Bizzell and Neal O'Connor
DNRM	Department of Natural Resources, Mines and Energy
DRP	Dividend reinvestment plan
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EGM	Extraordinary general meeting
EIS	Environmental impact statement
EPC	Exploration permit coal
Financial Model	The financial model provided by Stanmore and reviewed by RPM
FIRB	Foreign Investment Review Board
FOB	Free-on-board
FSG	Financial Services Guide
FY	The financial year or 12-month period ended on 30 June
GEAR	Golden Energy Resources Limited
Golden Investments	Golden Investments (Australia) Pte. Ltd.
IER	Independent expert's report
Isaac Plains Complex	Stanmore's producing and development assets inclusive of Isaac Plains, Isaac Plains East, Isaac Downs, Isaac Plains Underground, and Isaac South
JOGMEC	Japan Oil, Gas and Metals National Corporation
JORC	Australasian Joint Ore Reserves Committee
kt	Thousand tonnes
LOM	Life of mine
Management, the	The management of Stanmore and its advisers
MAS	Monetary Authority of Singapore
MBV	Market-based valuation
MDL	Mineral development licence

Reference	Definition
ML	Mining lease
Mt	Million tonnes
Mtoe	Million tonnes oil equivalent
Mtpa	Million tonnes per annum
NPAT	Net profit after tax
Offer, the	The on-market bid made by Golden Investments for all the ordinary shares in Stanmore announced on 2 April 2020
Offer Period	Period between 17 April 2020 and to the close of ASX trading on 18 May 2020, unless extended or withdrawn in accordance with the Corporations Act
Palaris	Palaris Australia Pty Ltd
Petra	Petra Capital Pty Limited
PP&E	Property, plant and equipment
RBA	Reserve Bank of Australia
Regulations, the	The Corporations Regulations 2001
Report, this	This IER prepared by BDOCF and dated 29 April 2020
RG 111	Regulatory Guide 111: Content of Expert Report, issued by ASIC
RGs	Regulatory guides published by ASIC
RPM	RPM Advisory Services Pty Ltd
RPM's Report	RPM's Independent Technical Assessment and Valuation Report dated 29 April 2020
ROM	Run-of-mine
Shareholders, the	The non-associated holders of fully paid ordinary shares in the Company
Stanmore	Stanmore Coal Limited
Stanmore's Mineral Assets	Stanmore's tenements
t	Tonnes
Target's Statement	The Target's Statement, dated 29 April 2020, issued by Stanmore in regards to Golden Investments' on-market takeover offer
USD	United States dollars
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Specialist Reports
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
We, us, our	BDO Corporate Finance Ltd
Winfield Energy	Winfield Group Investments Pty Ltd

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek Street
Brisbane, QLD 4000
GPO Box 457, Brisbane QLD 4001
AUSTRALIA

PART I: ASSESSMENT OF THE OFFER

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

29 April 2020

Dear Non-Associated Shareholders,

1.0 Introduction

BDO Corporate Finance Ltd ('BDOCF', 'we', 'us' or 'our') has been engaged to provide an independent expert's report ('IER') ('this Report') to the non-associated shareholders ('the Shareholders') of Stanmore Coal Limited ('Stanmore' or 'the Company') in relation to the on-market takeover bid made by Golden Investments (Australia) Pte. Ltd. ('Golden Investments') for all the ordinary shares in Stanmore on 2 April 2020 ('the Offer').

The consideration to be received by the Shareholders under the Offer is cash consideration of $1.00 per Stanmore share (less any applicable transaction costs for an on-market sale).

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

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

This Report, including Part I, Part II and the appendices, should be read in full along with all other documentation provided to the Shareholders including the Bidder's Statement dated 2 April 2020 prepared by Golden Investments ('Bidder's Statement') and the Target's Statement dated on or around 29 April 2020 prepared by Stanmore ('the Target's Statement').

2.0 Assessment of the Offer

This section is set out as follows:

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

2.1 Basis of Evaluation

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

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

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

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

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

2.2 Assessment of Fairness

2.2.1 Basis of Assessment

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

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

a) Determine the value of a share in Stanmore on a controlling interest basis;

b) Determine the value of the consideration relevant to our assessment of the Offer; and

c) Compare the value of a) above with the value of the consideration to be received by the Shareholders for each Stanmore share under the Offer.

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

2.2.2 Value of a Stanmore Share

In our view, for the purposes of the analysis set out in this Report, it is appropriate to adopt a value in the range of \$0.90 to \$1.39 per Stanmore share on a controlling interest basis. In forming this view, we considered a sum-of-parts approach that incorporated a Discounted Cash Flow ('DCF') Valuation methodology for production assets and an Asset-Based Valuation ('ABV') methodology for pre-production assets, and other assets and liabilities. In forming our view on an appropriate value to adopt, we also considered a market based valuation ('MBV') methodology.

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

- Assess the technical inputs used for our DCF valuation of the Isaac Plains Complex ('Isaac Plains Complex'); and
- Provide an independent valuation of all tenements ('Stanmore's Mineral Assets') that, in RPM's view, are unable to be valued using the DCF methodology.

The RPM Independent Technical Specialists Report dated 29 April 2020 ('RPM's Report') is attached as Appendix B to this Report.

While RPM has provided us with information which indicates they have the requisite experience to assess the inputs into the Isaac Plains Complex and complete a valuation of Stanmore's Mineral Assets, and we have critically analysed their work, we are not responsible for RPM's Report.

In considering our sum-of-parts valuation work, Shareholders should note that our valuation is based on current market conditions and that our valuation is heavily dependent on the current outlook for future coal prices. Commodity prices may increase or decrease materially over short periods time.

Fluctuations in value are likely to be further exacerbated at the current time due to increased market volatility and economic uncertainty in relation to COVID-19.

To assist Shareholders understand the impact on value in circumstances where their view on key inputs into our DCF calculations for the Isaac Plains Complex vary from our base assumptions, we have set out a sensitivity analysis in Section 8.3.4 of this Report.

In completing our MBV methodology, we have had reference to recent trading in Stanmore's shares, as set out in Section 8.6.

2.2.3 Value of the Consideration Offered Under the Offer

Stanmore Shareholders have been offered a cash payment, via an on-market transaction, of $1.00 per share for each share they hold in Stanmore, excluding any transaction costs Shareholders may incur as part of accepting the Offer such as brokerage fees.

For the purpose of this Report we have adopted $1.00 as the value for the cash consideration as we have assumed any associated transaction costs (e.g. brokerage) are immaterial.

2.2.4 Assessment of the Fairness of the Offer

In order to assess the fairness of the Offer, it is appropriate to compare the value of a Stanmore share on a controlling interest basis with the cash consideration of $1.00. Pursuant to RG 111, the Offer is considered to be fair if the value of the consideration is equal to or greater than the value of the securities subject to the Offer (i.e. the value per Stanmore share).

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

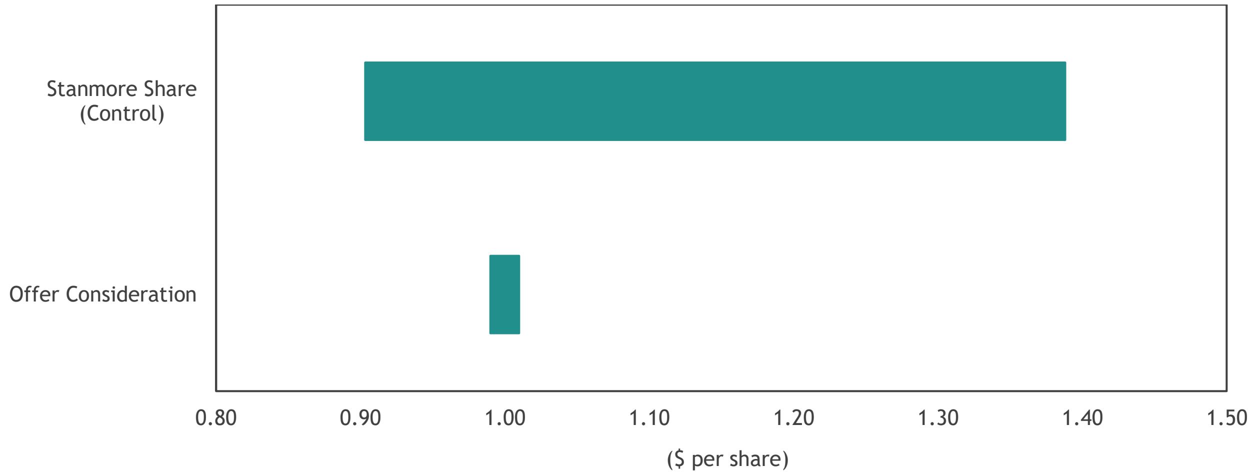
Table 2.1: Assessment of the Fairness of the Offer

	Low ($/Share)	High ($/Share)
Value of a Stanmore Share – Controlling Interest	0.90	1.39
Value of the Cash Consideration	1.00	1.00

Source: BDOCF Analysis

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

Figure 2.1: Fairness of the Offer



Source: BDOCF Analysis

With reference to Table 2.1 and Figure 2.1 above, we note that the value of the consideration offered is within the range estimated for the value of a Stanmore share on a controlling interest basis, albeit at the lower end of the range.

Having regards to the above, it is our view that, in the absence of any other information or a superior proposal, the Offer is **Fair** to the Shareholders as at the date of this Report.

2.3 Assessment of Reasonableness

2.3.1 Basis of Assessment

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

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

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

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

2.3.2 Advantages of the Offer

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

Table 2.2: Potential Advantages of the Offer

Advantage	Explanation
The Offer is fair	As set out in Section 2.2, in our view the Offer is fair to the Stanmore Shareholders as at the date of this Report. Our view was formed on the basis that the Offer price of $1.00 is within our valuation range for each Stanmore share which was in the range of $0.90 to $1.39 on a controlling interest basis.
The current Offer price is known and unconditional	The Shareholders who accept the Offer have certainty that they will receive $1.00 for each Stanmore share held. These Shareholders will no longer be exposed to the ongoing risks associated with holding shares in Stanmore. While it is difficult to ascertain what the results of the recent outbreak of COVID-19 may mean for Stanmore, volatility is elevated at the current time so the certainty the Offer provides in the current environment may have more value than in other circumstances.

Advantage	Explanation
The consideration is at a premium to the price that Stanmore shares have traded on the ASX prior to the Offer	As outlined in Section 5.5.1, Australian Securities Exchange ('ASX') trading of Stanmore shares in the period prior to 2 April 2020 (being the date the Offer was announced) has been at VWAPs in the range of $0.7800 (1-week VWAP prior to the announcement of the Offer) to $0.9612 (6-month VWAP prior to the announcement of the Offer)[1]. The last date that Stanmore's daily VWAP exceeded $1.00 prior to 2 April 2020 was 24 January 2020. The cash consideration of $1.00 per share is at a premium to the price that Stanmore shares have traded on the ASX in the two month period prior to the announcement of the Offer.
Certainty with timing of consideration	The timing of payment for shares sold into the Offer will be subject to standard share trade settlement terms (generally proceeds are received after two business days post sale of shares on market).
Partial sell down is possible	Shareholders may elect to sell only part of their shareholding in the Offer if they wish to continue to hold some Stanmore shares.
A superior proposal has not yet emerged	The independent directors of Stanmore ('Independent Directors') have advised that, as at the date of this Report, a superior proposal to the Offer has not been received by the Company. For completeness, we note that we consider the likelihood of an offer from another party (without the support of Golden Investments) as more remote now that Golden Investments holds more than 50% of share on issue in Stanmore and has a controlling interest.

Source: BDOCF Analysis

2.3.3 Disadvantages of the Offer

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

Table 2.3: Potential Disadvantages of the Offer

Disadvantage	Explanation
No exposure to any future offers	If the Offer is accepted and proceeds, the Shareholders will no longer be able to benefit from any superior future offers from Golden Investments (as part of the Offer, or future offers) or any other party. Notwithstanding, there is no guarantee that a future offer or increase to the Offer price will be forthcoming. For completeness, we note that we consider the likelihood of an offer from another party (without the support of Golden Investments) as more remote now that Golden Investments holds more than 50% of share on issue in Stanmore and has a controlling interest.
No exposure to any potential future value of Stanmore	Shareholders who accept the Offer will no longer hold those shares in the Company. Accordingly, Shareholders will not have the exposure those shares provided to any potential upside in the value of the Company going forward.
Transaction costs	Shareholders will be subject to normal transaction costs which are incurred for selling shares on-market when accepting the Offer. However, these transactions are not likely material and are generally incurred if selling shares on market in any event.

Source: BDOCF Analysis

2.3.4 Other Considerations

Tax Considerations

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

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

Dividend Announced on 26 February 2020

Shareholders who held shares as at 1 April 2020 are still entitled to receive their $0.03 per share fully franked dividend on the payment date of 30 April 2020, regardless of whether they accept or reject the Offer.

Bonus Share Issue on 17 April 2020

Eligible shareholders who held shares as at 28 April 2020 will receive their bonus shares on a 1 to 33 basis on the issue date of 4 May 2020. Bonus shares will be issued to eligible shareholders regardless of whether they accept or reject the Offer after 5pm 28 April 2020.

Effect of the Offer on Stanmore's Material Contracts

A number of Stanmore's material contracts contain a change of control provision (or variation thereof) that, if triggered, allows third parties to review the continuation of, and terms and conditions of, those contracts. As Golden

[1] Share trading data sourced from Capital IQ

Investments acquired an interest in Stanmore shares in excess of 50% on 2 April 2020, a review event has been triggered under the respective contracts.

The following material contracts contain change of control provisions that were triggered in relation to the Offer:

- Taurus Funds Management Pty Limited ('Taurus') working capital and bonding facilities;
- Liberty Speciality Markets ('Liberty') bonding facility; and
- Caterpillar Financial Australia Limited ('Caterpillar') equipment loan facility.

The outcome of any review, or whether third parties will invoke their rights to review, in relation to the above contracts is unknown. In the event the contracts are reviewed, alternative short term and long term arrangements may be required to sustain operations.

Taurus and Liberty have agreed to waive their rights and not take any further action in relation to the change of control only for the period between 2 April 2020 and the earlier of:

- 18 May 2020 (close of the Offer Period);
- The date Stanmore notifies Taurus and Liberty that the completion of the Offer will not proceed;
- The date that Golden Investments acquires 90% of Stanmore's shares on issue;
- The date that any current directors are replaced or there are additional directors appointed to Stanmore's board of directors ('Board') such that nominees of Golden Investments comprises a majority of the Board; or
- The delisting of Stanmore from the ASX.

If after this period Taurus and/or Liberty exercise their rights to terminate the agreement(s) in relation to the change of control, Stanmore would be required to repay any outstanding amounts under the facilities and/or lodge cash to cover sureties, exposing Stanmore to the risks associated with refinancing the facilities.

A change in control is a review event under the Caterpillar equipment loan facility. If Caterpillar treats the review event as an event of default, Stanmore may be exposed to risks associated with refinancing the loan facility.

Refer to Section 7.1 of the Target's Statement for more information.

2.3.5 Position of the Shareholders who Reject the Offer

Table 2.4 below outlines the potential position of individual Stanmore Shareholders who reject the Offer.

Table 2.4: Position of Shareholders who Reject the Offer

Position of Shareholders	Explanation
Continued shareholding in Stanmore with Golden Investments as a controlling shareholder	Stanmore Shareholders that reject the Offer will continue to hold shares in Stanmore with Golden Investments as a controlling shareholder. As at 2 April 2020, Golden Investments holds in excess of 50% of Stanmore's shares outstanding. Stanmore Shareholders will continue to be exposed to the risks and opportunities associated with Stanmore's portfolio of projects, including the development of the Isaac Plains Complex.
Golden Investments can pass ordinary resolutions and may be able to pass special resolutions	Golden Investments has obtained a relevant interest in more than 50% of Stanmore shares and is able to control any ordinary resolution at a general meeting of the Company (other than a resolution where they are not independent of the resolution). If Golden Investments obtains a relevant interest in at least 75% of Stanmore shares then it will be able to control any special resolution at a general meeting of the Company (other than a resolution where they are not independent of the resolution).
Compulsory acquisition	If Golden Investments obtains a relevant interest in at least 90% of Stanmore shares then it will be entitled, in certain circumstances, to acquire the remaining Stanmore shares not already held. For completeness we note that Golden Investments have indicated in Section 7.4 of the Bidder's Statement that it intends to proceed with a compulsory acquisition in this circumstance.
ASX delisting	Stanmore shares may be delisted from official ASX quotation. In the circumstance Golden Investments becomes entitled to compulsorily acquire the remaining Stanmore shares not already held, Golden Investments intends to procure that Stanmore is removed from the official list of the ASX. In the event Golden Investments obtains control of Stanmore but is not entitled to undertake a compulsory acquisition, subject to the ASX Listing Rules, they have indicated they will seek the directors of Stanmore to review whether Stanmore should remain listed on the ASX or removed from official listing. Refer to Section 7.4 and 7.5 of the Bidder's Statement for more information regarding Golden Investments' intentions upon close of the Offer.

Position of Shareholders	Explanation
Share trading price may be materially different to recent share trading prices and the shares in Stanmore may trade at prices that are significantly lower than the value of the Offer consideration	If Shareholders do not accept the Offer, and the Offer lapses without Golden Investments becoming entitled to compulsorily acquire the outstanding shares, the price of Stanmore shares may decrease relative to trading prices following the announcement of the Offer and the consideration offered under the Offer. Any decrease may be material. As outlined in Section 5.5.1, Australian Securities Exchange ('ASX') trading of Stanmore shares in the period prior to 2 April 2020 (being the date the Offer was announced) has been at VWAPs in the range of $0.7800 (1-week VWAP prior to the announcement of the Offer) to $0.9612 (6-month VWAP prior to the announcement of the Offer)[1]. The shares in Stanmore have been valued in this Report on a controlling interest basis to assess the Offer. If the Offer is not accepted, the trading price of shares in Stanmore may decline. It is possible that shares in Stanmore will trade at a price that is materially lower than the value of the Offer Consideration if the Offer is not accepted.
Change in liquidity	Upon Golden Investments acquiring a significant parcel of Stanmore shares, the 'free float' of shares available to trade on the ASX may be reduced (assuming the Company's shares have not been delisted). This may have the effect of reducing the liquidity of Stanmore shares on the ASX and make it more difficult for a Stanmore Shareholder to efficiently exit their investment. Golden Investments' relevant interest in Stanmore increased to 51.0% following Golden Investments' share purchases on 2 April 2020[2].
Material Contracts	A change of control event under a number of material contracts was triggered on 2 April 2020 on Golden Investments interest in Stanmore exceeding 50%. While Taurus and Liberty have agreed to waive their rights and not take any further action in relation to the change of control until the close of the Offer Period (or sooner in the certain circumstances set out in Section 2.3.4 of this Report), it is unknown whether Taurus and Liberty will take action after this date. Additionally, Caterpillar may treat the review event as an event of default. If any of these parties exercise their rights to terminate the agreement(s) or treat the review event as an event of default, Stanmore would be required to repay any outstanding amounts under the facilities and/or lodge cash to cover sureties, exposing Stanmore to the risks associated with refinancing the facilities.
Prospect of a superior offer or alternative transaction	It is possible that Shareholders who do not accept the Offer may receive a superior offer to the Offer (including from third parties, future offers, or an increase to the Offer price). We note that no superior offer has been received as at the date of this Report. For completeness we note that any alternative offer for 100% of Stanmore could not proceed unless Golden Investments agrees to sell its shareholding.
No offer for Stanmore performance rights or unquoted shares	Golden Investments does not intend to make an offer in respect to the current Stanmore performance rights or unquoted shares that are on issue (the Offer is however extended to any existing equity instruments converted into ordinary shares within the bid period). On 17 April 2020, approximately 2.8 million performance rights vested on a change of control event being declared in relation to Golden Investments acquiring a greater than 50% interest in Stanmore shares on 2 April 2020. Approximately 0.5 million performance rights and a small number of unquoted shares remain on issue. In the instance where the Shareholders who also hold other performance rights do not convert their performance rights into ordinary shares and Golden Investments obtain enough acceptances and proceed to de-list Stanmore from the ASX, there is unlikely to be an active market for any Stanmore shares issued to Stanmore performance rights holders on the exercise of their performance rights. Terms specific to the performance rights are discussed further in Section 8.4 of the Bidder's Statement.
Non-recoverable costs	Stanmore has incurred costs in relation to the Offer. Stanmore will not be able to recover the costs that it has incurred in relation to the Offer irrespective of the number of Shareholders that accept the Offer.

