

**Notice of Extraordinary General Meeting and Explanatory Memorandum**

**Stanmore Coal Limited ACN 131 920 968**

Date of Meeting: Monday, 14 October 2019

Time of Meeting: 10:00am (Brisbane time)

Place of Meeting: Allens  
Level 26  
480 Queen Street  
Brisbane QLD 4000

This Notice of Extraordinary General Meeting and Explanatory Memorandum should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers without delay.

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## Directors' Letter

6 September 2019

Dear Shareholders,

On 16 August 2019 the Company received a notice from Golden Investments under section 249D of the Corporations Act requesting the directors to convene an Extraordinary General Meeting of the members of the Company.

The Meeting will be held at Allens, Level 26, 480 Queen Street, Brisbane QLD 4000 on 14 October 2019 at 10:00am (Brisbane time).

The purpose of the Meeting is to put Resolutions to Shareholders to consider:

- 1 the removal of Stewart Butel (*current Chairman*) and Dan Clifford (*current Managing Director*) as Directors; and
- 2 the appointment of Cameron Vorias and Jimmy Sen Ming Lim as Directors.

**The Directors recommend that Shareholders vote AGAINST each of the Resolutions as we consider that the proposed Resolutions are not in the best interests of the Company or its Shareholders.**

The Member's Statement provided by Golden Investments (as set out in Annexure A to this Notice) outlines Golden Investments' purported concerns and reasons for requisition of the Extraordinary General Meeting. The Company's response to the Member's Statement is outlined in the Explanatory Memorandum.

Golden Investments claims to have concerns around the performance, strategy and operations of the Company, in particular around the Company's coal sales prices and financing costs. We believe these concerns are unfounded and disingenuous. As evidenced by the Company's recent results, including record financial and operating performance for FY19, the current Board has a strong track record of delivering results and value for the Company and its Shareholders. In fact, the Company has generated a Total Shareholder Return of 69.5% for FY19. **This is the best return on investment of any ASX listed coal producer for FY19.**

In response to Golden Investments' purported concerns around the Company's coal sales prices, Golden Investments does not have access to, or detailed knowledge of, the key components of Stanmore's production and sales strategy in order to make this claim. The Board and management are confident that the Company's strategy maximises the margins available for the resource and this is evidenced by the premiums we are achieving.

In response to Golden Investments' purported concerns around the Company's financing costs, the Directors note that the Company's cost of debt is materially lower than other small and mid-cap ASX listed coal producers and is significantly lower than the majority of the debt facilities of GEAR, which is Golden Investments' largest shareholder.

Golden Investments also claims that by replacing Stewart Butel and Dan Clifford with its proposed nominees it will improve governance and provide the board with additional skills and expertise. We do not see how Golden Investments' proposed nominees will add any additional expertise or skills to the Board. Stewart Butel and Dan Clifford each possess a wealth of industry experience gained through operational and management roles in major resources companies, and have demonstrated their ability to lead a Board and management team that has delivered record results and value for the Company and its Shareholders.

**All of the performance issues raised by Golden Investments are irrelevant, ill-informed or immaterial.** In light of this, the Board can only conclude that the true purpose for the Resolutions proposed by Golden Investments is for Golden Investments to attempt to gain control of the Company without paying **any** premium to their fellow Shareholders.

Further detail is set out in the Explanatory Memorandum to the Notice of Meeting.

You will have also seen the Company's announcement on 7 August 2019 of the receipt of an unsolicited, non-binding, indicative proposal from Winfield Energy to acquire 100% of the Company's shares via an off-market takeover offer, with an indicative price range of \$1.50 to \$1.70 per Share. Whilst there is no certainty that this proposal will evolve into a formal and binding offer for the Company, your Board is currently engaging with Winfield Energy to facilitate due diligence in order to determine whether a formal and binding offer will be made to Shareholders by Winfield Energy. We will continue to update you via our website and market releases as to the progress of this proposal.

Your Board believes that it is ideally placed to continue to deliver outstanding returns for all Shareholders. Together with the Company's management team, we have a proven track record of creating value in a responsible and sustainable manner. We believe that it is in the interests of all Shareholders that your current Board remains unchanged and is allowed to continue to deliver value for all Shareholders. We urge you to vote **AGAINST** all of the proposed resolutions.

Yours sincerely

Stanmore Coal Limited Board of Directors



Stewart Butel



Dan Clifford



Neal O'Connor



Stephen Bizzell



Darren Yeates

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## Notice of General Meeting

Notice is given that an Extraordinary General Meeting of shareholders of Stanmore Coal Limited ACN 131 920 968 will be held at Allens, Level 26, 480 Queen Street, Brisbane QLD 4000 on 14 October 2019 at 10:00am (Brisbane time).

The Meeting has been called following a request pursuant to section 249D of the Corporations Act by a member with at least 5% of the issued Shares of the Company.

Important: The resolutions set out in this Notice should be read together with the accompanying Explanatory Memorandum.

Terms used in this Notice of Meeting are defined in the Glossary accompanying this Notice.

### Agenda

#### Resolutions Proposed by Golden Investments

Shareholders are being asked to consider and, if thought fit, to pass the following resolutions proposed by Golden Investments and included in the section 249D request.