Source: BDOCF Analysis

2.3.6 Assessment of the Reasonableness of the Offer

In our opinion, after considering all of the issues set out in this Report, it is our view that, in the absence of any other information or a superior proposal, the Offer is **Reasonable** to the Shareholders as at the date of this Report.

2.4 Opinion

After considering the above assessments, it is our view that, in the absence of any other information or a superior proposal, the Offer is **Fair and Reasonable** as at the date of this Report.

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

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

[2] For completeness we note there has been some movement in Golden Investments holdings in Stanmore throughout April 2020 as reflected by the vesting of the performance rights to employees, and Golden Investments acquiring Stanmore shares on-market during the Offer Period. Shareholders should refer to Stanmore's ASX announcements for Golden Investments latest holdings.

- Consider their specific circumstances.

The decision to accept or reject the Offer is a separate decision to the investment decision to hold or divest shares in Stanmore. Stanmore is engaged in the exploration, development and production of mineral assets that are at various stages of commercialisation. In our view, the value of such companies may increase or decrease materially over short time periods depending upon the outcome of exploration and development activities and changes in economic circumstances (e.g. prevailing coal prices) and the outcomes ultimately realised from events of the recent COVID-19 outbreak.

3.0 Important Information

3.1 Read this Report, and other documentation, in full

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

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

3.2 Shareholders' individual circumstances

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

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

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

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

3.3 Scope

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

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

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

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

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

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

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

- Other assumptions, as outlined in this Report.

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

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

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

3.4 Purpose of this Report

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

3.4.1 Requirements of the Corporations Acts

Golden Investments has prepared a Bidder's Statement in accordance with Section 636 of the Corporations Act. Under Section 635 item 9 of the Corporations Act, Stanmore is required to prepare a Target's Statement in response to the Bidder's Statement.

Section 640 of the Corporations Act requires the Target's Statement to include an IER if:

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

As at the time the Bidder's Statement was sent to Stanmore, Golden Investments' voting power in the Company was 31.35%. As Golden Investments' voting power exceeded 30%, under Section 640 of the Corporations Act, the Target's Statement is required to be accompanied by an IER to assist Shareholders in deciding whether to accept or reject the Offer.

3.4.2 Listing Requirements

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

3.5 Current Market Conditions

Our opinion and the analysis set out in this Report is based on economic, commodity, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time and may have a material impact on the results presented in this Report and result in any valuation or other opinion becoming quickly outdated and in need of revision (particularly as the full impact of the COVID-19 outbreak continues to evolve as at the date of this Report).

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

3.6 Reliance on Information

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

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

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

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

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

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

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

3.7 Glossary

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

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

3.8 Sources of Information

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

- Stanmore annual report for the year ended 30 June 2017, 2018 and 2019, and half year 31 December 2019 report;
- Stanmore management accounts as at 31 March 2020;
- Stanmore ASX announcements;
- RPM's Report;
- The financial model provided by Stanmore and reviewed by RPM ('Financial Model');
- The Bidder's Statement;
- The Target's Statement;
- Capital IQ;
- IBISWorld;
- Consensus Economics FX and commodity forecasts April 2020 Report;
- Wood Mackenzie FX and coal pricing forecasts as at December 2019;
- Commodity Insights FX and coal pricing forecasts as at 24 April 2020;
- Other research publications and publicly available data as sourced throughout this Report;
- Various transaction documents provided by the Management of Stanmore and their advisors; and
- Discussions and other correspondence with Stanmore, management and their advisers.

3.9 APES 225 *Valuation Services*

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

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

3.10 Forecast Information

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

The Independent Directors' best-estimate assumptions on which the forecast is based relate to future event(s) and/or transaction(s) that Management expect to occur and actions that Management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Stanmore. Evidence may be available to support the Independent Directors' best-estimate assumptions on which the forecast is based however, such evidence is generally future-oriented and therefore speculative in nature. In certain circumstances, we may adjust the forecast assumptions provided by Management to complete our valuation work. In this instance, the forecasts we have adopted for our valuation work will not be the same as the forecasts provided by Management.

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

3.11 Qualifications

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

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

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

BDO Corporate Finance Ltd

Scott Birkett **Director**	**Mark Whittaker** **Director**

PART II: INFORMATION SUPPORTING OUR OPINION ON THE OFFER

4.0 Overview of the Offer

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

- Section 4.1 provides a brief description of the Offer;
- Section 4.2 describes the key parties involved in the Offer;
- Section 4.3 details the rationale for the Offer; and
- Section 4.4 summarises Golden Investments' intentions.

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

4.1 Summary of the Offer

On 2 April 2020, Golden Investments announced an unconditional on-market takeover offer for all fully paid ordinary shares in Stanmore which are listed for official quotation on the ASX that exist or will exist during the Offer Period and that are not already owned by Golden Investments at the Offer Price of $1.00 per share (defined as the 'Offer'). As at the date of the Offer, Golden Investments held 31.35% of Stanmore ordinary shares outstanding.

Acting on behalf of Golden Investments in their capacity as a broker, Petra Capital Pty Limited ('Petra') purchased 50,316,100 Stanmore shares on-market. Petra filled the full order on the day of the announcement of the Offer, resulting in Golden Investments increasing its holdings in Stanmore to 51% on 2 April 2020. The official Offer Period commenced on 17 April 2020 and continues to the close of trading on 18 May 2020, unless extended or withdrawn in accordance with the Corporations Act (defined as 'Offer Period'). During the Offer Period, Petra is to purchase all Stanmore shares on issue and listed for quotation not already owned which are offered at $1.00 per share.

To accept the Offer, Shareholders are required to sell their holdings on the ASX market at the Offer Price. Shareholders who sell shares under the Offer are liable for any brokerage related costs.

The Offer is extended to any shares issued and listed for quotation during the Offer Period, including shares issued as part of the Company's dividend reinvestment plan ('DRP'), bonus shares issue, or converted from unlisted equity instruments. Stanmore has a number of unlisted equity instruments on issue including unquoted shares, and performance rights issued to employees under various historic employee remuneration plans. To the extent these instruments are converted into listed ordinary shares and dealings restrictions are removed, they are eligible to participate in the Offer.

As Golden Investments is a subsidiary of foreign entities and the transaction exceeds certain investment thresholds, the takeover requires Australia's Foreign Investment Review Board ('FIRB') approval. Golden Investments advised that it received written advice from the Treasurer on 26 February 2020 that the Commonwealth Government has no objections to the acquisition.

Consistent with the Corporations Act, under an on-market takeover:

- Golden Investments may increase the Offer Price at their discretion, any time prior to the last five trading days of the Offer Period. In doing so, only Shareholders who have yet to accept the Offer may participate in the increased Offer Price. Unlike an off-market bid, Golden Investments is not required to compensate Shareholders for any increases to the Offer Price who accepted the Offer prior to the increase;
- Golden Investments may extend the Offer Period at their discretion, any time prior to the last five days of the Offer Period. The Offer Period may not be extended beyond a period of 12 months; and
- Golden Investments may withdraw unaccepted Offers only in the event of receiving written consent by ASIC, or upon the occurrence of an insolvency event (as defined within the Bidder's Statement and Section 652C of the Corporations Act).

On 28 April 2020, Golden Investments released a supplementary Bidder's Statement. The supplementary Bidder's Statement comments on the bonus share issue to eligible shareholders, and on Stanmore's revised FY20 earnings guidance announced the day prior.

For completeness we note there has been some movement in Golden Investments holdings in Stanmore throughout April 2020 as reflected by the vesting of the performance rights to employees, and Golden Investments acquiring Stanmore shares on-market during the Offer Period. Shareholders should refer to Stanmore's ASX announcements for Golden Investments latest holdings.

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

4.2 Description of the Key Parties Involved in the Offer

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

4.2.1 Golden Investments

Golden Investments was incorporated on 1 November 2018 in Singapore for the sole purpose of acquiring Stanmore. As a special purpose vehicle, Golden Investments holds no material assets or liabilities, other than existing shares acquired in Stanmore, nor does the company maintain any standalone operating activities other than acquiring Stanmore shares.

Golden Investments is all but exclusively owned by Golden Energy and Resources Limited ('GEAR') with an approximate remaining interest of 0.0001% held by Ascend Global Investment Fund SPC ('Ascend Global'). GEAR is a Singaporean coal mining and marketing company with existing operating assets based in Indonesia. GEAR is ultimately controlled by the Widjaja family of Indonesia. Ascend Global is a Singaporean investment fund managed by Ascend Capital Advisors (S) Pte. Ltd ('Ascend Capital'). A share subscription agreement is contemporaneously in place between Golden Investments and the company's shareholders (GEAR and Ascend Global) to provide cash funds for the acquisition of Stanmore shares. The subscription agreement is likely to change the relative holdings in Golden Investments held by GEAR and Ascend Global.

Golden Investments has undertaken a previous off-market takeover offer for Stanmore shares, as announced on 19 November 2018. The previous offer price was cash consideration of $0.95 per Stanmore ordinary share. Prior to the previous offer, Golden Investments did not maintain any holdings in Stanmore. The offer period was formally opened on 3 December 2018, and ultimately extended to 22 January 2019. At the conclusion of the offer period, Golden Investments gained a 25.47% interest in Stanmore, inclusive of a 19.9% interest pledged to Golden Investments immediately prior to the off-market offer from Stanmore's largest shareholder at the time[3].

Golden Investments subsequently increased their holdings in Stanmore to 31.35% as at the Offer announcement date. Golden Investments' holdings in Stanmore has increased consistent with the Corporations Act Section 611 item 9, allowing a 3% creep in holdings during each six month period for entities with greater than 19% voting power. Subsequent acquisitions include an approximate 0.6% additional holdings through the Company's DRP on 30 April 2019 (at $1.0751/share), 2.4% through an off-market block trade on 19 August 2019 (at $1.47/share), and more recently a further 2.9% through on-market transactions on 17 March 2020 (at $0.80/share).

Mr Jimmy Lim was appointed to Stanmore's Board on 23 October 2019 as a non-executive director and nominee of Golden Investments.

4.2.2 Golden Energy and Resources Limited ('GEAR')

Golden Energy and Resources Limited (defined as 'GEAR') is a Singaporean company which is principally engaged in the exploration, mining, processing and marketing of thermal coal sourced from its coal mining concession areas covering an aggregate area of approximately 66,204 hectares in South Kalimantan, Central Kalimantan, Jambi and South Sumatra in Indonesia. GEAR also holds the following Australian interests:

- A 7.25% strategic investment in a listed Australian gold producer, Westgold Resources Limited; and
- As announced on 15 January 2020, GEAR entered into a joint venture with EMR Capital as part of the acquisition of Ravenswood gold mine from Resolute Mining Limited. The sale to the joint venture was completed on 31 March 2020.

Collectively, GEAR owns operating assets with in excess of 2.8 billion tonnes of thermal coal resources and coal reserve estimates of greater than 1.0 billion tonnes as at 31 December 2019. For the 31 December 2019 financial year end, GEAR reported consolidated revenues, earnings before interest, tax depreciation and amortisation ('EBITDA'), and net profit of USD1,121.2 million, USD128.7 million, and USD32.9 million, respectively.

GEAR is listed on the SGX Mainboard (Stock Code: AUE), with a market capitalisation as at 1 April 2020 of approximately SGD$463.6 million (or approximately AUD$481.5 million[4]). GEAR is approximately 87% owned by PT Dian Swastatika Sentosa, a company listed on the Indonesian Stock Exchange, and ultimately controlled by the Widjaja family of Indonesia. The remaining shares in GEAR are owned by public institutional and retail shareholders.

4.2.3 Ascend Global Investment Fund SPC ('Ascend Global')

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

- Is a Singaporean investment fund with assets under management of USD52.6 million as at 31 December 2019;

[3] As announced on 19 November 2018 as part of Golden Investments' Bidder's Statement for the off-market takeover offer, GEAR unconditionally agreed to acquire a 19.9% interest in Stanmore from the Company's largest shareholder at the time, Greatgroup Investment Limited. The agreement took place on 16 November 2018 and at the offer price. Settlement was to occur on 23 November 2018, with the shares to be later transferred from GEAR to Golden Investments after the close of the off-market offer.
[4] Estimated at an exchange rate of SGD$1 to AUD$1.0387 as at 1 April 2020.

- Is managed by Ascend Capital, a Singapore incorporated company registered with the Monetary Authority of Singapore ('MAS') as a Licensed Fund Management Company, and holder of a MAS-issued Capital Markets Services license;
- Has five sub funds, Asian Distressed Segregated Portfolio ('ADSP') and Strategic Segregated Portfolio, Asia Opportunity Segregated Portfolio, Technology 1 Segregated Portfolio, and Technology 2 Segregated Portfolio; and
- Will invest in Golden Investments through ADSP utilising USD75 million of undrawn capital commitments.

4.3 Golden Investments' Rationale for the Offer

Golden Investments major shareholders' rationale for the Offer based on information set out in the Bidder's Statement are as follows:

- GEAR is a thermal coal producer in Indonesia. By increasing its interest in Stanmore, GEAR aims to enhance its overall asset portfolio in the current commodity price environment, by diversifying and expanding its coal product suite and geographical presence further into Australia;
- As an investment fund, Ascend Global aims to enhance its investment exposure to the commodity sector through increasing its interest in Stanmore. The partnership with GEAR to hold an interest in Stanmore assists Ascend Global to gain access and exposure to the Australian coal industry which it currently does not possess; and
- GEAR and Ascend Global aim to further capitalise on the existing investment in Stanmore shares by gaining a controlling interest in the Company (which was achieved with the shares purchased on 2 April 2020).

4.4 Golden Investments' Intentions in Relation to Stanmore

Golden Investments' intentions in relation to Stanmore are set out in full in the Bidder's Statement. Irrespective of whether Golden Investments gains a wholly owned or majority interest in Stanmore, Golden Investments presently intends to:

- Continue the business of Stanmore;
- Not make any significant changes to the business of the Company, or redeploy fixed assets; and
- Maintain employment of the Company's existing staff in their existing capacity and on the same, or substantially the same, terms and conditions of employment[5].

Golden Investments' additional intentions vary depending on the degree of control achieved through the Offer. A summary of Golden Investments' further intentions are set out below in relation to each significant control/ownership threshold. Shareholders should refer to Section 7 of the Bidder's Statement for further information.

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

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

- Proceeding with compulsory acquisition of all the Stanmore shares;
- Procuring that Stanmore is removed from official listings on the ASX;
- Replacing all current Stanmore directors, other than Golden Investments' nominee director, with directors of Golden Investments' choosing;
- Maintaining separate corporate head office functions of GEAR and Stanmore (i.e. there is no current intention to consolidate);
- Conducting a review of the business, assets and operations of Stanmore to identify:
    - Business opportunities generated by the acquisition, areas of cost saving and businesses which may provide overall strategic and operational benefits; and
    - Any business or businesses that do not fit into the strategic plan for Golden Investments, and evaluate the best and most appropriate way of organising such a business or businesses;
- Use reasonable endeavours to procure that Stanmore continues to declare and pay dividends in an amount no less than 20% of surplus cash on an annual or more frequent basis. Golden Investments has stated this is consistent with Stanmore's current target dividend payout ratio of between 20% to 30% net profit after tax as announced to the market on 26 February 2020[6]; and
- No current intention to dispose of any assets of Stanmore, or any other specific operational intentions until the review has been completed.

[5] Maintaining employment of existing staff is subject to business, assets and operation reviews that Golden Investments may undertake. As a result of the review, some Stanmore employees may be made redundant.
[6] For completeness we note Golden Investments' intended dividend policy may not be strictly consistent with Stanmore's existing policy. Refer to Section 1.2(c) of the Target's Statement for more information.

4.5.2 Intention if not able to Proceed with a Compulsory Acquisition

Golden Investments has obtained control of Stanmore (i.e. more than 50%) and its intentions for Stanmore, if it does not gain a shareholding in Stanmore of 90% or more, include:

- Subject to the Corporations Act and the constitution of Stanmore, replace some or all of the directors of Stanmore and restructure the Board such that the Board reflects a majority of Golden Investments' nominees. Golden Investments' representation on the Board will depend on the extent of Golden Investments' relevant interest in Stanmore following the Offer. Any such replacement and nominee directors have not yet been determined by Golden Investments;
- Subject to the ASX Listing Rules, ask the directors of Stanmore to review whether Stanmore should remain listed on ASX or be removed from the official list of ASX companies;
- Propose to the Board of directors of Stanmore that they conduct a review of all of Stanmore's operations and, subject to the approval of Stanmore's Board, allow Golden Investments to participate in that review; and
- Procure that Stanmore's continues to declare and pay dividends in an amount no less than 20% of surplus cash on an annual or more frequent basis.

Golden Investments may acquire additional Stanmore shares, including under the 'creep' provisions and by other means. The 'creep' provision is set out 611 of the Corporations Act and would allow Golden Investments and its associates to acquire up to 3% of Stanmore shares every six months. Golden Investments may subsequently seek to enact a general compulsory acquisition post their holdings increasing to 90% of Stanmore shares. Golden Investments has not decided whether it will acquire further Stanmore shares, as that will be dependent upon (among other things) the extent of the voting power of Golden Investments in Stanmore and market conditions at the time.

5.0 Background of Stanmore

This section is set out as follows:

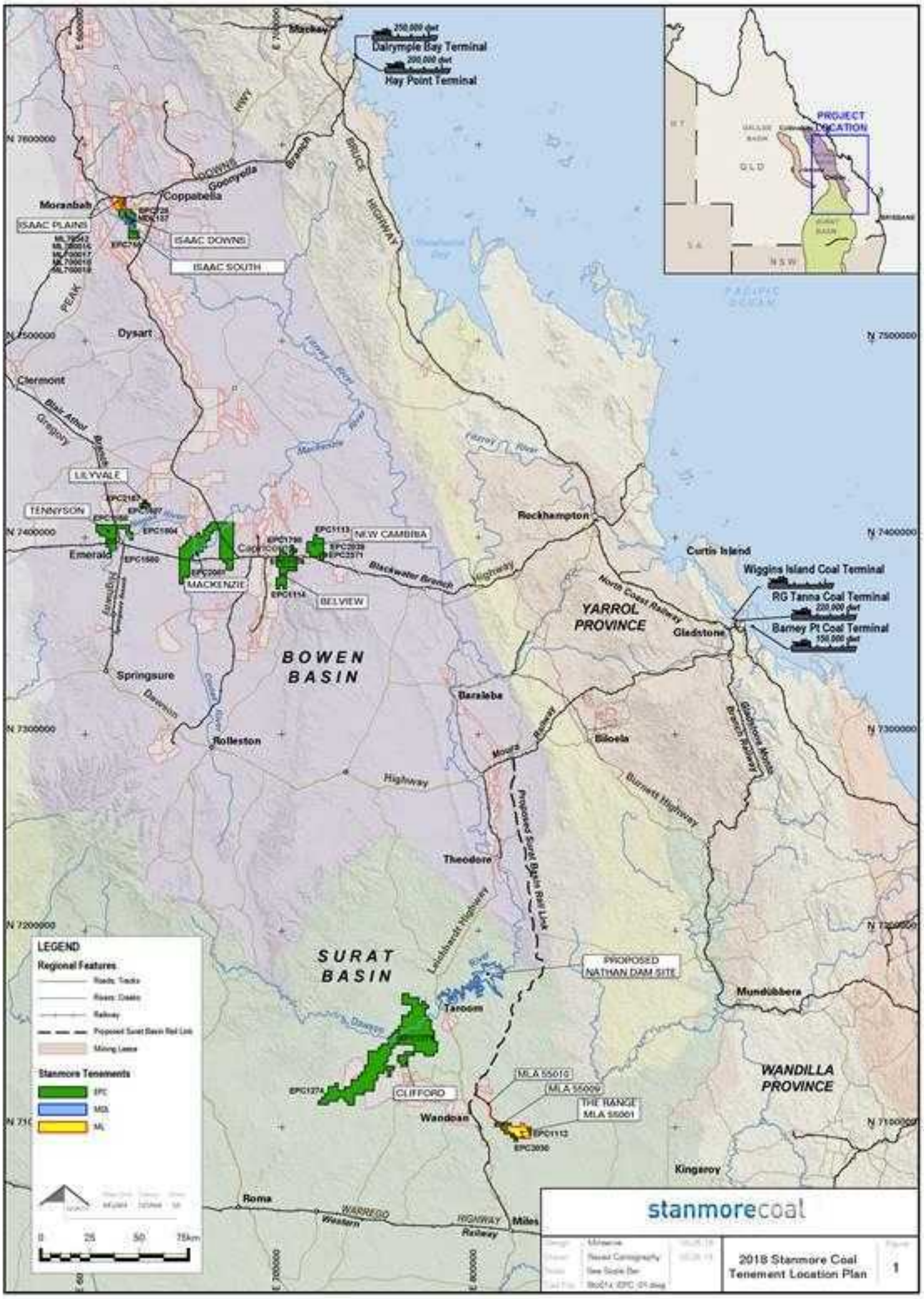
- Section 5.1 provides an overview and background information on Stanmore;
- Section 5.2 outlines Stanmore's key projects;
- Section 5.3 summarises the corporate structure of Stanmore;
- Section 5.4 summarises the equity structure of Stanmore;
- Section 5.5 summarises the share market trading data of Stanmore; and
- Section 5.6 summarises the historical financial information of Stanmore.

5.1 Background

Stanmore is a coal mining company with a number of coal projects and mineral assets within Queensland's Bowen and Surat Basins. Owning 100% of the Isaac Plains and Isaac Plains East coal mines, the Company is focused on the operation of the Isaac Plains Complex and its portfolio of approximately 1,719km^2 of granted mining and exploration tenements.

Figure 5.1 on the following page provides a view of Stanmore's coal assets.

Figure 5.1: Stanmore Coal Assets



Source: Management

5.2 Key Projects

This section sets out a summary of Stanmore's key projects. For further detail in relation to Stanmore's projects, refer to RPM's Independent Technical Specialist's Report, dated 29 April 2020, attached in Appendix B.

5.2.1 Isaac Plains Complex

Located approximately 140km southwest of Mackay, the Isaac Plains Complex is an established mining operation which produces metallurgical, and thermal coal products.

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

Table 5.1: Summary of Resources and Reserves at the Isaac Plains Complex (millions of tonnes)

			Coal Resources				Coal Reserves		
Project Name	Tenement	Coal Type	Measured Resources (Mt)	Indicated Resources (Mt)	Inferred Resources (Mt)	Total Resources (Mt)	Proved (Mt)	Probable (Mt)	Total Reserves (Mt)
Isaac Plains	ML 70342 ML 700018 ML 700019	Coking Thermal	22.2	21.3	9	52	1.0	0.1	1.1
Isaac Plains East	ML 700016 ML 700017 ML 700018 ML 700019	Coking	12.9	8.8	8	30	9.4	2.6	11.9
Isaac Downs	MDL 137 EPC 728	Coking PCI	17.0	12.0	4	33	17.0	7.5	24.5
Isaac Plains Underground	ML 70342 ML 700018 ML 700019	Coking Thermal	-	-	-	-	-	12.9	12.9
Isaac South	EPC 755	Coking Thermal	11.9	14.5	25	52	-	-	-
Total			**64.0**	**56.6**	**46**	**167**	**27.3**	**23.1**	**50.4**

Source: Stanmore 2019 Annual Coal Resources and Reserves Summary, announced on 30 August 2019

Each of the areas referred to in Table 5.1 and supporting infrastructure are discussed further below.

Infrastructure

Run-of-mine ('ROM') coal is processed at the coal handling preparation plant ('CHPP') and washed to form coking and thermal coal products, which are transported to the DBCT via the Goonyella rail system. The Stanmore CHPP has capacity to process up to 3.5 million tonnes per annum ('Mtpa') ROM coal. Stanmore currently holds 2.4Mtpa of port capacity which is secured under long-term contracts. Stanmore also currently holds 2.4Mtpa in above rail capacity, where the Company can make an annual election of its capacity requirements in the range of 1.5Mtpa to 2.4Mtpa.

Isaac Plains

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

In regards to the Isaac Plains mine, we note:

- Isaac Plains commenced production in 2006 as a truck shovel operation before being placed under care and maintenance in 2014 by the previous owners;
- Mobilisation to site commenced in January 2016, with mining commencing in February 2016;
- Production was accelerated at Isaac Plains with a small increase in costs to maximise the financial performance of the operation in FY18. At the peak production phase, the mine operated at an annualised rate of 1.9 million tonnes ('Mt') ROM coal; and
- Isaac Plains operations is currently on care and maintenance following the transition of dragline operations to Isaac Plains East during December 2018. The current life of mine ('LOM') plan has mining recommencing at Isaac Plains during FY21 to leverage operations with Pit 5 at Isaac Plains East (adjacent pit).

Isaac Plains East

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

The project commenced initially with the use of a truck and excavator fleet in June 2018, overburden removal in July 2018, and the dragline relocating from Isaac Plains during December 2018. A new CAT 6060 excavator was commissioned in November 2019 to improve the overburden removal capacity. During Q3FY20 Isaac Plains East produced 813 thousand tonnes ('kt') ROM mined and 665 kt saleable coal, resulting in 2.4 Mt and 1.9 Mt YTD ROM mining and saleable coal produced respectively.

Isaac Downs

On 12 June 2018, Stanmore announced that it had executed agreements with Peabody Australia to acquire MDL 137 and Exploration Permit Coal ('EPC') 728 from Millennium Coal Pty Ltd. The project to develop the deposits on MDL 137 and EPC 728 was renamed to Isaac Downs from Wotonga South, as it was formally referred to by its vendors. Stanmore agreed to acquire Isaac Downs for $30 million cash and a deferred royalty of up to approximately $10 million.

An exploration programme and mine planning activities are underway at the Isaac Downs project. Specifically, Palaris Australia Pty Ltd ('Palaris') commenced preliminary work towards a bankable feasibility study ('BFS') for the project during December 2019, and an environmental impact statement ('EIS') was lodged with the Department of Environment and Science on 29 October 2019 with follow up subsequently being undertaken. Management expects that approvals will be granted in 2021 (subject to any objections).

Isaac Downs is to make use of the existing Isaac Plains CHPP and rail infrastructure linking the mine to Dalrymple Bay Coal Terminal.

Isaac Plains South

Isaac Plains South was explored extensively between 2004 and 2013 under Bowen Central Coal Management ('BCCM'), being the joint venture management vehicle of several prior tenure holders. As part of the Isaac Plains transaction in November 2015, Stanmore became the holder of EPC 755.

Stanmore is planning to undergo an exploration program to assess the opportunity to provide further long-term ROM feed for the Isaac Plains Complex.

Isaac Plains Underground

On July 2019, Stanmore announced the completion of the Isaac Plains Underground BFS. The Company concluded that the study provides support for a positive business case for the project with potential production ramping up to an average of 1.2 million saleable tonnes per annum from year two of the production plan. At the date of the announcement, forecast production for the project would exceed available CHPP and contracted port capacity not already dedicated to the Company's other projects. In lieu of this constraint, Stanmore has continued to prioritise the higher ROM margins being achieved at Isaac Plains East and expected to be achieved at Isaac Downs. Development of Isaac Plains Underground is to be deferred until Isaac Downs is largely concluded.

5.2.2 Exploration Projects

The Range (Thermal Coal) - A definitive feasibility study completed in 2013 covering geology, mining and infrastructure confirmed The Range as a high quality, export grade, thermal coal project with an ability to produce 94Mt of product over a 22-year life. Management are continuing their investigation into possible rail infrastructure to link the project with the Port of Gladstone. In March 2019 a new site specific Environmental Authority was applied for and this application was accepted by the Department of Environment and Science ('DES') as appropriate to re-activate the DES approval process. The mining lease applications remain 'on foot' pending the outcome of the Environmental Authority approval process.

Clifford (Thermal Coal) - The Clifford project (of which Stanmore has 60%) covers about 820km^2 in Queensland's Surat Basin. The joint exploration initiative with Japan Oil, Gas and Metals National Corporation ('JOGMEC') is targeting thermal coal deposits at depths amenable to open cut mining.

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

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

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

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

Table 5.2: Summary Resources and Reserves for Stanmore's Other Exploration Projects (millions of tonnes)

			Coal Resources				Coal Reserves		
Project Name	Tenement	Coal Type	Measured Resources (Mt)	Indicated Resources (Mt)	Inferred Resources (Mt)	Total Resources (Mt)	Proved (Mt)	Probable (Mt)	Total Reserves (Mt)
Clifford	EPC 1274 EPC 1276	Thermal	-	200	430	630	-	-	-
Range	EPC 1112 EPC 2030 MLA 55001	Thermal	18.1	187	81	286	-	116.6	116.6
Surat Basin Complex			**18.1**	**387**	**511**	**916**	**-**	**116.6**	**116.6**
Belview	EPC 1114 EPC 1186 EPC 1798	Coking PCI	-	50	280	330	-	-	-
Lilyvale	EPC 1687 EPC 2157	Coking	-	-	33	33	-	-	-
Mackenzie	EPC 2081	Coking Thermal	-	25.7	117	143	-	-	-
Tennyson	EPC 1168 EPC 1580	Coking	-	-	139	139	-	-	-
Total			**18.1**	**462.7**	**1,080**	**1,561**	**-**	**116.6**	**116.6**

Source: *Stanmore 2019 Annual Coal Resources and Reserves Summary, announced on 30 August 2019*

5.3 Corporate Structure of Stanmore

According to Stanmore's FY19 annual report, the Company has 16 subsidiaries in Australia (of which Stanmore owns 100%) whose principal activities include coal exploration and/or mining. In addition, Stanmore holds three significant interests in farm-in joint ventures; Clifford joint venture, Lilyvale joint venture, and Mackenzie joint ventures, with a respective interests of 60%, 85% and 95%.

5.4 Equity Structure of Stanmore

5.4.1 Ordinary Shares

Ordinary Shares Outstanding

As at 24 April 2020, Stanmore has 258,288,207 fully paid ordinary shares outstanding, of which the top ten shareholders held 82.7%. Golden Investments is Stanmore's largest shareholder with a 51.0% holding (reflected in HSBC Custody Nominees accounts) as at 2 April 2020[7]. Immediately prior to announcing the Offer, Golden Investments' held 31.35% of Stanmore's shares outstanding.

Dividend Reinvestment Plan

On 26 February 2020 Stanmore announced a $0.03 dividend per share. All shareholders on the register as at market close of 1 April 2020 are eligible to receive the dividend payment. Stanmore expects to pay the dividend on 30 April 2020, a date within the Offer Period. Shareholders had the ability to participate in the DRP at a 5% discount to Stanmore's 5-day volume weighted average price ('VWAP') during the period 6 April to 14 April 2020. As at 15 April 2020, Stanmore announced the reinvestment price of the DRP will be $0.9474. Management further advise that the DRP will have a participation rate of approximately 53.3%, resulting in a total approximate cash outflow from the dividend of $3.6 million in addition to the issue of 4,325,518 shares under the DRP.

Bonus Share Issue

On 17 April 2020 Stanmore announced a bonus share issue on a on a 1 to 33 basis for eligible shareholders who held Stanmore shares at 5pm 28 April 2020. The shares are expected to be issued and commence trading on 4 May 2020. The bonus issue represents approximately 3% of Stanmore shares outstanding prior to the bonus issue. Under the bonus issue, a maximum of 7,826,915 ordinary shares are to be issued.

Top Ten Ordinary Shareholders

The top ten ordinary shareholders of Stanmore are set out in Table 5.3, per the Company's shareholder register. The register is dated 23 April 2020 and the interest shown for Golden Investments' (shown under HSBC Custody Nominees) includes the additional shares purchased on 2 April 2020 at the Offer price.

[7] For completeness we note there has been some movement in Golden Investments holdings in Stanmore throughout April 2020 as reflected by the vesting of the performance rights to employees, and Golden Investments acquiring Stanmore shares on-market during the Offer Period. Shareholders should refer to Stanmore's ASX announcements for Golden Investments latest holdings.

Table 5.3: Top 10 Shareholders

	Shareholders	Number of Shares (Number)	Percentage Holding (%)
1	HSBC Custody Nominees	132,556,228	51.3%
2	Latimore Family[1]	50,872,364	19.7%
3	Old Forrester Pty Ltd	12,340,814	4.8%
4	Citicorp Nominees Pty Limited	4,756,648	1.8%
5	One Managed Invt Funds Ltd	3,500,000	1.4%
6	National Nominees Limited	2,618,226	1.0%
7	HSBC Custody Nominees	2,091,268	0.8%
8	Warbont Nominees Pty Ltd	1,969,538	0.8%
9	CS Third Nominees Pty Limited	1,452,919	0.6%
10	Roach Super Pty Ltd	1,448,035	0.6%
	Total Shares Held by Top Ten Shareholders	**213,606,040**	**82.7%**
	Other Shareholders	44,682,167	17.3%
	Total Shares on Issue	**258,288,207**	**100.0%**

Source: *Stanmore Shareholder Register provided by Link Market Services, as at 23 April 2020*

1 Latimore Family comprises of interests held by Matt Latimore through the entities Latimore Family Pty Ltd and M Resources Pty Ltd

As at 23 April 2020, excluding any impacts from the DRP or bonus shares to be issued, we note Stanmore has two substantial shareholders, Golden Investments as well as the Latimore Family, with a 50.6% and 19.7% relevant interest in Stanmore respectively[8].

5.4.2 Unquoted Shares

Stanmore has on issue a further 14,994 unquoted shares subject to dealing restrictions under the Stanmore General Employee Share Plan Rules. Holders of the unquoted shares are restricted from disposing the shares until the earlier of the date their employment with Stanmore ceases, and three years from the date of issue. Dealing restrictions have remained in place per Stanmore Board's discretion following Golden Investments gaining a controlling interest in Stanmore, in excess of 50% on 2 April 2020.

5.4.3 Performance Rights on Issue

Stanmore issues performance rights to executives as part of the Company's employee incentive plans. The performance rights are convertible into ordinary shares upon the achievement of certain milestones. As at 2 April 2020, approximately 2,781,447 Stanmore performance rights were outstanding. We note approximately 1,690,750 performance rights issued to Dan Clifford lapsed during November 2019 on his resignation from the Company (continued employment was a condition of the rights).

Table 5.4 sets out the Company's performance rights on issue as at 2 April 2020.

Table 5.4: Summary of Vesting Details of Stanmore's Performance Rights as at 2 April 2020

Issuance	Number Outstanding	Vesting Details
Range Issuance	▸ 100,000	▸ 50% vest upon a mining lease being granted in respect to the Range project; ▸ The remaining 50% vest upon the Range project achieving annualised production of 5 million tonnes per annum for 1 month; and ▸ Performance rights may be vested at the discretion of the Board in the event a change of control is declared.
Employee Inventive Plans	▸ 1,506,488 - FY18 ▸ 655,797 - FY19 ▸ 509,192 – FY20	▸ Vesting conditions are based on absolute total shareholder return ('ATSR'), with tiered hurdles; ▸ Performance rights tested at 36 month anniversary of issuance (i.e. FY21, FY22, FY23, respectively). The performance rights may be re-tested at the 48 month anniversary in the circumstance no rights vested during the previous testing period; and ▸ Performance rights may be vested at the Board's discretion in the event a change of control is declared.
Total	**2,781,447**	

Source: *Board Meeting Minutes 16 April 2020, and ASX Announcements*

[8] For completeness we note there has been some movement in Golden Investments holdings in Stanmore throughout April 2020 as reflected by the vesting of the performance rights to employees, and Golden Investments acquiring Stanmore shares on-market during the Offer Period. Shareholders should refer to Stanmore's ASX announcements for Golden Investments latest holdings.

On 17 April 2020, Stanmore announced the Board has exercised its discretion to vest a proportion of the performance rights based on a change of control event being declared in relation to Golden Investments interest in Stanmore exceeding 50% on 2 April 2020. The Board declared 100% of the Range issuance and the FY18 issuance, and 50% of the FY19 and FY20 issuance to have vested. Another 25% of the FY20 issuances were deemed to have lapsed.

Table 5.5 sets out the treatment of the Company's performance rights on issue on declaration of a change of control event being declared.

Table 5.5: Stanmore's Outstanding Performance Rights

Issuance	Total Number (Number)	Vested (Number)	Lapsed (Number)	Remaining (Number)
Range Issuance	100,000	100,000	-	-
FY18 Issuance	1,506,488	1,506,488	-	-
FY19 Issuance	665,767	332,885	-	332,882
FY20 Issuance	509,192	254,596	127,296	127,300
Total	**2,781,447**	**2,193,969**	**127,296**	**460,182**

Source: *Board Meeting Minutes 16 April 2020, and ASX Announcements*

As at 17 April 2020, a total of 2,193,969 existing performance rights vested and became eligible to participate in the Offer. A further 460,182 performance rights remained outstanding.

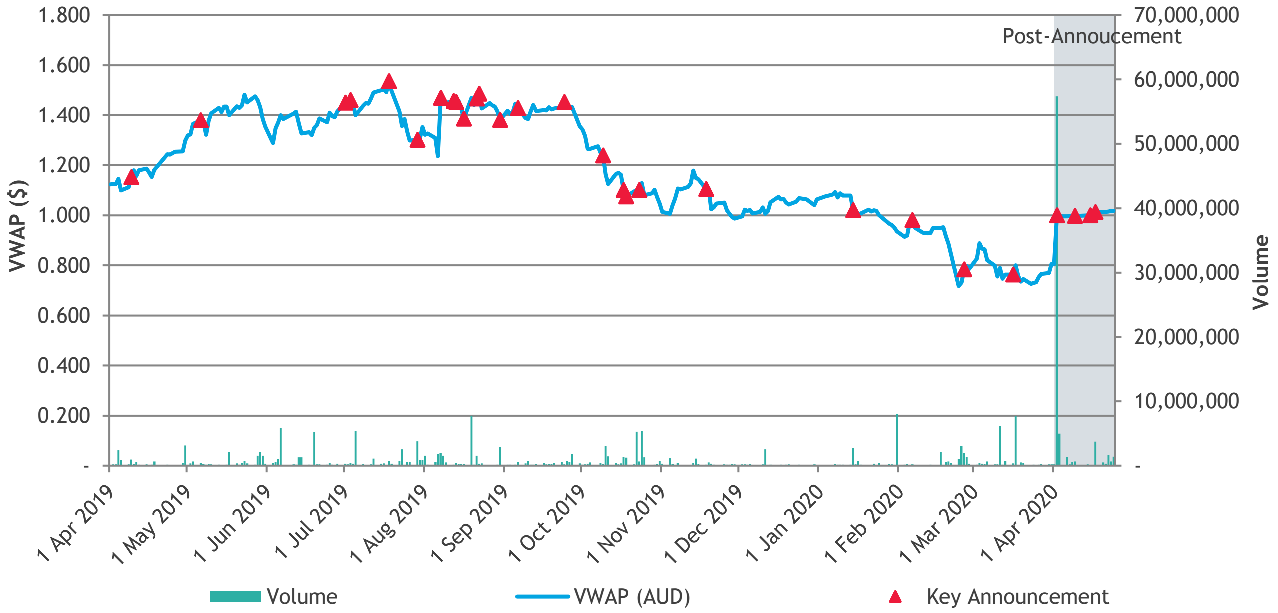
5.5 Share Trading Data of Stanmore

5.5.1 Share Trading Data

Stanmore shares are listed on the ASX (ASX:SMR), and Chi-X Australia (CHIA:SMR). Approximately 96% of Stanmore trading volume over the last twelve months has been undertaken on the ASX, as reported by Capital IQ as at 24 April 2020.

Figure 5.2 displays the daily VWAP and daily volume of Stanmore shares traded on the ASX over the period 1 April 2019 to 24 April 2020. The period between the date the Offer was announced, 2 April 2020, to 24 April 2020, has been highlighted grey.

Figure 5.2: Daily VWAP and Volume of Stanmore Shares Traded from 1 April 2019 to 24 April 2020



Source: *Capital IQ as at 24 April 2020*

Over the period graphed in Figure 5.2 above, Stanmore's daily VWAP displays a period low of $0.7176 on 24 February 2020 and a period high of $1.5355 on 18 July 2019, as sourced from Capital IQ. Subsequent to the announcement of the Offer on 2 April 2020, Stanmore's shares have consistently traded around $1.00/share, at or around the Offer price.

In addition to the share price and volume data of Stanmore shown above, we have also provided additional information in Table 5.6 below to assist readers to understand the possible reasons for the movement in Stanmore's share price over the period analysed. The selected ASX announcement references in Table 5.5 below correspond to those displayed in Figure 5.2 above.

Table 5.6: Selected Stanmore ASX Announcements from 1 April 2019 to 24 April 2020

Date	Announcement
09/04/2019	Stanmore released its March 2019 Quarterly Production Report announcing record saleable coal production of 691 kt and record coal sales of 740 kt during the March quarter. Operations generated net cash of $58.4 million, up from $9.6m in the previous quarter.
06/05/2019	Stanmore appoints Darren Yeates as an independent non-executive director.
01/07/2019	Stanmore announced the completion of its debt refinance, involving an extension of its existing facilities with Taurus, reduced interest on drawn funds and a reduction in the total facility to USD40 million, from USD51 million. Stanmore also established a new bonding facility with Liberty for $20 million.
03/07/2019	Stanmore entered into binding agreements to acquire a 600-tonne excavator for Isaac Plains East from Hasting Deering Australia Limited.
18/07/2019	Stanmore released its June 2019 Quarterly Production Report, announcing production of 721 kt of saleable coal and the sale of 688 kt of coal achieved during the quarter. Net cash was $90.5 million, up from $58.4 million during the March quarter.
29/07/2019	Stanmore announced that on 26 July 2019, it received a notice from Golden Investments requesting the directors to convene an Extraordinary General Meeting ('EGM') under Section 249D of the Corporations Act. Golden Investments proposed meeting resolutions related to the composition of the Board, specifically to replace two existing Stanmore directors with Golden Investments nominees.
07/08/2019	Stanmore securities were placed into a trading halt prior to announcing that it received an unsolicited, non-binding, indicative proposal from Winfield Group Investments Pty Ltd ('Winfield Energy'). The proposal indicated it may result in an off-market takeover to acquire 100% of the Company's shares for an indicative price of $1.50 to $1.70 per share in cash.
12/08/2019	Stanmore announced the execution of a process deed with Winfield Energy to facilitate due diligence by Winfield Energy and its financiers, in relation to its non-binding indicative proposal.
13/08/2019	The requisition notice from Golden Investments was deemed by Stanmore to be invalid. Stanmore announced that it is unable to legally act upon an invalid notice and is therefore unable to convene a meeting of shareholders.
16/08/2019	Stanmore announced its receipt of a new notice from Golden Investments under Section 249D of the Corporations Act, requesting directors to convene an EGM. The notice proposed the same resolutions as the first invalid notice.
21/08/2019	Stanmore released a combined updated coal reserves at Isaac Plains and its 2019 annual resources and reserves summary. The Company announced total coal resources across all tenements of 1.7 billion tonnes and total reserves of 169 billion tonnes, a 16% increase in reserves compared to 12 months ago.
22/08/2019	Stanmore released its FY19 operating and financial results, detailing net profit after tax ('NPAT') of $91.6 million and cash flow from operations of $140.0 million, compared respectively to $6.0 million and $21.9 million in FY18. Stanmore declared a fully franked dividend to $0.08/share payable 31 October 2019.
30/08/2019	Stanmore released an open cut coal reserves update for Isaac Plains and Isaac Plains East of 13.0 Mt at Isaac Plains Mine and Isaac Plains East as at 30 June 2019.
06/09/2019	Stanmore provided a Notice of General Meeting to shareholders in accordance with Golden Investments' S249D request.
24/09/2019	Stanmore announced that Golden Investments has withdrawn its requisition notice under Section 249D of the Corporations Act and that the EGM convened to occur on 4 October 2019 will not proceed.
09/10/2019	Stanmore released its FY19 Annual Report to shareholders.
09/10/2019	The process deed with Winfield Energy was extended a further three weeks from 7 October 2019 to 28 October 2019. All other terms remained the same.
17/10/2019	Stanmore announced termination of the process deed with Winfield Energy entered into on 12 August 2019. Stanmore released its September 2019 Quarterly Production Report, announcing production of 704 kt ROM and 619 kt of saleable coal during the quarter. Coking coal sales reached a record of 722 kt and net cash was $90.7 million as at 30 September 2019.
18/10/2019	Managing director Dan Clifford resigned from Stanmore after approximately three years. Stanmore's General Manager of Development Jon Romcke was appointed as Interim CEO.
23/10/2019	Mr Jimmy Lim was appointed as non-executive director of the Company, effective immediately. Mr Lim is a nominee of Golden Investments.
18/11/2019	Mr Marcelo Matos was appointed as non-executive director, effective 27 November 2019. Mr Matos is a nominee of Stanmore's second largest shareholders, Mr Matt Latimore and M Resources Pty Limited.
14/01/2020	Stanmore released its December 2019 Quarterly Production Report, announcing no recordable injuries and a strong quarter of coal mining, with 864 kt ROM mined and 609 kt saleable coal produced. Stanmore commences work on the Isaac Downs Bankable Feasibility Study.
06/02/2020	Stanmore announces the resignation of Darren Yeates as a non-executive director.

Date	Announcement
26/02/2020	Stanmore released the December 2019 half year results. Reported net profit after tax of $26.91 million for the half year ended 31 December 2019, a 26% increase from the previous corresponding period. Stanmore declared a $0.03/share fully franked dividend payable on 30 April 2020.
16/03/2020	Stanmore announced the appointment of Mr Craig McCabe as the CEO of the Company, commencing on 1 April 2020.
02/04/2020	Golden Investments announced an on-market, unconditional takeover offer for Stanmore of $1.00 cash per share for all ordinary shares that Golden Investments does not already own or control. Golden Investments' Bidder's Statement was released to Stanmore's Shareholders and the Stanmore Board released a note recommending that Shareholders take no action in relation to the offer at that stage. Golden Investments increased their holdings in Stanmore to 51%, an increase of approximately 19.65%, on market in accordance with the Offer.
09/04/2020	Stanmore released the March 2020 quarterly production report. Stanmore recorded 813 kt ROM mined and 665 kt saleable coal produced for the quarter, realising 615 kt sales at an average achieved price of USD100/tonne.
17/04/2020	Stanmore announced a bonus share issue to eligible shareholders on a 1 to 33 basis. Eligible shareholders who held ordinary shares as at 5pm 28 April 2020 will receive their bonus issue on 4 May 2020. Stanmore further announced the vesting of performance rights in accordance with the Company's incentive plans. Accordingly, 2,193,969 performance rights vested and ordinary shares were issued. A further 460,182 performance rights remain on issue.

Source: Stanmore ASX Announcements from 1 April 2029 to 24 April 2020

Subsequent to the period considered above, we note on 27 April 2020 Stanmore revised the Company's underlying EBITDA guidance for FY20 from between $92 million and $100 million, to between $80 million to $85 million[9]. Stanmore states this is due to the ongoing impacts of COVID-19.

In Table 5.7 below we have set out Stanmore's VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 2 April 2020, being the date Golden Investments publicly announced the Offer. VWAPs are calculated having regard to Stanmore shares traded on the ASX only.

Table 5.7: Stanmore's VWAP for Specified Periods Prior to the 2 April 2020 Offer

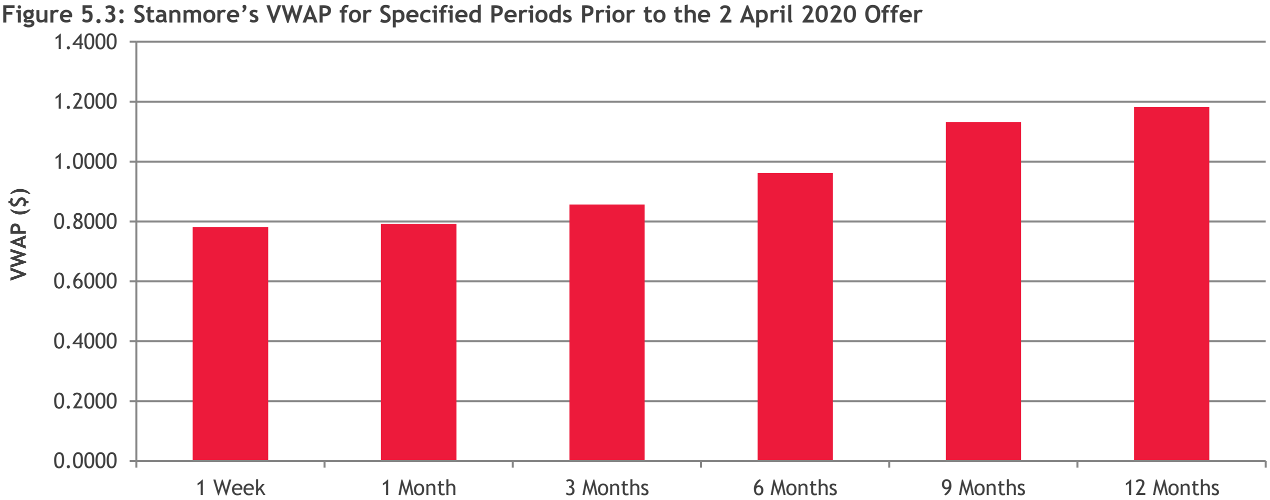
Period before 2 April 2020	VWAP ($/Share)
1 Week	0.7800
1 Month	0.7925
3 Months	0.8560
6 Months	0.9612
9 Months	1.1317
12 Months	1.1816

Source: Capital IQ as at 24 April 2020

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

The information presented in Table 5.7 is shown graphically in Figure 5.3 on the page below.

Figure 5.3: Stanmore's VWAP for Specified Periods Prior to the 2 April 2020 Offer



Source: Capital IQ as at 24 April 2020

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

[9] Underlying EBITDA is a non-IFRS measure. Refer to Stanmore's ASX announcement on 27 April 2020 for a breakdown of the measure.

5.5.2 *Liquidity of Stanmore Shares on the ASX*

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

Table 5.8 summarises the monthly liquidity of Stanmore shares from 1 April 2019 to 24 April 2020 as traded on the ASX only.

Liquidity has been summarised by considering the:

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

Table 5.8: Liquidity of Stanmore shares on the ASX

Month	Volume (Number)	Turnover ($)	Average Shares Outstanding (Number)	Volume / Shares Outstanding (%)	Monthly VWAP ($)
April 2020 (2nd to 24th)	73,704,880	73,769,082	256,971,830	28.68%	1.0009
April 2020 (1st)	201,680	162,348	256,094,240	0.08%	0.8050
March 2020	19,588,690	15,527,962	256,094,240	7.65%	0.7927
February 2020	12,543,780	10,309,130	256,094,240	4.90%	0.8219
January 2020	14,417,940	14,044,159	256,094,240	5.63%	0.9741
December 2019	5,024,480	5,131,413	256,094,240	1.96%	1.0213
November 2019	6,412,660	6,891,731	256,094,240	2.50%	1.0747
October 2019	23,930,710	27,007,098	256,094,240	9.34%	1.1286
September 2019	8,443,660	12,002,882	256,094,240	3.30%	1.4215
August 2019	22,788,340	32,342,417	256,094,240	8.90%	1.4193
July 2019	19,860,680	27,510,332	256,094,240	7.76%	1.3852
June 2019	17,857,500	24,469,409	256,094,240	6.97%	1.3703
May 2019	12,574,910	17,772,499	256,094,240	4.91%	1.4133
April 2019	10,897,230	13,045,742	252,788,150	4.31%	1.1972
Total	**248,247,140**	**279,986,204**	**255,910,340**	**97.01%**	**1.1279**
Total (Prior to 2 April 2020)	**174,542,260**	**206,217,121**	**255,847,900**	**68.22%**	**1.1815**

Source: *Capital IQ as at 24 April 2020*

1 We have had regard to changes in liquidity due to the announcement of the Offer on 2 April 2020, including Golden Investments' on market acquisitions on the day. Relevant dates have been split in Table 5.7 to capture the effect of this announcement and activity.

Assuming a weighted average number of 255,847,900 Stanmore shares on issue over the period approximately 68.22% of the total shares on issue were traded on the ASX over the period 1 April 2019 to 1 April 2020 (referred to in the table above as prior to 2 April 2020). Throughout the same period, approximately 2.8% of Stanmore's total shares outstanding were traded on Chi-X. In our view, this indicates that Stanmore shares display a moderate to high level of liquidity.

5.6 Interest-Bearing Liabilities and the WICET Loan

5.6.1 *Taurus Facilities*

Stanmore has financing facilities with Taurus Funds Management Pty Limited (defined as 'Taurus'), including a working capital facility and a bonding facility. On 28 June 2019, the Taurus facilities were refinanced with the following key terms:

- An increase in the working capital facility to USD28.0 million (previously USD22.0 million);
- A reduction of the bonding facility to USD12.0 million (previously USD29.0 million);
- An extension of the existing facilities to 30 June 2022 (previously 15 November 2019);
- An interest rate on drawn funds of 8.0% (previously 10%);

- An interest rate on undrawn funds of 2.0% (unchanged);
- A royalty payable on proceeds of sales from Isaac Plains Complex of 1% (unchanged); and
- First and second ranking security interests over Stanmore IP Coal Pty Ltd and its subsidiaries.

As at 31 December 2019, no amounts under the Taurus working capital facility remain drawn.

The Taurus bonding facility provides credit support for certain bank guarantees issued to third parties in relation to the Isaac Plains Complex, specifically to support infrastructure and transport contracts. The bank guarantees are not recognised as part of Stanmore's financial statements except in the circumstance the Company is in default under the facility agreement or underlying infrastructure contracts. In the event of a default, Taurus, on behalf of Stanmore, is to meet the Company's obligation under the infrastructure contracts, while the Company is to realise/recognise a debt obligation to Taurus. Bank guarantees to third parties under the Taurus bonding facility, as at 31 December 2019, include:

- Rail capacity providers: AUD$6.2 million;
- Port capacity providers: AUD$4.3 million;
- Electricity network suppliers: AUD$1.2 million; and
- Other: AUD$3.5 million.

5.6.2 Liberty Facility

On 28 June 2019, Stanmore further announced an additional rehabilitation bonding facility to be entered into with Liberty Speciality Markets (defined as 'Liberty'). The purpose of this facility is to provide Financial Assurance to the Queensland Government as part of the Company's future rehabilitation obligations. Key terms of the facility are:

- Bonding facility limit of AUD$20.0 million
- Interest of 4.7% on drawn funds;
- No fee on undrawn funds;
- No financial covenants;
- Review date/facility expiry of 30 June 2020; and
- Third or seconded ranking fixed and floating security interest over Stanmore IP Coal Pty Ltd (Isaac Plains and Isaac Plains East) and Stanmore IP South Pty Ltd (Isaac Downs), which also include third ranking tenement mortgages over tenements held over those subsidiaries and first ranking security interest over all other subsidiaries of Stanmore.

Similar to the Taurus bonding facility, the Liberty bonding facility represents a surety bond facility that has been provided to Queensland Government in relation to the Company's rehabilitation commitment. The surety bond facility provides performance surety, and are not recognised as part of financial accounts unless in the circumstance of a default on the Company's obligation. In the event of a default, Liberty, on behalf of Stanmore, is to meet the Company's rehabilitation obligation to the Queensland Government, while the Company is to realise a debt obligation to Liberty for doing so.

5.6.3 Equipment Purchase Loan

The Cat 6060 excavator acquired for Isaac Plains East on 2 July 2019 is financed through an equipment loan facility with Caterpillar Financial Australia Limited (defined as 'Caterpillar'). The term of the facility is five years, and maintains a remaining balance outstanding as at 31 December 2019 of $13.5 million.

5.6.4 WICET Loan - Contingent Asset

During FY14, Stanmore impaired the full balance of an $8 million loan provided to infrastructure providers, in relation to the WEXP1 Gladstone projects participation in the Capacity Commitment Deed ('CCD'). The CCD was to provide certain future access rights in return for an upfront funding commitment. The loan was used to fund studies and complete initial dredging activities as part of the future expansion of the Gladstone port.

The CCD expired on 31 August 2014, while the only rights remaining to the Company is to recoup the loan amounts on completion of the expansion project. In the event that a new expansion proponent achieves financial close prior to 31 December 2020, they will be required to reimburse Stanmore for a portion of the loan. The certainty and timing of the future financing event is unknown as at 31 December 2019. Management advise that they do not expect to receive any reimbursements of the loan.

5.7 Historical Financial Information of Stanmore

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

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

5.7.1 Statements of Profit or Loss and Other Comprehensive Income

Table 5.9 summarises the statement of comprehensive income of Stanmore for the 12 month periods ended 30 June 2017, 2018, and 2019, as well as for the 6 month period ended 31 December 2019.

Table 5.9: Stanmore Statement of Comprehensive Income

	12 Months Ended 30-Jun-17 Audited ($'000)	12 Months Ended 30-Jun-18 Audited ($'000)	12 Months Ended 30-Jun-19 Audited ($'000)	6 Months Ended 31-Dec-19 Reviewed ($'000)
Revenue				
Sales - Thermal Coal	17,097	53,323	39,218	1,832
Sales - Semi Soft Coking Coal	120,749	137,509	363,818	198,777
Toll Loading Revenue	-	17,249	23	-
Total Revenue	**137,846**	**208,081**	**403,059**	**200,609**
Cost Of Sales				
Mining Costs	(52,049)	(77,897)	(106,208)	(73,622)
Processing Costs	(14,862)	(17,964)	(35,241)	(19,417)
Transport And Logistics	(12,694)	(18,638)	(36,747)	(18,868)
Toll Loading Costs	-	(13,893)	(26)	-
State Royalties	(11,329)	(15,661)	(36,825)	(17,912)
Private Royalties	(1,011)	(2,165)	(6,832)	(3,208)
Production Overheads	(6,575)	(3,887)	(14,203)	(8,723)
Other Production Costs	(5,537)	(5,685)	(2,203)	(2,714)
Total COGS	**(104,057)**	**(155,790)**	**(238,285)**	**(144,464)**
Gross Profit/(Loss)	**33,789**	**52,291**	**164,774**	**56,145**
Other Income				
Rehabilitation Re-Measurement	(1,357)	281	-	-
Onerous Contract Re-Measurement	538	4,040	9,428	73
Vendor Royalty - Contingent Consideration Re-Measurement	-	-	-	1,453
Other Income	-	-	509	-
Total Other Income	**(819)**	**4,321**	**9,937**	**1,526**
Other Expenses				
Movement In Rehabilitation Provision	-	-	(3,134)	(943)
Fair Value Movement - Vendor Royalty - Contingent Consideration	(14,457)	(25,828)	(6,145)	-
Write-Off Non-Current Inventory	-	-	(4,364)	-
Provision For Impairment And Write Off - Exploration Asset	(917)	(8)	-	-
Provision For Impairment - Development Assets	8,512	-	-	-
Depreciation And Amortisation	(3,332)	(5,207)	(11,383)	(11,048)
Employee Expenses	(2,910)	(3,365)	(6,901)	(2,278)
Other Expenses	(4,123)	(3,378)	(4,630)	(3,435)
Total Other Expenses	**(17,227)**	**(37,786)**	**(36,557)**	**(17,704)[1]**
Profit Before Income Tax And Net Finance Expenses	**15,743**	**18,826**	**138,154**	**39,967[1]**
Net Finance Income				
Finance Income	212	293	476	422

	12 Months Ended 30-Jun-17 Audited ($'000)	12 Months Ended 30-Jun-18 Audited ($'000)	12 Months Ended 30-Jun-19 Audited ($'000)	6 Months Ended 31-Dec-19 Reviewed ($'000)
Interest Paid	(4,566)	(2,224)	(1,709)	(92)
Interest Amortisation Unwinding	(2,043)	(2,676)	(4,549)	(2,108)
Movement In Foreign Currency	1,029	(306)	35	(306)[1]
Borrowing Costs	(3,957)	(3,873)	(3,877)	(1,750)
Total Financing Expense	**(9,325)**	**(8,786)**	**(9,624)**	**(3,834)**
Profit Before Income Tax Expense	**6,418**	**10,040**	**128,530**	**36,133**
Income Tax Benefit/(Expense)	5,617	(4,074)	(36,932)	(9,223)
Net Profit	**12,035**	**5,966**	**91,598**	**26,910**

Source: Stanmore FY17, FY18, FY19 Annual Reports, and FY20 Half Year Report

1 H1FY20 movements in foreign currency is set out under other expenses in the half year report. We have classified the account under net finance income consistent with previous classifications for presentation and comparison purposes

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

- Management's continued production ramp-up strategy over the previous three years has resulted in an increase to top line revenue of approximately 192% between FY17 and FY19. While FY17 was the first full year of operations for Isaac Plains, mining activity transitioned to Isaac Plains East during FY19. Over the last three financial years, revenue has further benefited from relatively high coal prices in Australian dollar terms;
- The production mix of metallurgical coal and thermal coal improved to 98:2 during H1FY20 compared to the 89:11 product mix achieved during the FY19. Stanmore realised an average price of AUD165/t for the sales coal products during H1FY20, AUD$13.3/t lower than the average price for the FY19.
- During FY18 there was a once-off revenue increase in relation to a toll loading agreement with a third-party;
- Cost of sales has increased broadly in-line with the increase in production volumes between FY17 to FY19. FY19 operating margin improved compared to the prior periods due to the lower strip ratio and favourable geological conditions as operations transitioned to Isaac Plains East. However, the operating margins have seen a reversal of this trend during H1FY20 to pre-FY19 levels due to the decrease in commodity prices and increasing strip ratios. Realised free-on-board ('FOB') costs (including state royalties) have been fluctuating between $104/t to $110/t ($104.5/t, $110.0/t, $104.7/t, and $106/t, FY17, FY18, FY19, and H1FY20 respectively). Production overheads are also increasing above historic relationships to revenue;
- Rehabilitation re-measurement reflects changes in the estimated future rehabilitation expenses of the Isaac Plains Complex. Future rehabilitation expenses are recognised as a provision. The rehabilitation liability was initially recognised on acquisition and is subsequently reassessed due to ongoing activities, such as the increase in the provision consistent with operations shifting to Isaac Plains East and Isaac Downs;
- The onerous contract provision relates to the acquisition accounting of Isaac Plains in November 2015 (further background on onerous contracts is provided in Section 5.7.2 below). At each period, the onerous provision is re-measured with movements in fair value going through the profit and loss statement. FY18 movements largely relate to re-measurement, while during FY19, a third-party contract was entered into to offset existing surplus obligations. Under the contract, Stanmore is to provide excess water to a third-party from existing onerous water supply arrangements;
- As part of the acquisition of Isaac Plains in 2015, Stanmore further recognised a contingent consideration provision. The fair value of the contingent consideration is based on a capped royalty stream, re-measured each period with movements in the provision reflected on the profit or loss statement (further background on onerous contracts is provided in Section 5.7.2 below). Historically the provision has gradually increased due to recent rising coal prices and as production continued to ramp up, resulting in an increasing provision expense recognised in the respective period. The provision was further boosted in FY19 in relation to Stanmore's acquisition of Isaac Downs, and the related contingent royalty-based payment. This rising trend in the provision was reversed with a minor write-back recognised during H1FY20;
- A write-off of non-current inventory was recorded during FY19 as it related to Isaac Plains deferred stripping costs. In accordance with AASB 102, Stanmore recognised non-current inventories relating to deferred stripping costs. This balance reflects the overburden in advance from pre-stripping at Isaac Plains. Isaac Plains ceased operations during FY19, as such Management considered the balance uneconomical based on timing of coal recovery, coal pricing, and future cost structures if operations at the mine were to recommence;
- A $13.9 million impairment provision was recognised during FY16 in relation to the Range development assets. During FY17, Stanmore recognised a partial reversal of the impairment due to improved outlooks for the Range project and long-term coal prices. The Range was reclassified as an exploration and evaluation project during FY18;

- Increasing depreciation and amortisation expenses from FY17 to H1FY20 (annualised) predominantly relate to the depreciation on property, plant and equipment ('PP&E'), and amortisation of mining property. Mining property represents previously capitalised development costs that have since been transferred upon production commencing. For mining companies, both PP&E and mining property are depreciated/amortised based on units of production. The increase in depreciation and amortisation expenses are consistent with increases in production from both existing and previous development assets;
- Employee expenses relate to salaries and wages, employee superannuation and share-based payments expected to be settled within 12 months of the end of each financial year;
- Borrowing costs relate to the costs of refinancing of existing bonding and working capital facilities (refer to Section 5.6 of this Report for further information). Interest expenses relate to the cost of borrowing against the facility. Interest amortisation unwinding relate primarily to the onerous contract, rehabilitation, and contingent payment provisions; and
- Movement in foreign currency relates primarily to coal sales revenue being received in US dollars. Coal sales are booked on Bill of Loading ('BoL') date, and then received at a later date. Foreign currency movement also occurs when funds held in Stanmore's USD account are transferred into Australian dollars to pay for Australian dollar denominated operating costs.

5.7.2 *Statements of Financial Position*

Table 5.10 summarises Stanmore statements of financial position as at 30 June 2017, 2018, and 2019, as well as at 31 December 2019.

Table 5.10: Stanmore's Statements of Financial Position

	As at 30-Jun-17 Audited ($'000)	As at 30-Jun-18 Audited ($'000)	As at 30-Jun-19 Audited ($'000)	As at 31-Dec-19 Reviewed ($'000)
Assets				
Current Assets				
Cash And Cash Equivalents	27,515	19,817	90,465	71,379
Trade And Other Receivables	16,641	22,427	20,802	21,778
Inventories	27,460	20,967	29,631	46,465
Other Current Assets	2,279	2,583	4,206	6,291
Total Current Assets	**73,895**	**65,794**	**145,104**	**145,913**
Non-Current Assets				
Inventories	-	4,364	-	-
Property, Plant And Equipment	35,249	36,444	45,592	61,631
Capitalised Development Costs	15,700	13,410	-	-
Mine Properties	-	-	34,808	31,115
Exploration And Evaluation Assets	27,008	39,393	75,496	77,547
Intangible Assets	4,282	3,778	3,275	3,023
Deferred Tax Assets	6,746	2,672	-	-
Other Non-Current Assets	223	2,234	2,313	2,333
Total Non-Current Assets	**89,208**	**102,295**	**161,484**	**175,649**
Total Assets	**163,103**	**168,089**	**306,588**[1]	**321,562**
Current Liabilities				
Trade And Other Payables	22,282	27,028	50,756	39,478
Interest-Bearing Loans And Borrowings	15,601	-	-	2,169
Onerous Contracts Provision	2,416	1,790	867	846
Rehabilitation Provision	1,161	3,160	4,700	3,316
Vendor Royalties - Contingent Consideration	3,089	6,966	7,955	10,039
Income Tax Payable	-	-	25,309	32,945
Total Current Liabilities	**44,549**	**38,944**	**89,587**	**88,793**
Non-Current Liabilities				
Provision For Employee Benefit	-	220	254	313
Interest-Bearing Loans And Borrowings	-	-	-	11,373
Onerous Contracts Provision	19,844	14,612	5,198	4,819
Rehabilitation Provision	23,717	15,423	24,256	28,882
Vendor Royalties - Contingent Consideration	8,175	25,728	24,598	17,721
Deferred Tax Liabilities	-	-	5,591	7,178
Total Non-Current Liabilities	**51,736**	**55,983**	**59,897**	**70,286**
Total Liabilities	**96,285**	**94,927**	**149,484**	**159,079**
Net Assets	**66,818**	**73,162**	**157,104**	**162,483**
Equity				
Issued Capital	113,200	113,200	117,613	117,613
Share Based Payment Reserve	774	1,152	1,703	659

	As at 30-Jun-17 Audited ($'000)	As at 30-Jun-18 Audited ($'000)	As at 30-Jun-19 Audited ($'000)	As at 31-Dec-19 Reviewed ($'000)
Retained Earnings	(47,156)	(41,190)	37,788	44,211
Total Equity Attributable To Shareholders	**66,818**	**73,162**	**157,104**	**162,483**

Source: Stanmore FY17, FY18, FY19 Annual Reports, and FY20 Half Year Report

1 FY19 Annual Repot sets out a value of approximately $307.0 million for Stanmore's total assets as at 30 June 2019. This value is approximately $0.4 million greater than the sum of assets in this Report, with the difference likely due to rounding.

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

- Stanmore's total assets have approximately doubled over the last three and a half financial years, consistent with Stanmore's ramp up in production and realising value of development activities;
- Increases in total current assets are largely due to significant increases in Stanmore's cash balance while trade debtors and inventory management has remained more stable;
- Increases in non-current assets have been driven by investment in PP&E, transitioning of and further investment into development assets into producing assets (Isaac Plains East), and continued exploration investment (predominately Isaac Downs and Isaac Plains Underground). FY19 represented a major expansion year for Stanmore with H1FY20 exhibiting more steady expansion rates;
- Capitalised development costs represented Isaac Plains East development costs prior to production. On commencing production during FY19, the account was converted to mine property, to be amortised over the life of the mine. Isaac Plains East was transferred from the exploration and evaluation account during FY18 at capitalised costs of approximately $6.1 million, a further $28.7 million of development costs were capitalised, prior to the full $34.8 million being transferred to the mine property account;
- PP&E was initially recognised at $24 million following the acquisition of Isaac Plains in FY16, with the majority of additions since occurring as part of the ordinary course of business. As part of Stanmore's strategy to remain capital light by focusing on close proximity sites, minimal investment in PP&E was required during FY19 when transitioning from Isaac Plains to Isaac Plains East (approximately $12.1 million FY19 additional fixed asset investment). Stanmore's dragline previously operating at Isaac Plains was transitioned to Isaac Plains East during December 2018. The increase in PP&E during H1FY20 primarily relates to Stanmore's acquisition of the CAT 6060, a 600-tonne excavator, for appropriately $14.6 million on 2 July 2019. The purchase was financed through an equipment loan facility with Caterpillar Financial Australia Limited over a five year term. The excavator is expected to aid in reducing overburden unit costs in H2FY20;
- The majority of the exploration and evaluation balance as at H1FY20 pertains to the acquisition of Wotonga South (renamed to Isaac Downs) and the Range exploration project. The Range was downgraded to the exploration and evaluation account during FY18 from the development account at approximately $21.1 million capitalised costs. Wotonga South was acquired from Peabody Australia on 31 July 2018 for $30.0 million cash ($6 million upfront payment, and $24 million deferred payments over a twelve month period) and an ongoing royalty. A further $5.0 million and $2.1 million exploration and evaluation expenses were capitalised during FY19 and H1FY20, related to the study costs for Isaac Plains Underground and Isaac Downs;
- Intangible assets were recognised upon acquisition of the Isaac Plains coal mine in FY16 and relate to future rebates on the cost of coal railings based on an agreement with the rail infrastructure owner. Receipts of coal railing rebates are recognised in profit or loss as a credit against the cost incurred. The asset is amortised on a straight-line basis over its life in accordance with the anticipated profile of benefits received, at approximately $0.5 million per year;
- Other non-current assets relate to term deposits held or cash backed exploration permit securities paid to the Department of Natural Resources, Mines and Energy ('DNRM'). Term deposits are held in order to cash-back bank guarantees that Stanmore holds. Exploration permit securities represent cash paid to DNRM that is held against the Company's performance of obligations as the holder of exploration permits;
- Total liabilities as a percentage of total assets has been gradually decreasing over the last three and a half financial years. Stanmore's inventory and payable days appears to have increased to during H1FY20 relative to previous periods Trade creditors, income tax payable, and provisions represent the Company's largest liabilities with minimal debt in Stanmore's capital structure;
- Following the acquisition of Isaac Plains in FY16, Stanmore recognised contingent consideration for vendor royalties. The vendor royalties are payable in the event that benchmark hard coking coal prices exceed AUD$160/t (adjusted for CPI), and coal is produced and sold from either Isaac Plains or Isaac Plains East, at $2 per product tonne (2015 dollars). The remaining cap on the vendor royalties is $25.6 million as at H1FY20 (2019 dollars). As part of Stanmore's acquisition of Wotonga South during FY19, an additional vendor royalty contingent consideration was recognised. The royalty stream payable is $1 per tonne of product coal while the premium hard metallurgical coal benchmark exceeds AUD$170/t (indexed for CPI), and is capped as approximately $10.0 million. The fair value of the contingent considerations are re-measured each period with any movements in the provision going through the profit and loss statement;

- The onerous contract provision (current and non-current) relates to the acquisition accounting of Isaac Plains in November 2015. Stanmore acquired various long-term contracts necessary for mining activities at Isaac Plains including rail haulage, port allocations, water supply, electricity supply and accommodation. Based on the initial Isaac Plains mining plan, a portion of the contracts acquired were estimated to be underutilised and the fixed charges incurred above the deemed requirement were recognised as an onerous contract liability. At each period, the onerous provision is re-measured with movements in fair value going through the profit and loss statement. FY18 movements largely relate to re-measurement and contracts resettled through the ordinary course of business. During FY19, a third-party contract was entered into to offset existing surplus obligations in relation to water. Under the contract, Stanmore is to provide excess water to a third-party from existing onerous water supply arrangements. We understand all other contracts are no longer considered onerous;
- The provision for rehabilitation relates to area disturbed during operation of the mine that have not yet been rehabilitated. During FY19, rehabilitation work continued on Isaac Plains while additional provisions were recognised in relate to production commencing at Isaac Plains East, resulting in a net increase in the provision. This trend has continued during H1FY20;
- Interest-bearing liabilities (current and non-current) total $13.5 million as at H1FY20. While Stanmore maintains a number of financing facilities at this date including a working capital facility and bonding facilities, amounts recorded on the balance sheet reflect the outstanding principal equipment purchase loan for the excavator acquired during FY19 only. The working capital facility maintains nil drawdowns as at H1FY20 (refer to Section 5.6 for more information regarding financing facilities);
- Consistent with mining projects requiring large initial upfront investment of capital and time prior to realising value, Stanmore had been generating tax losses prior to FY18. As the Company's ability to utilise prior years' tax losses became probable, a deferred tax asset account arose. On fully utilising historic tax losses during FY18, temporary differences between accounting and tax accounts reversed to become a net liability for the Company; and
- Net assets have increased by approximately 143% over the last three and a half years, or a compounded annual growth rate in the book value of equity of approximately 28.5%.

5.7.3 Statements of Cash Flows

Table 5.11 summarises Stanmore's Statement of Cash Flows for the 12 month periods ended 30 June 2017, 2018, and 2019, as well as for the 6 month period ended 31 December 2019.

Table 5.11: Stanmore's Summarised Statements of Cash Flows

	12 Months Ended 30-Jun-17 Audited ($'000)	12 Months Ended 30-Jun-18 Audited ($'000)	12 Months Ended 30-Jun-19 Audited ($'000)	6 Months Ended 31-Dec-19 Reviewed ($'000)
Cash Flows From Operating Activities				
Receipts From Customers	130,183	201,668	405,644	199,742
Payments To Suppliers And Employees (Net GST Refunds)	(143,507)	(173,149)	(260,973)	(180,722)
Interest Received	212	293	441	422
Interest And Other Finance Costs Paid	(4,698)	(6,938)	(1,709)	(531)
Income Tax Paid	-	-	(3,360)	-
Net Cash (Outflow)/Inflow From Operating Activities	**(17,810)**	**21,874**	**140,043**	**18,911**
Cash Flows From Investing Activities				
Payments For Property, Plant And Equipment	(8,191)	(6,923)	(12,093)	(18,897)
Net (Payments)/Receipts For Exploration, Evaluation And Development Assets	(2,512)	(8,026)	(31,103)	(7,051)
Payment For Mine Properties Assets	-	-	(17,581)	(4,252)
Receipts Relating To Vendor Payments	13,430	978	-	-
Net Cash (Outflow)/Inflow From Investing Activities	**2,727**	**(13,971)**	**(60,777)**	**(30,200)**
Cash Flows From Financing Activities				
Proceeds From Issue Of Shares (Net Of Costs)	14,703	-	-	-
Payments For Dividends	-	-	(8,162)	(20,488)
Payments For On-Market Share Buy-Backs	-	-	(45)	-
Share Based Payments	-	-	-	(852)
Net Proceeds From Borrowings	15,815	22,084	43,263	13,719
Repayment Of Borrowings	-	(37,685)	(43,674)	(176)
Net Cash (Outflow)/Inflow From Financing Activities	**30,518**	**(15,601)**	**(8,618)**	**(7,797)**
Net Increase/(Decrease) In Cash Held	**15,435**	**(7,698)**	**70,648**	**(19,086)**
Net Cash At Beginning Of Year	12,080	27,515	19,817	90,465
Net Cash At End Of Year	**27,515**	**19,817**	**90,465**	**71,379**

Source: Stanmore FY17, FY18, FY19 Annual Reports, and FY20 Half Year Report

With reference to Table 5.11 above, we note the following:

- Broadly speaking, cash flows from operations have been increasing over the last three and a half financial years. This is largely driven by increases from receipts from customers due to the ramp up in production and strong coal prices. Record cash inflows from operations were recorded during FY19;
- Stanmore has continued to invest in the exploration and development of the Company's mining assets. The greatest investment to date has occurred in FY19 as part of the transition to production at Isaac Plains East, and further developments of Isaac Downs and pre-development planning of Isaac Plains Underground. PP&E cash investments during H2FY20 largely reflect the purchase of the CAT 6060 excavator;
- Cash flows from investing activities is partially offset during FY17 and FY18 by Isaac Plains' vendors. As part of the original transaction for Isaac Plains, the vendors agreed to pay a series of compensation payments to Stanmore to cover certain underutilised contracts and general working capital requirements. While the majority of these payments were received upfront, final instalments were received during FY17 and FY18;
- During FY17 Stanmore relied on external funding to maintain operations. Since FY17 Stanmore has been returning funds to capital providers through both the repayment of debt, as well as through dividends;
- Negative operating cash flows during FY17 were predominantly supported by the issue of shares and borrowings. Investment in overburden movement and coal stockpiles of $22.4 million were a key driver of negative cash from operating activities during the year;

- Stanmore announced the Company's maiden dividend on 27 August 2018 of $0.02 per Stanmore share in response to the Company's FY18 financial performance. The Company further announced $0.03/share interim FY19, $0.08/share full year FY19, and $0.03/share interim FY20 dividends. The interim FY20 dividend is expected to be paid on 30 April 2020 and is subject to a DRP at a 5% discount to the Company's 5 day VWAP between 6 April 2020 and 14 April 2020; and
- FY19 proceeds from borrowings reflect the equipment purchase facility to acquire the CAT 6060 excavator.

6.0 Industry Overview

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

6.1 Coal Overview

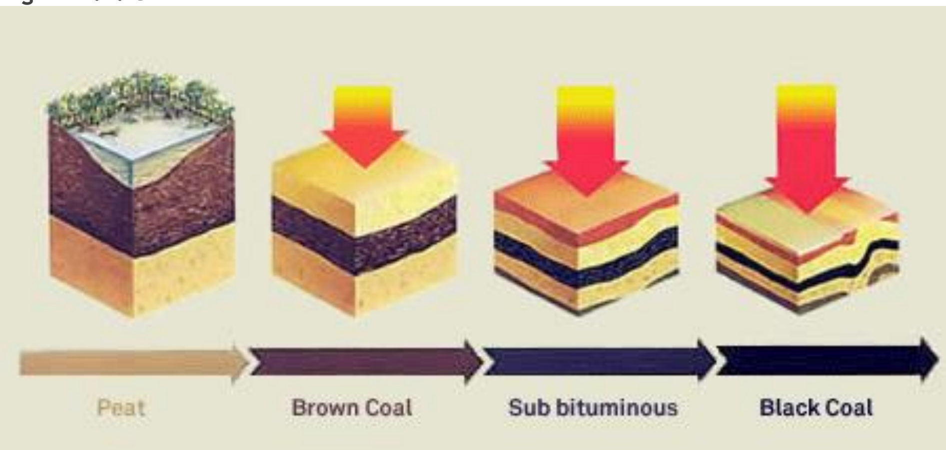
6.1.1 Coal Properties and Uses

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

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

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

Figure 6.1: Coalification Process



Source: Australian Coal Association

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

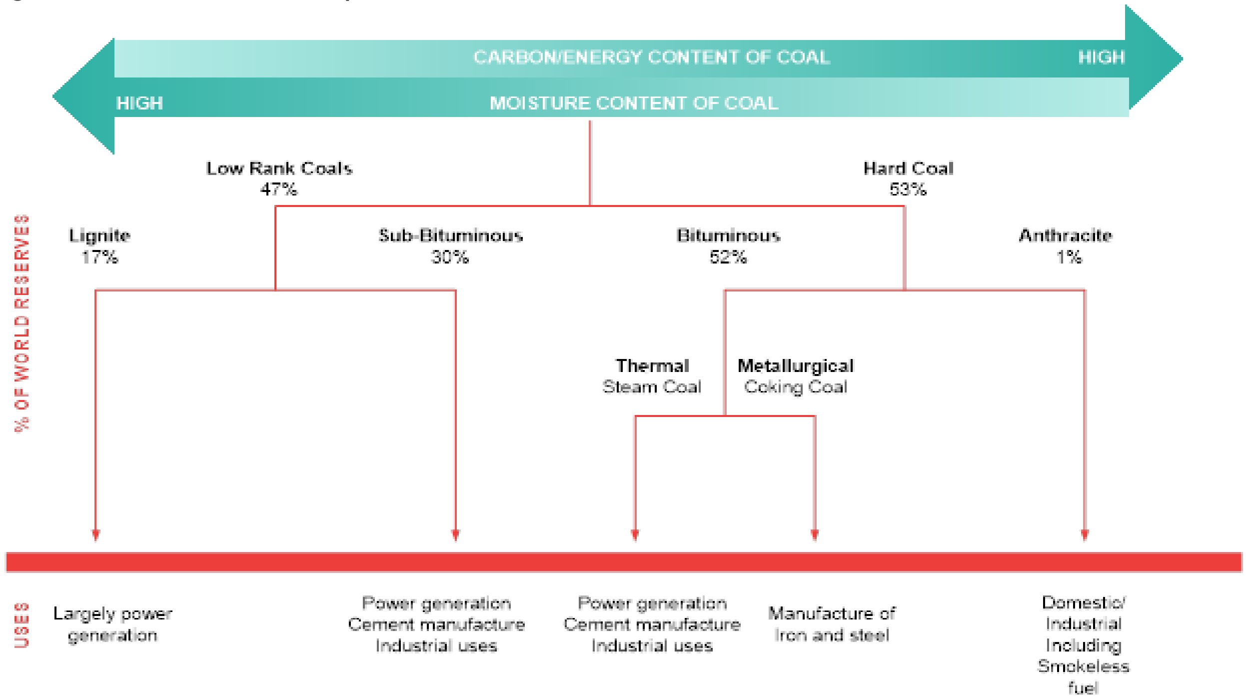
Lower rank coals, such as lignite and sub-bituminous coal are typically softer, friable materials with a dull, earthy appearance. These coals have low energy content due to high moisture levels and low carbon content.

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

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

Figure 6.2 below illustrates the coal classification spectrum.

Figure 6.2: Coal Classification Spectrum



Source: World Coal Association

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

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

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

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

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

6.1.2 Global Coal Reserves[10]

As at the end of 2018, it is estimated that there are over 1,054 billion metric tonnes of proven coal reserves worldwide.[11] Approximately 75.7% of the world's proven recoverable coal reserves are located in the following five countries:

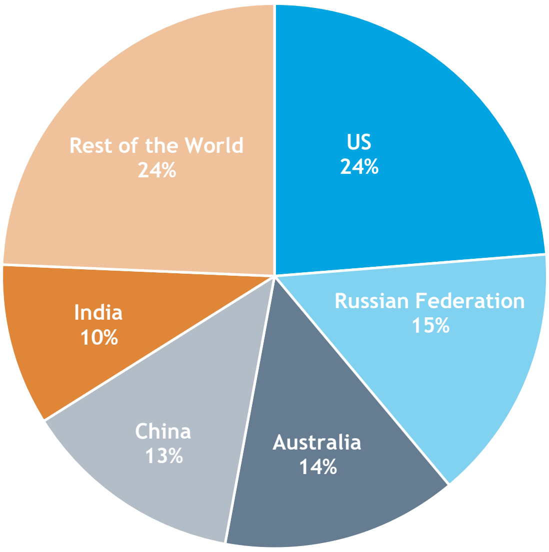
United States of America	250.2 billion metric tonnes	23.7%
Russian Federation	160.4 billion metric tonnes	15.2%
Australia	147.4 billion metric tonnes	14.0%
People's Republic of China	138.8 billion metric tonnes	13.2%
India	101.4 billion metric tonnes	9.6%

Figure 6.3 below shows the geographic spread of proven coal reserves by country as at the end of 2018.

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

[11] BP Statistical Review of World Energy June 2019

Figure 6.3: Global Proven Coal Reserves by Country at the end of 2018



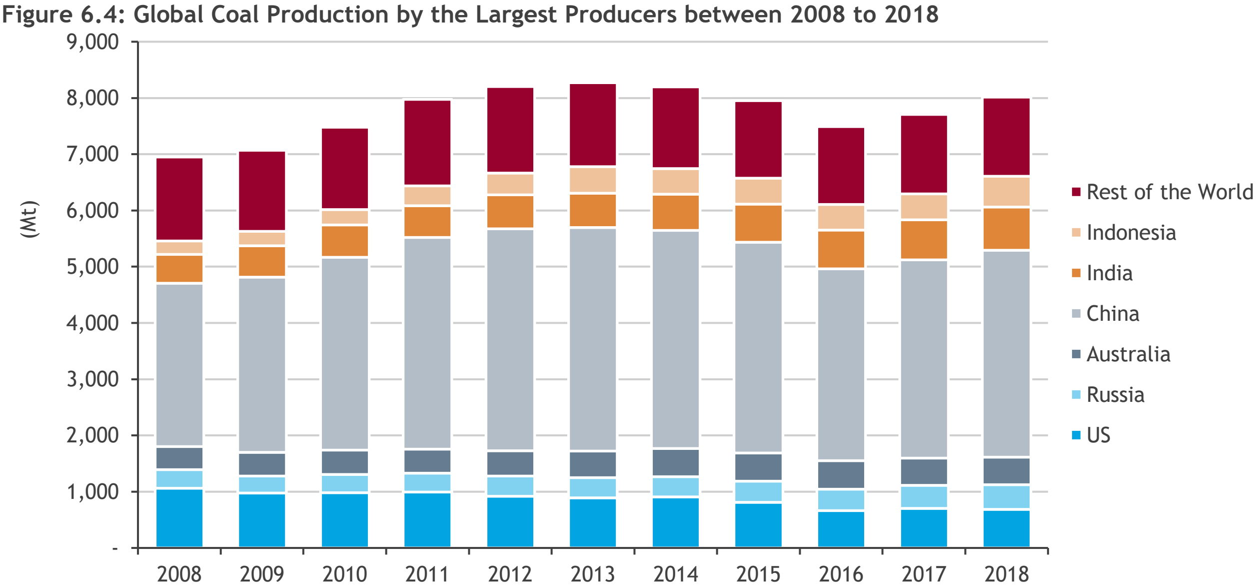
Source: BP Statistical Review of World Energy 2019

6.1.3 Global Coal Production[12]

Since 2008 there has been a gradual increase in global production, with 2018 aggregate production of approximately 8,013 million tonnes representing an increase of approximately 15% from 2008 levels. Production levels from the top six largest producers has remained relatively consistent through this period, with some cyclical variance in Chinese production levels.

Figure 6.4 below sets out global coal production by the largest global producers over the ten year period between 2008 and 2018.

Figure 6.4: Global Coal Production by the Largest Producers between 2008 to 2018

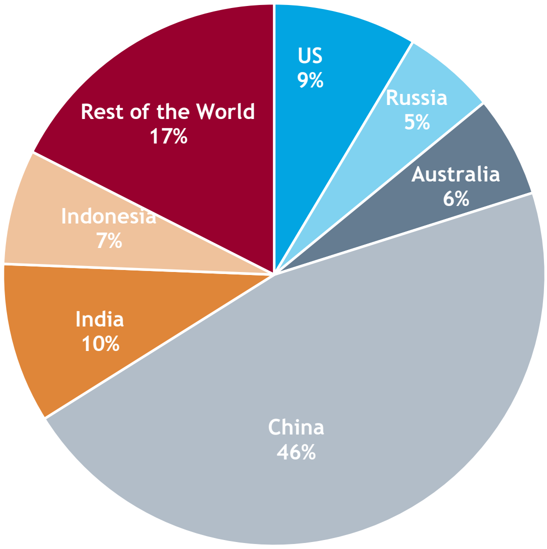


Source: BP Statistical Review of World Energy 2019

Figure 6.5 below shows the geographic spread of global coal production by country as at the end of 2018.

[12] BP Statistical Review of World Energy June 2019

Figure 6.5: Global Coal Production by Country for Calendar Year 2018



Source: BP Statistical Review of World Energy 2019

6.1.4 Global Coal Consumption[13]

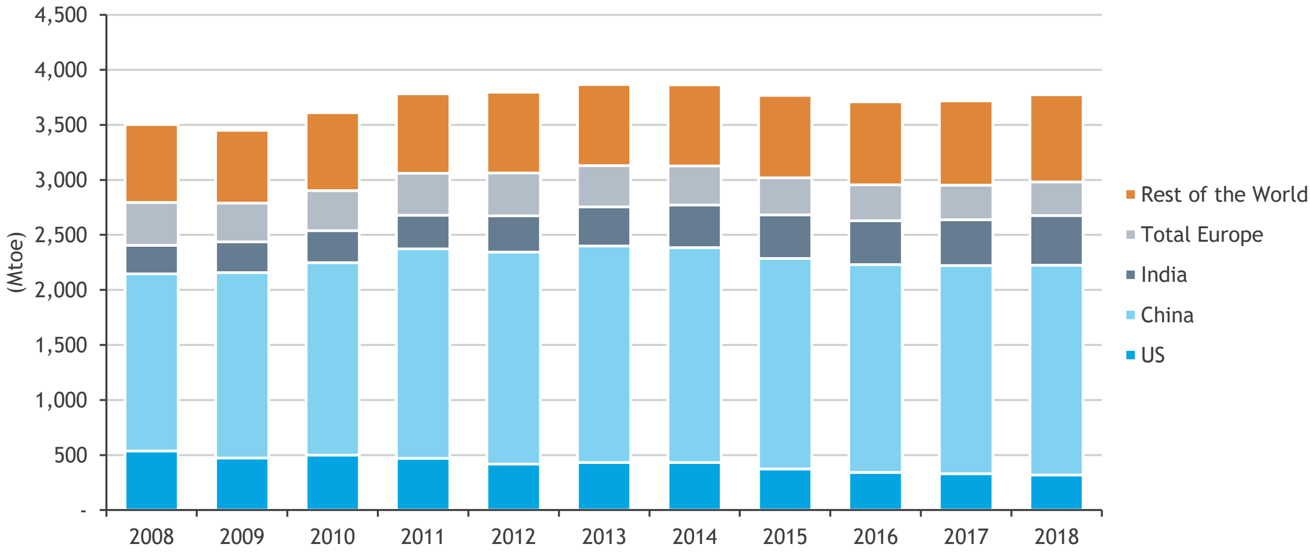
Coal's share in global primary energy fell to its lowest point in the last fifteen years, at 27.2%. Global consumption nevertheless appears to be gradually increasing throughout the cycle with trough-to-trough growth rate of 7.5% between 2009 consumption and 2016. Growth in global consumption is predominantly being driven by non-OECD countries over the ten year period (OECD, ~25.2% decrease; Non-OECD, ~23.7% increase; European Union, ~26.8% decrease).

Over the last ten years, global consumption of coal peaked during 2013, with 2018 being the first year since a significant positive year-on-year growth in consumption has been achieved (~1.4%). Aggregate consumption in 2018 was approximately 3,772.1 million tonnes oil equivalent ('Mtoe'), representing an increase of approximately 7.7% from 2008 levels.

The four largest consumers of coal – China, India, United States, and Europe – account for approximately 79.1% of total global coal consumption in 2018.

Figure 6.6 below sets out global coal consumption by the largest global consumers over the ten year period between 2008 and 2018.

Figure 6.6: Global Coal Consumption by the Largest Consumers between 2008 to 2018

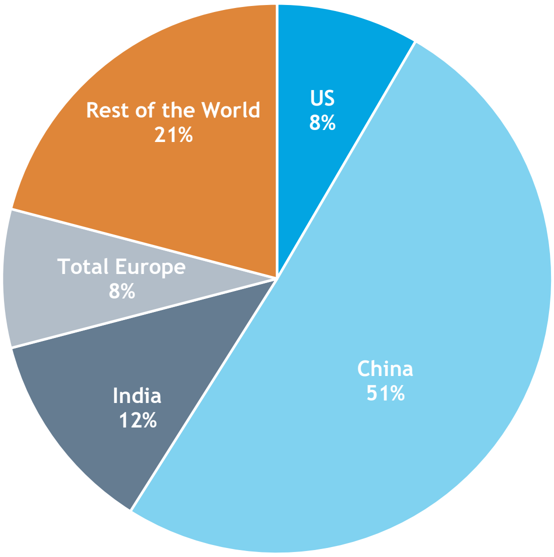


Source: BP Statistical Review of World Energy 2019

Figure 6.7 below shows the geographic spread of global coal consumption by country as at the end of 2018.

[13] BP Statistical Review of World Energy June 2019

Figure 6.7: Global Coal Consumption by Country for Calendar Year 2018



Source: BP Statistical Review of World Energy 2019

6.1.5 Coal Prices[14]

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

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

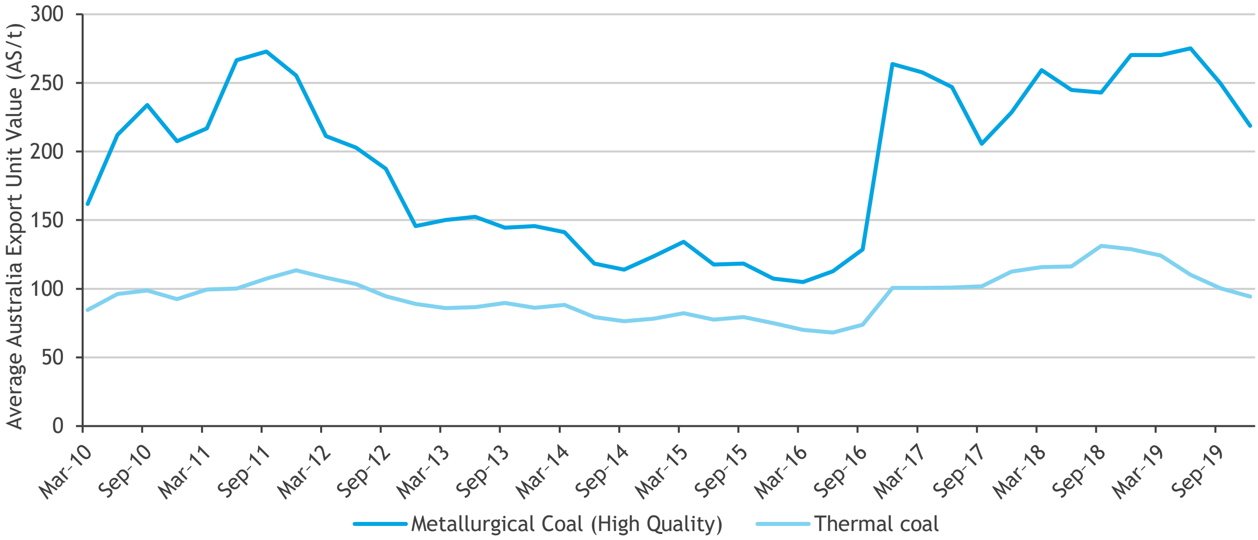
Existing term contracts generally serve as the reference point when negotiating updated term contract arrangements.

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

Figure 6.8 below shows the average export price for metallurgical coal (high quality) and thermal coal from the quarter ended 30 March 2010 to the quarter ended March 2020 in Australian dollars per tonne. The price is estimated as average realised export unit value shipping from Australia in the respective quarter.

[14] Resources and Energy Quarterly March 2020, Australian Department of Industry, Innovation and Science

Figure 6.8: Average Export Price of Coal between March 2010 to March 2020



Source: Resources and Energy Quarterly March 2020, Australian Department of Industry, Innovation and Science

As set out above, we note the price per tonne of metallurgical coal is greater than thermal, while the spread between the two is highly volatile. Like many global commodities, coal pricing benchmarks (and subsequent sales contracts) are typically set in US dollars. Volatility in pricing from an Australian exporter's perspective is further exacerbated by fluctuations in the USD/AUD exchange rates, which in themselves may be volatile.

An increasing factor affecting global coal prices, is a growing societal pressure for companies, and nations as a whole, to transition towards low carbon energy systems. While there is space for emerging technologies to improve carbon emissions and efficiency of traditional energy sources, broadly speaking there is a societal push to decarbonise the power supply network and utilise alternative renewable energy sources. Nevertheless global energy demand and carbon emissions from energy use increased during 2018 at their fastest rate since 2010. Moving forward, the cost to consume higher carbon energy systems will likely increase in real terms as reflected in carbon emission taxes, as well in relation to social licences to operate.

7.0 Common Valuation Methodologies

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

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

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

7.1 Discounted Cash Flows ('DCF')

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

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

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

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

7.2 Capitalisation of Maintainable Earnings ('CME')

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

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

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

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

7.3 Asset Based Valuation ('ABV')

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

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

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

7.4 Market Based Valuation ('MBV')

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

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

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

7.5 Industry Based Metrics (Comparable Analysis)

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

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

8.0 Valuation of Stanmore

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

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

8.1 Our Valuation Approach for Stanmore

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

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

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

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

8.2 Overview of RPM's Technical Specialist Report ('RPM's Report')

In completing our work, we have had regard to RPM's Report dated 29 April 2020 which, broadly, sets out:

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

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

Regarding RPM's Report we note:

- RPM has prepared the Report in accordance with:
  - The VALMIN Code; and
  - The Corporations Act;

- ASIC Regulatory Guidelines (in particular RG 111 – Content of Specialist Reports and ASIC RG 112 – Independence of Specialists); and
- ASX Listing Rules;

- RPM's Report has not been prepared in compliance with the JORC Code, rather it is an independent technical specialist report which opines on the reasonableness of the Statements of Coal Resources and Coal Reserves and their supporting studies;
- RPM is independent with respect to Stanmore and confirms that there is no conflict of interest with any party involved in the Offer and neither RPM nor any of its personnel involved in the preparation of the RPM's Report have any material interest in Stanmore or any other party involved in the Offer;
- Neither RPM nor the authors of RPM's Report have (or have had previously) any material interest in Stanmore or the mining properties in which Stanmore has an interest. No member or employee of RPM has (or has had) any material shareholding in Stanmore; and
- The statements and opinions contained in RPM's Report are given in good faith and in the belief that they are not false or misleading.

Based on our enquiries and the information provided to us, we regard RPM to be an independent specialist and in our view, it is appropriate for us to consider the work of RPM in completing this valuation work. RPM understand the purpose of the valuation work set out in this Report.

We confirm that we have been provided with express written consent by RPM to refer to and rely on the RPM's Report for the purposes of our valuation work in this Report. We have made reasonable enquiries of RPM and are satisfied that the work and valuations in RPM's Report are suitable for use in this Report. Notwithstanding this, we do not take responsibility for the work of RPM.

Any references to RPM's work set out in this Report are in a summary form only and does not substitute for a complete reading of RPM's Report. Our summary does not include all of the information that may be of interest to Shareholders. RPM's Report is attached to this Report as Appendix B. We recommend that Shareholders read RPM's Report in full and in conjunction to this Report and related statements.

8.3 DCF Valuation of the Isaac Plains Complex

Our DCF valuation of the Isaac Plains Complex is set out as follows:

- Section 8.3.1 sets out the basis of the Financial Model adopted for our DCF valuation of the Isaac Plains Complex;
- Section 8.3.2 sets out the key assumptions of our DCF valuation of the Isaac Plains Complex;
- Section 8.3.3 sets out our DCF valuation of the Isaac Plains Complex; and
- Section 8.3.4 sets out our sensitivity analysis of our DCF valuation of the Isaac Plains Complex.

8.3.1 Basis of the Financial Model Adopted for the DCF

A detailed cash flow model for the Isaac Plains Complex's producing and near term assets was prepared by the Directors of Stanmore (defined as 'the Financial Model'). The Financial Model estimates the future cash flows expected from coal production at the Isaac Plains Complex over a 19-year mine life, based on the estimated JORC compliant resources. The Financial Model was prepared based on estimated production profiles, operating costs, and capital expenditure. The Financial Model was prepared in real terms (rather than nominal) and includes the Company's corporate costs. We have discounted all cash flows to 1 April 2020.

We have assessed the reasonableness of the Financial Model provided to us and the material assumptions that underpin it. We have made certain adjustments to the Financial Model where it was considered appropriate. In particular, we have adjusted the Financial Model to reflect any changes to technical assumptions as a result of RPM's review, in addition to any changes to the economic and other input assumptions that we consider appropriate as a result of our research. We have adjusted the Financial Model to remove the corporate costs incurred and have therefore presented the value of corporate costs separately in our sum-of-parts valuation.

We undertook the following analysis on the Financial Model:

- Analysed the Financial Model to confirm its integrity and mathematical accuracy (to a material level);
- Have relied on RPM's technical expert review, and where required, provide changes to the technical assumptions underpinning the Financial Model;
- Conducted independent research on certain economic and other inputs such as commodity prices, exchange rates, and the discount rate applicable to the future cash flows of the Isaac Plains Complex;
- Held discussions with Stanmore's management and advisors regarding the preparation of the forecasts in the Financial Model and its assumptions; and
- Performed a sensitivity analysis on the value of the Isaac Plains Complex as a result of varying selected key assumptions and inputs.

We have not undertaken a review of the cash flow forecasts in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* and do not express an opinion on the achievability of the forecast. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the Financial Model has been based have not been prepared on a reasonable basis.

8.3.2 Key Assumptions of our DCF Valuation of the Isaac Plains Complex

Physical and Operational Assumptions

RPM's Report sets out RPM's view of the key operational and physical assumptions within the Financial Model. For the purposes of the analysis set out in this Report we have adopted RPM assumptions as provided in RPM's Report. Users of this Report must read RPM's Report (refer to Appendix B) to understand the basis for the assumptions.

In consultation with RPM, certain adjustments were made to technical assumptions as follows:

- For the Isaac Plains Underground, operating costs were increased relative to the costs supplied by Stanmore to account for RPM's view of operating costs. RPM also revised down capital expenditures to align with their estimates for the Isaac Plains Underground;
- In consultation with RPM, because the second stage of operations for the Isaac Plains East operations were sub economic at the coal prices adopted in our valuation, we removed this operation from the DCF valuation calculations and brought forward the rehabilitation costs at Isaac Plains East; and
- An adjustment was made in consultation with RPM to include an absolute 10% reduction in Isaac Downs' product yield for the last 25% of the area's period of operations. This adjustment was made to account for risks associated with coal quality in the outer period of production in Isaac Downs.

Forecasted Coal Prices[15]

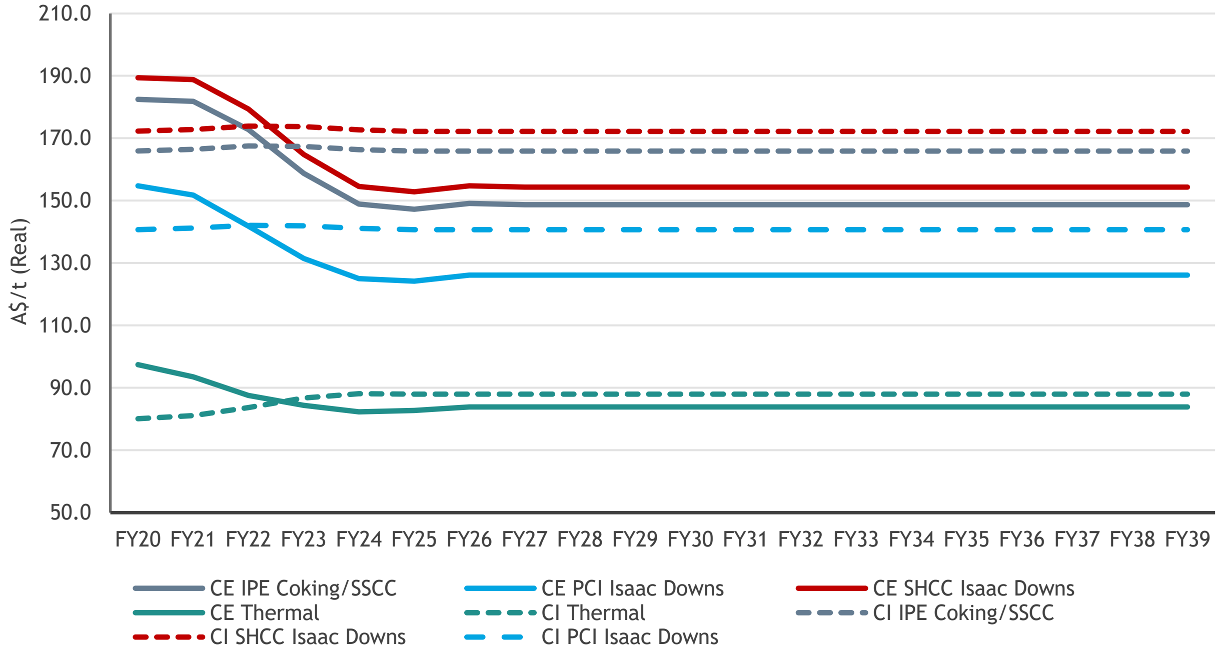
We have adopted high and low forecast coal benchmark prices based on Commodity Insights and Consensus Economics respectively. Commodity Insights was engaged to provide benchmark pricing for Stanmore as at 24 April 2020. A price discount to the benchmark prices was provided by Commodity Insights to account for the variation of coal quality in the Isaac Plains Complex relative to the benchmark coal (Premium Hard Coking Coal ('HCC') for metallurgical coal and the Newcastle 6,000 kilo calorie per kilogram, net as received, for thermal coal).

Consensus Economics forecasts have been adopted from the April 2020 report. We have applied the coal quality specification discount estimated by Commodity Insights to the Consensus Economics forecasts.

Figure 8.1 below sets out the adopted forecast coal prices within the Financial Model for the Isaac Plain Complex's LOM. Commodity Insights forecasts are presented as a solid line and Consensus Economics as a dashed line.

[15] Stanmore Independent Directors, on behalf of BDOCF, have acquired permission to incorporate Wood Mackenzie data into the Isaac Plains Complex Financial Model for inclusion in this Report. Stanmore has received a hold harmless letter from Wood Mackenzie regarding BDOCF's use of the data. The data and information provided by Wood Mackenzie should not be interpreted as advice and users of this Report should not rely on it for any purpose. Users of this Report may not copy or use this data and information except as expressly permitted by Wood Mackenzie in writing. To the fullest extent permitted by law, Wood Mackenzie accepts no responsibility for the users of this Report use of this data and information except as specified in a written agreement entered into with Wood Mackenzie for the provision of such data and information.

Figure 8.1: Coal Price Forecasts Adopted in the Financial Model

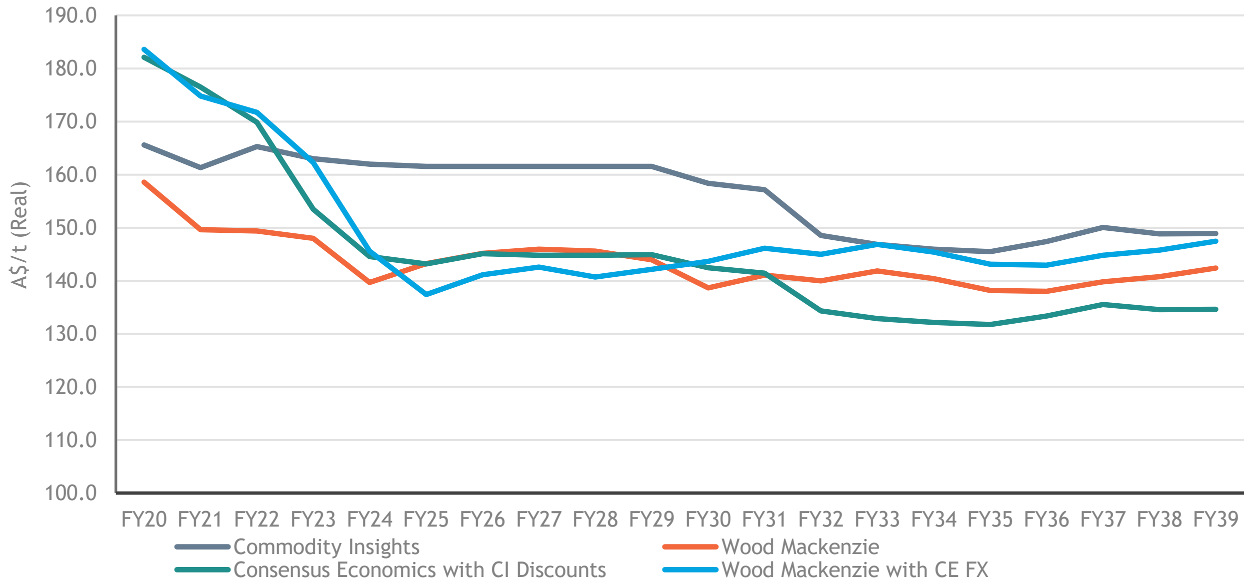


Source: *Commodity Insights as at 24 April 2020, RPM, and BDOCF Analysis*

Note: For the purposes of the figure Commodity Insights and Consensus Economics have been defined as 'CI', and 'CE' respectively

In forming our view on forecast coal prices we have considered a number of forecast pricing providers, including Commodity Insights, Wood Mackenzie, and Consensus Economics. Figure 8.2 below sets out the weighted average forecast coal price from each of the above mentioned providers having regard to Stanmore's forecasted product mix each year in the Financial Model. Weighted average coal prices are set out in AUD, translated from USD each period using the specific providers foreign exchange ('FX') forecasts (unless otherwise stated). Discounts to benchmarks have been applied to account for differences in coal qualities relative to headline benchmarks.

Figure 8.2: Weighted Average Coal Price Comparison



Source: *Coal Market Service™ December 2019 FX and coal price deck (a product of Wood Mackenzie), Consensus Economics April 2020 report, Commodity Insights as at 24 April 2020, RPM, and BDOCF Analysis*

Note: For the purposes of the figure Commodity Insights and Consensus Economics have been defined as 'CI', and 'CE' respectively

Having regard to the above we note:

- Stanmore provided us with Wood Mackenzie forecasts from December 2019 and their expectations of discounts relative to the coal benchmarks provided by Wood Mackenzie. RPM, as part of their work, considered the reasonableness of the coal quality specifications provided by Stanmore and adopted discounts to benchmark prices, identifying no material concerns;
- The Wood Mackenzie pricing shown above adopts a combination of Wood Mackenzie benchmark prices and Stanmore's adjustment to those benchmarks to derive prices specific to the Stanmore coal specifications. We note we also do not have access to the thermal coal forecast for Wood Mackenzie, so we have substituted in Consensus

Economics prices for thermal production in the Wood Mackenzie weighted average price shown in Figure 8.2. We note thermal coal sales are not a material component of Stanmore's projected revenues (at less than 8.4% by volume);

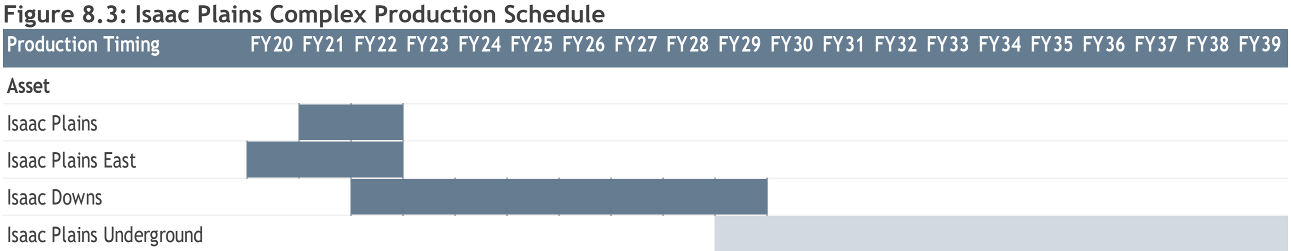
- All Consensus Economics values are based on averages for the data provided (i.e. average coal prices and average FX);
- Commodity Insights' weighted average forecast coal price is broadly speaking greater than the alternative providers over the Isaac Plains Complex LOM from 2023, albeit lower in the first three financial years than other estimates;
- Consensus Economics forecasts adjusted for Commodity Insights coal discounts has the lowest long term AUD coal price forecasts out of the providers considered. While Wood Mackenzie's forecasts are generally lower than Commodity Insights in AUD terms, Wood Mackenzie has higher expectations on long term AUD/USD exchange rate as compared to the alternative providers. When adjusting the Wood Mackenzie coal forecasts for Consensus Economics exchange rate forecasts, Wood Mackenzie trends towards Commodity Insights long term forecasts;
- Commodity Insights, and Consensus Economics forecasts are up to date as at April 2020, while Wood Mackenzie forecasts are dated prior to the COVID-19 outbreak, and have not been updated for recent market movements or changes in outlook, particularly in relation to the recent decline in the Australian Dollar since December 2019;
- Commodity Insights was specifically engaged in relation to this Report, and has had discussions with both RPM and Management as part of their work. Commodity Insights forecasts have been constructed to match the products and coal qualities to be, or likely to be, produced from the Isaac Plains Complex; and
- Consensus Economics does not publish a complete set of specifications comparable to the various products produced at the Isaac Plains Complex, specifically SHCC, SSCC, and PCI. We have proxied the prices for these products by discounting Consensus Economics' forecast HCC price by the relative discounts used by the Commodity Insights to estimate the SHCC, SSCC and PCI forecast prices relative to HCC benchmark forecasts.

We have set out a sensitivity analysis on the value of the Isaac Plains Complex for changes in the adopted coal price in Section 8.3.4 of this Report.

Production and Development Timing

The Isaac Plains Complex consists of various projects in various stages of production. Figure 8.3 sets out the commencement and ceasing of production we have adopted at each of the individual areas comprising the Isaac Plains Complex.

Figure 8.3: Isaac Plains Complex Production Schedule



Source: *Stanmore's Financial Model*

The initial LOM as provided by Management within the Financial Model detailed two stages of Isaac Plains East production, with the second stage commencing in FY29 for a further three years. Having regard to RPM's Technical Specialist Report and forecast coal prices adopted in this Report, stage two of Isaac Plains East is not economical and we have excluded this second stage of Isaac Plains East from our valuation.

While RPM consider Isaac Plains Underground sufficiently developed/studied to be valued using the DCF basis, based on the low valuation coal prices adopted in this Report the Isaac Plains Underground does not generate positive net present value. For this reason, we have opted to adopt a nil value for the Isaac Plains Underground on the lower case, excluding the Isaac Plains Underground from the LOM. The Isaac Plains Underground is economically viable and provides a positive value in our high value coal price assumptions.

Working Capital

Working capital adjustments are based on receivables of 20 days, and payables of 20 days across all the coal assets of the Isaac Plains Complex.

Royalties

The *Mineral Resources Regulation 2013* sets out the Queensland coal royalty rate. The state royalty is based on the average price (AUD) per tonne of coal within the period and are determined as follows:

- Up to and including $100 – 7% of value;
- Over $100 and up to and including $150:
  - First $100 – 7% of value;
  - Balance – 12.5% of value;

- More than $150:
  - First $100 – 7% of value;
  - Next $50 – 12.5% of value; and
  - Balance – 15% of value.

Stanmore also has a number of private royalty agreements that have been included within the Financial Model. RPM has reviewed state and private royalties included within the Financial Model.

Financing Facilities

Stanmore maintains working capital and bonding facilities with Taurus, and an additional bonding facility with Liberty. The equipment purchase facility with Caterpillar has been treated separately under interesting-bearing liabilities.

Payments related to the Taurus working capital facility has been modelled assuming zero drawdowns up to the expiry of the facility during June 2022 (consistent with the current outstanding balance), while all other terms of the facilities have been modelled at maximum drawdown as per the facility's respective terms set out in Section 5.6 of this Report.

Tax Depreciation

The fixed assets of the Isaac Plains Complex are assumed to be depreciated on a double declining basis over a useful life of 15 years. Any remaining value is written off at the end of the mine life.

Tax depreciation is based on PP&E balance as at 1 April 2020, forecasted capital expenditure, and the acquired capitalised exploration expenditure of Isaac Downs.

Tax Rate and Tax Losses

The tax rate adopted is consistent with the statutory Australian corporate tax rate of 30% for entities with an aggregated annual turnover of greater than $50 million.

We note Stanmore, and all subsidiaries of Stanmore, are consolidated for tax purposes. Further we note up until recently, Stanmore historically held unused carried forward tax losses. Carried forward tax losses were fully utilised during FY18.

Discount Rate

The discount rate represents the rate of return that capital providers expect from their capital contribution and is typically based on the weighted average cost of capital ('WACC') for the asset being valued. In broad terms, the WACC considers the rate of return required by capital providers given the riskiness of the future cash flows and the cost of financing using debt instruments for the relevant asset.

In selecting a discount rate appropriate for the Isaac Plains Complex, we have considered the following:

- The required rate of return of comparable companies in the coal mining industry;
- The capital structure of comparable coal mining companies;
- The projected cash flows of the Isaac Plains Complex, including sensitivity of the projection to the assumed price and operating costs;
- The current operational status of the Isaac Plains Complex;
- The cost of equity derived from applying the capital asset pricing model ('CAPM') methodology (a commonly used methodology for deriving the cost of equity). In relation to CAPM, we note the cost of equity capital is determined by multiplying the market risk premium by an appropriate beta and adding the risk-free rate. Our view on the appropriate inputs to the CAPM to apply in the circumstances are as follows:
  - A risk-free rate of 1.5% based on the Australian Government 15-year bond rate. We have observed the yield on the 15-year Australian Commonwealth Government Bond over a 14 day window as at 1 April 2020;
  - An equity market risk premium of 6.0%;
  - An asset beta in the range of 1.0 to 1.3;
- The CAPM assumes investors are diversified and not concerned with the specific risk of a particular investment. In our view, investors may apply a company specific risk premium to reflect certain risks that cannot be readily allowed for in the base case cash flows for a project. In the case of the Isaac Plains Complex, we note that these risks may include the following:
  - The projected cash flows of the project, including the sensitivity of the projections to the assumed price and production volumes; and
  - The other mine planning matters and risks identified in RPM's Report;
- The statutory Australian corporate tax rate of 30%;

- A long-term pre-tax required cost of debt of 5% for the Isaac Plains Complex;
- A value for imputation credits (γ) of nil. This assumption has been made with reference to the fact that imputation credits for Australian companies are available to domestic investors only and that not all investors in Stanmore are Australian. The marginal investor is likely to be an investor who is not entitled to claim imputation credits; and
- Current market conditions including heightened market uncertainties in relation to COVID-19.

Taking the above factors into consideration as well as the nature of the Isaac Plains Complex and its exposure to macroeconomic factors, we believe it is not unreasonable to adopt a real after-tax discount rate for the Isaac Plains Complex in the range of 8.0% to 10.0%. We have set out a sensitivity analysis on the discount rate in Section 8.3.4 to assist users of this Report that may have an alternative view on an appropriate discount rate or would like to understand the impact of applying an alternative discount rate.

8.3.3 DCF Valuation of the Isaac Plains Complex

Table 8.1 sets out our valuation of the Isaac Plains Complex using a DCF valuation methodology having regard to the assumptions set out in Section 8.3.2 of this Report. The low value utilises the high end of our discount rate range while the high value utilises the low end of our discount range.

Table 8.1: DCF Valuation Results of the Isaac Plains Complex

	Low ($ Million)	High ($ Million)
Isaac Plains	(5.8)	(9.3)
Isaac Plains East	111.7	89.1
Isaac Downs	51.5	145.4
Isaac Plains Underground	-	25.0
Isaac Plains Complex	**157.3**	**250.2**

Source: RPM and BDOCF Analysis

Table 8.1 shows that our calculated DCF valuation of the Isaac Plains Complex is between $157.3 million to $250.2 million. The DCF values exclude corporate overheads (refer to Section 8.4.2).

For completeness we note:

- Isaac Plains is at the late stages of the areas' mine life. While there remains saleable coal to be produced from the mine, the valuation of Isaac Plains on a standalone basis is negative due to end of life rehabilitation costs; and
- We have adopted high and low forecast benchmark coal benchmark prices based on forecasts provided by Commodity Insights and Consensus Economics respectively. While long term Consensus Economics forecasts are lower than Commodity Insights, in the short term (until FY22) Consensus Economics' forecast are greater than Commodity Insights'. Mining activities at Isaac Plains and Isaac Plains East predominately occur at the front of the Isaac Plains Complex's LOM, resulting in a higher value for these areas on a standalone basis in the low case, while a lower value of the Isaac Plains Complex overall.

8.3.4 Sensitivity Analysis of the DCF Valuation of the Isaac Plains Complex

The DCF valuation of the Isaac Plains Complex is based on a number of assumptions which are, to at least some degree, subjective. We have completed a sensitivity analysis on the value of the Isaac Plains Complex based on our base case DCF valuation.

The following variables have been adjusted in isolation, all other things held equal:

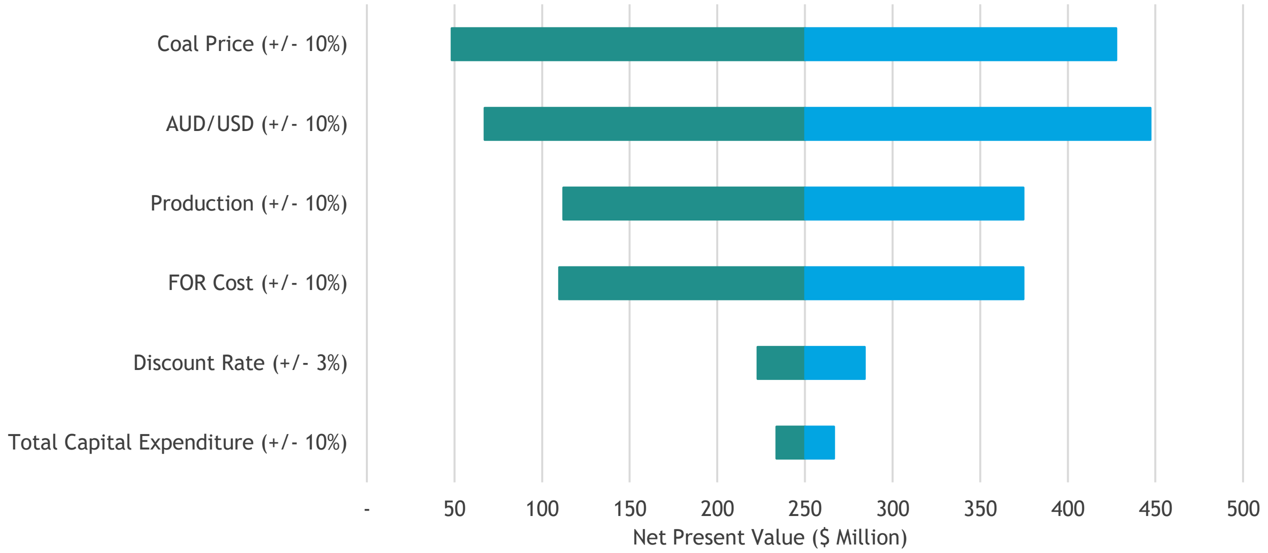
- A +/- 10% change in forecasted coal prices in USD;
- A +/- 10% change in forecasted USD/AUD exchange rate;
- A +/- 10% change in coal production and saleable product;
- A +/-10% change in the FOR costs;
- An absolute +/- 3% change in discount rate; and
- A +/-10% change in the total capital expenditure.

Users of this Report should note that:

- In reality, the variables described above would have compounding or offsetting effects and are unlikely to move in isolation;
- The variables for which we have performed sensitivities are not the only variables which are subject to deviation from the forecast assumptions; and
- The sensitivities we have performed do not cover the full range of possible variances from the base case assumptions assumed (i.e. variances could be greater than the percentage increase or decreases set out in this analysis). Variances could result where the value of the Isaac Plains Complex becomes nil.

Figure 8.4 summarises the impact of the above mentioned variables on our high case DCF valuation of the Isaac Plains Complex, holding all factors constant, except the relevant sensitivity variable.

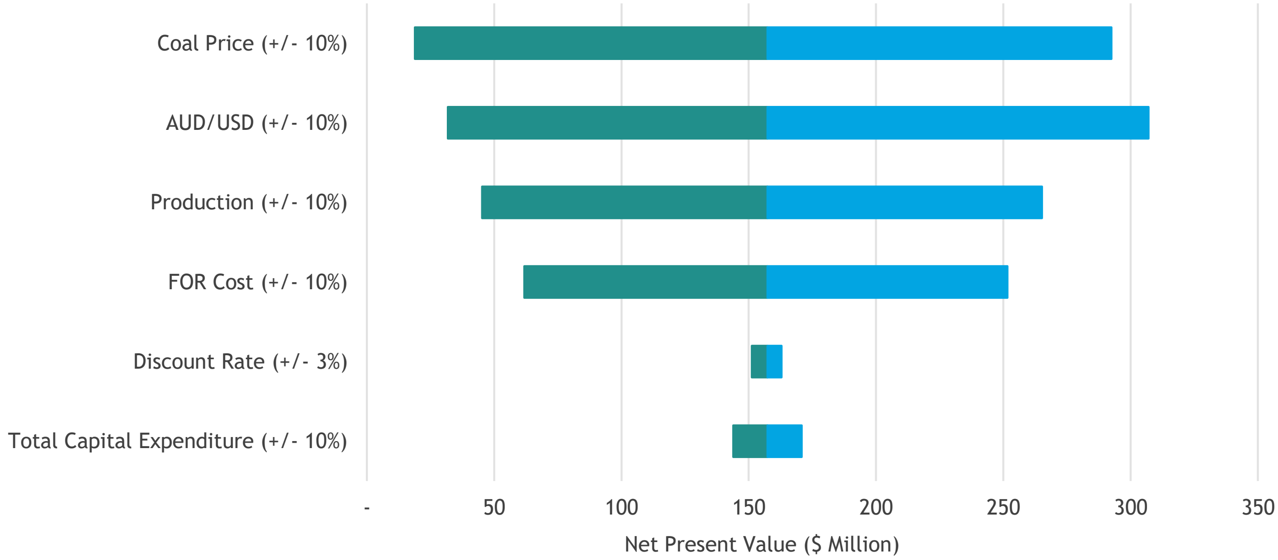
Figure 8.4: Sensitivity Analysis of the Key Inputs for the High Value DCF Valuation of the Isaac Plains Complex



Source: BDOCF Analysis

Figure 8.5 summarises the impact of the above mentioned variables on our low case DCF valuation of the Isaac Plains Complex, holding all factors constant, except the relevant sensitivity variable.

Figure 8.5: Sensitivity Analysis of the Key Inputs for the Low Value DCF Valuation of the Isaac Plains Complex



Source: BDOCF Analysis

8.4 Valuation of Stanmore's Remaining Assets and Liabilities

Our ABV valuation of Stanmore's remaining assets and liabilities is set out as follows:

- Section 8.4.1 sets out RPM's valuation of Stanmore's Mineral Assets;
- Section 8.4.2 sets out our consideration for Stanmore's Corporate Overheads; and
- Section 8.4.3 sets out our valuation of Stanmore's other assets and liabilities.

8.4.1 Valuation of Stanmore's Mineral Assets

Table 8.2 summarises RPM's valuation of Stanmore's Mineral Assets. RPM has elected to value each of the tenements set out in Table 8.2 adopting the appraised value methodology.

Table 8.2: RPM's Valuation of Stanmore Mineral Assets

Project[1]	Low ($ Million)	High ($ Million)
Isaac South	24.2	40.3
The Range	6.1	10.2

Project[1]	Low ($ Million)	High ($ Million)
Clifford	2.2	3.7
Mackenzie	4.8	8.0
Belview	15.2	25.4
Tennyson	5.2	8.7
Lilyvale	0.3	0.4
Isaac Downs – Residual outside the volumes in the Financial Model	9.4	15.6
New Cambria	0.1	0.2
Total Tenements Value	**67.5**	**112.5**

Source: RPM's Report

1 All valuations were undertaken on a 100% equity basis. Clifford, Mackenzie, and Lilyvale have been adjusted to match Stanmore's interest in each tenure by 60%, 95%, and 85% respectively.

RPM's analysis indicates a valuation of Stanmore's interest in the Mineral Assets between $67.5 million and $112.5 million.

Stanmore Shareholders should refer to RPM's Report in full in Appendix B for further information on the technical valuation of Stanmore's exploration licenses.

8.4.2 Consideration of Stanmore's Corporate Overheads

As detailed in Section 8.3.1, we have assessed the reasonableness of the Financial Model and the material assumptions that underpin it. The Financial Model includes estimates of the corporate overheads to be incurred by Stanmore during the forecast period. These corporate overheads consist of all administration costs that cannot be directly attributable to the operations at the Isaac Plains Complex. For the purposes of the analysis set out in this Report, we have removed all corporate overheads and have separately assessed their value.

Corporate overheads have been estimated at a rate of $3.1 million per annum based on FY20 budget and YTD performance. Annual corporate overheads have been discounted at a rate of 9% (being the mid-point discount rate). The discounted value for the corporate costs assuming on this basis is approximately $13.9 million on the low end (LOM of ten years excluding stage two Isaac Plains East and Isaac Plains Underground) and $20.4 million on the high end (LOM of nineteen years excluding stage two Isaac Plains East only).

For completeness, we note this amount excludes any business development expenses, including relating to the development pre-production and exploration projects.

8.4.3 Value of Stanmore's Other Assets and Liabilities

We have determined the value adopted for the other assets and liabilities held by Stanmore after considering the Company's unaudited management accounts as at 31 March 2020. We have then also made enquiries of the Independent Directors and Management in relation to any material adjustments required to be made to reflect the fair market value of these assets and liabilities for the purposes of this Report.

Cash

Based on our queries and information provided to us by Stanmore's management, we have been informed that Stanmore's cash balance as at 31 March 2020 is approximately $47.7 million.

On 26 February 2020 Stanmore announced a $0.03 dividend per share. All shareholders on the register as at market close of 1 April 2020 were eligible to receive the dividend payment. Stanmore expects to pay the dividend on 30 April 2020, a date within the Offer Period. Shareholders had the ability to participate in the DRP at a 5% discount to Stanmore's 5-day VWAP during the period 6 April to 10 April 2020. As at 15 April 2020, Stanmore announced the reinvestment price of the DRP will be $0.9474. Management further advise that the DRP will have a participation rate of approximately 53.3%, resulting in a total approximate cash outflow from the dividend of $3.6 million in addition to the issue of 4,325,518 shares under the DRP.

Prepayments

As at 1 April 2020, Stanmore maintained a prepayment balance of approximately $2.80 million pertaining to operating and related expenses paid in advance. This amount is not included as part of the Financial Model.

Income Tax Provision

As at 1 April 2020, Stanmore maintained an income tax liability of approximately $0.05 million pertaining to earnings realised in prior periods. This amount is not included as part of the Financial Model.

WICET Loan

Stanmore maintains an $8 million loan outstanding in relation to the WEXP1 Gladstone project. During FY14 the full amount of the loan was written off, with the future possible collection of the loan being treated as a contingent asset for accounting purposes.

We understand that due to the terms and conditions of the loan, as it stands Stanmore will only collect proceeds (in full or in part) for the loan in the circumstance that a new expansion proponent achieves financial close prior to 31 December 2020. Based on Management's expectations, we have adopted a nil probability of this occurring for the purposes of this Report.

Interest-Bearing Liabilities

As at 1 April 2020, Stanmore maintained:

- Nil drawdowns on the Taurus working capital facilities; and
- Approximately $13.0 million outstanding on the equipment purchase loan with Caterpillar.

We have excluded payments to Caterpillar in relation to the equipment purchase loan from the Financial Model, and have elected to account for the loan directly as an interest-bearing liability.

Summary of Other Assets and Liabilities

Table 8.3 summarises the value of Stanmore's other assets and liabilities.

Table 8.3: Value of Stanmore's Other Asset and Liabilities

	Value ($ Million)
Cash and Cash Equivalent	47.7
Less: Dividend (net DRP)	(3.6)
Prepayment	2.8
Income Tax Provision	(0.1)
Interest Bearing Liabilities	(13.0)
Value of Stanmore's Other Asset and Liabilities	**33.9**

Source: Stanmore's Management Accounts as at 31 March 2020, and BDOCF Analysis

All the other assets and liabilities items excluded form Table 8.3, from Stanmore's balance sheet, have either been factored in as working capital, accounted for in RPM's valuation of pre-development and exploration assets, or have been allowed for within the Financial Model and therefore our DCF of the Isaac Plains Complex.

We have also been informed by the Independent Directors that there are no other material assets, liabilities or off-balance sheet assets and liabilities or unrecognised liabilities as at the date of this Report that have not been included in the management accounts as at 1 April 2020.

8.5 Sum-of-Parts Valuation of Stanmore

Our sum-of-parts valuation of Stanmore is set out as follows:

- Section 8.5.1 sets out our valuation of Stanmore; and
- Section 8.5.2 sets out our valuation of an ordinary share in Stanmore.

8.5.1 Sum-of-Parts Valuation of Stanmore

Our sum-of-parts valuation of Stanmore is set out in Table 8.4 below.

Table 8.4: Equity Value of Stanmore

	Reference	Low ($ Million)	High ($ Million)
Isaac Plains Complex	Section 8.3.3	157.3	250.2
Value of Stanmore's Mineral Assets	Section 8.4.1	67.5	112.5
Capitalised Corporate Overheads	Section 8.4.2	(13.9)	(20.4)
Other Assets and Liabilities	Section 8.4.3	33.9	33.9
Equity Value Attributable to all Security Holders		**244.8**	**376.2**

Source: BDOCF Analysis

Table 8.4 shows that our equity value of Stanmore is between **$244.8 million** and **$376.2 million.**

8.5.2 Value of a Stanmore Share

The value set out in Table 8.4 above incorporates in aggregate the value of all Stanmore equity instruments on issue, including ordinary shares, and performance rights. Table 8.5 below sets out the value of Stanmore on a per share basis.

Table 8.5: Value of Stanmore's Ordinary Shares

	Reference	Low ($ Million)	High ($ Million)
Equity Value Attributable to all Security Holders	Section 8.5.1	244.8	376.2
Total Number of Shares[1] (Number)	Section 5.4	271,043,112	271,043,112
Value Per Stanmore Share ($/Share)		**0.90**	**1.39**

Source: BDOCF Analysis

1 Total number of shares is based on 256,094,238 ordinary shares outstanding as at 2 April 2020, 4,325,518 shares to be issued in respect to the Company's DRP, 7,826,916 bonus shares to be issued pursuant to the announcement on 17 April 2020, 2,193,969 vested and converted performance rights per a change of control event being declared on 17 April 2020, 14,994 of unquoted shares, and 460,182 remaining unvested performance rights. We have included the unquoted shares and remaining unvested performance rights as, in certain circumstances, Golden Investments may seek to acquire the unquoted shares and performance rights or pay a cancelation fee to their holders. Further, the Board may declare the performance rights to vest, and remove restrictions on the unquoted shares, at a later date, making them eligible to participate in the Offer. Refer to Section 5.4 of this Report for more information.

Table 8.5 sets out our value of Stanmore's ordinary shares within the range of **$0.90 to $1.39** per share. We note that our sum-of-parts valuation of Stanmore provides a value per share for Stanmore on a controlling interest basis.

8.6 Market Based Valuation of Stanmore (Minority basis)

Our market based valuation of Stanmore prior to the Offer is set out as follows:

- Section 8.6.1 sets out Stanmore's share trading data;
- Section 8.6.2 sets out Stanmore's liquidity of ordinary shares; and
- Section 8.6.3 sets out our view as to the MBV of Stanmore prior to the Offer.

8.6.1 Analysis of Stanmore's Share Trading Data

Stanmore's ordinary shares are listed on the ASX and trade under the ticker 'SMR'. Information relating to the share trading data of Stanmore's ordinary shares along with an analysis of recent announcements made by Stanmore to the ASX are set out in Section 5.5.1 of this Report.

For the purposes of our MBV, we have assessed the VWAP of Stanmore shares over 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 2 April 2020, being the date the Offer was announced.

Table 8.6: Stanmore's VWAP for Specified Periods Prior to the 2 April 2020 Offer

Period before 2 April 2020	VWAP ($/Share)
1 Week	0.7800
1 Month	0.7925
3 Months	0.8560
6 Months	0.9612
9 Months	1.1317
12 Months	1.1816

Source: Capital IQ as at 24 April 2020

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

We note the following:

- Stanmore's closing share price increased from $0.8200 on 1 April 2020 to $0.9900 on 2 April 2020 following the announcement of the Offer;
- The daily VWAP of Stanmore shares over the 12 month period before 2 April 2020 was lowest on 24 February 2020 at $0.7176 and highest on 18 July 2019 at $1.5355;
- The VWAP of Stanmore shares shown in Table 8.6 over the periods specified before 2 April 2020 ranges from $0.7800 to $1.1816;
- The most recent dividend announced of $0.03 per share had an ex-dividend date of 31 March 2020 which occurred midway through the 1 week VWAP prior to 2 April 2020; and
- A bonus share issue of approximately 3% of the shares outstanding was announced on 17 April 2020. Eligible shareholders who held shares as at 28 April 2020 will receive the issued shares on 4 May 2020.

8.6.2 Liquidity of Stanmore Shares

Information on the liquidity of Stanmore shares is set out in Section 5.5.2 of this Report.

Assuming a weighted average number of 255,847,900 Stanmore shares on issue over the period approximately 68.22% of the total shares on issue were traded on the ASX over the period 1 April 2019 to 1 April 2020. Throughout the same period, approximately 2.8% of Stanmore's total shares outstanding were traded on Chi-X. In our view, this indicates that Stanmore shares display a moderate to high level of liquidity.

8.6.3 *Conclusion on MBV (Minority Basis)*

Having regard to the information set out above, in our view it is appropriate to adopt a value of $0.75 to $1.00 per Stanmore ordinary share on a minority interest basis for our market based valuation. The low end of our range reflects the 1-week VWAP prior to the announcement of the Offer (noting that the ex-dividend date for the most recent dividend occurred during this period) while the high end of the range reflects the VWAP over a longer timeframe prior to the announcement of the Offer. In adopting this range we have considered the potential value dilutive impacts of both the dividend and bonus shares on the dollar per share value of Stanmore's ordinary shares.

For completeness we note recent share price trading may reflect increased uncertainty in the market in relation to COVID-19.

8.7 Comparison of our Sum-Of-Parts Approach and MBV of Stanmore

As stated in Section 8.1 above, it is our view that it is appropriate to consider the MBV relative to our Sum-of-Parts approach. In relation to our sum-of-parts and MBV, we note:

- Our sum-of-parts approach provided a value of a Stanmore share within the range of $0.90 to $1.39 per share (refer Section 8.5) on a controlling interest basis;
- Our adopted MBV of a Stanmore share is within the range of $0.75 to $1.00 per share (refer Section 8.6) on a minority interest basis; and
- Our MBV value range increases to a range of $0.975 to $1.30 per share with the application of a 30% control premium. This is broadly consistent with our sum-of-parts valuation range.

In considering a comparison of the MBV and sum-of-parts approach, in our view it is not unusual to expect the MBV valuation range on a minority interest basis to be at a discount to the sum-of-parts valuation range. The reason for this is that share prices from market trading typically do not reflect the market value for control of a company while the sum-of-parts valuation is on a controlling interest basis. A controlling interest in a company is generally regarded as being more valuable than that of a minority interest as it may provide the owner with:

- Control over the operating and financial decisions of the company;
- The right to set the strategic direction of the company;
- Control over the buying, selling and use of the company's assets; and
- Control over the appointment of staff and setting of financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. Empirical research suggests that control premiums are typically within the range of 20% to 40%. We have provided additional discussion on control premiums in Appendix A.

The implied control premium from our MBV to our sum-of-parts approach broadly accords with the expected range.

8.8 Conclusion on the Value of Stanmore Shares

In our view, for the purpose of our assessment of the Offer set out in this Report, it is appropriate to adopt a value in the range of $0.90 to $1.39 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 RPM and the other information available for us to utilise for our sum-of-parts valuation. We have set out a sensitivity analysis in Section 8.3.4 to assist users of this Report that may have an alternative view on certain key assumptions adopted for our work.

Appendix A: Control Premium Analysis

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with control over the operating and financial decisions of the company, the right to set the strategic direction of the company, control over the buying, selling and use of the company's assets, and control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

Generally, control premiums may be impacted by a range of factors including the following:

- Specific acquirer premium and/or special value that may be applicable to the acquirer;
- Level of ownership in the target company already held by the acquirer;
- Market speculation about any impending transactions involving the target and/or the sector that the target belongs to;
- The presence of competing bids; and
- General market sentiment and economic factors.

To form our view of an appropriate range of control premium applicable to Stanmore for the purposes of this Report, we have considered information which includes:

- Recent IERs which apply control premiums in the range of 20% to 40%;
- Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- Our own research on control premiums implied by the trading data of ASX listed companies within the coal mining industry subject to control transactions. We have additionally had regard to broader comparable ASX listed companies within the mining industry. The average and median control premium found in our research are approximately within the range of 20% and 40%, based on one-day, one-week, and one-month prior trading prices;
- Various valuation textbooks; and
- Industry practice.

Having regard to the information set out above, in our view, it is appropriate to consider control premiums within the range of 20% to 40% for the purposes of assessing the Offer within the context of this Report.

Appendix B: Independent Technical Expert's Report – RPM's Report