#### Your Board unanimously recommends Shareholders vote AGAINST the Resolutions.

The Resolutions proposed by Golden Investments are as follows:

##### Resolution 1: Election of Cameron Vorias as a Non-executive Director

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

*'That, Cameron Vorias, having consented to act as a Director of the Company, be appointed a Director of the Company, with effect from closure of the meeting.'*

##### Short Explanation

Section 249D of the Corporations Act requires the Company to put this Resolution to the Extraordinary General Meeting. The Directors recommend that Shareholders vote against the appointment of Cameron Vorias.

##### Resolution 2: Election of Jimmy Sen Ming Lim as a Non-executive Director

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

*'That, Jimmy Sen Ming Lim, having consented to act as a Director of the Company, be appointed a Director of the Company, with effect from closure of the meeting.'*

##### Short Explanation

Section 249D of the Corporations Act requires the Company to put this Resolution to the Extraordinary General Meeting. The Directors recommend that Shareholders vote against the appointment of Jimmy Sen Ming Lim.

##### Resolution 3: Removal of Stewart Butel as Director

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

*'That, Stewart Butel be removed from office as a Director of the Company, with effect from closure of the meeting.'*

##### Short Explanation

Section 249D of the Corporations Act requires the Company to put this Resolution to the Extraordinary General Meeting. The Directors (other than Stewart Butel who abstains given his personal interest in the Resolution) recommend that Shareholders vote against the removal of Stewart Butel.

**Resolution 4: Removal of Dan Clifford as Director**

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

*'That, Dan Clifford be removed from office as a Director of the Company, with effect from closure of the meeting.'*

**Short Explanation**

Section 249D of the Corporations Act requires the Company to put this Resolution to the Extraordinary General Meeting. The Directors (other than Dan Clifford who abstains given his personal interest in the Resolution) recommend that Shareholders vote against the removal of Dan Clifford.

**Important Note:**

The Resolutions set out above have been proposed by Golden Investments under section 249D of the Corporations Act, pursuant to which this Meeting has been convened.

The Resolutions set out above have **NOT** been endorsed by, and are not supported by, the Directors of the Company.

Dated: 6 September 2019

By order of the Board



**Ian Poole**

Company Secretary

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## Notes

### Voting entitlement

Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) permits the Company to specify a time, not more than 48 hours before a general meeting, at which a 'snap-shot' of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Meeting.

The Board has determined that Shares will be taken to be held by the persons who are registered as holding the applicable Shares at 10:00am (Brisbane Time) on 12 October 2019.

Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

### Voting by proxy

An eligible Shareholder can vote in person at the Meeting or appoint a proxy or, where a Shareholder is entitled to two or more votes, two proxies. Where two proxies are appointed, a Shareholder may specify the number or proportion of votes to be exercised by each proxy appointed. If no number or proportion of votes is specified, each proxy appointed will be taken to exercise half of that Shareholder's votes (disregarding fractions).

An appointed proxy need not themselves be a Shareholder.

To be valid, the appointment of a proxy (made using a properly completed and executed Proxy Form) must be received by the Company no later than 10:00am (Brisbane time) on 12 October 2019.

Proxy Forms can be submitted in four ways:

- **Online** at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)
- By **mail** to Link Market Services at the following postal address using the enclosed return envelope:

**Stanmore Coal Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia**

- By **facsimile** to +61 2 9287 0309 in Australia
- By **hand** to:

**Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138**

or

**Link Market Services  
Level 12, 680 George Street  
Sydney NSW 2000**

### Completing the Proxy Form

You will note that two alternative Proxy Forms have been included with this Notice:

- A Proxy Form pre-populated with directions to the proxy to vote **AGAINST** each of the Resolutions, as recommended by the Directors. If you intend to appoint a proxy and if you also

intend to vote against each of the Resolutions, then please sign and submit to the Company the pre-populated version of the Proxy Form.

- A Proxy Form with no pre-populated voting directions for the proxy. If you intend to appoint a proxy but do not intend to vote against each of the Resolutions, then please complete, sign and submit to the Company this version of the Proxy Form.

Instructions on how to complete the Proxy Forms are also on the reverse of the Proxy Form.

Note that if a Proxy Form is signed by an attorney, a Shareholder must also send in the original or a certified copy of the power of attorney or other authority under which the Proxy Form is signed.

Shareholders who return their Proxy Form but do not nominate the identity of their proxy will be taken to have appointed the Chair of the Meeting as their proxy to vote on their behalf.

The Chair intends to vote undirected proxy votes **AGAINST** all the Resolutions.

### **Voting by Corporate Representative**

A Shareholder or proxy which is a corporation and entitled to attend and vote at the Meeting may appoint an individual to act as its corporate representative to vote at the Meeting. The appointment must comply with section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment unless it has previously been provided to Link Market Services.

### **Voting by attorney**

A Shareholder entitled to attend and vote at the Meeting is entitled to appoint an attorney to attend and vote at the Meeting on the Shareholder's behalf. An attorney need not themselves be a Shareholder.

The power of attorney appointing the attorney must be signed and specify the name of each Shareholder, the Company and the attorney, and also specify the meeting(s) at which the appointment may be used. The appointment may be a standing one.

To be effective, the power of attorney must also be returned in the same manner, and by the same time, as specified for proxy forms.

### **Voting Exclusions**

No voting exclusion statement applies to the Resolutions before the Extraordinary General Meeting under the Listing Rules or, where applicable, the provisions of the Corporations Act.

### **Resolutions**

All items of business involving a vote by Shareholders require ordinary resolutions, which means that, to be passed, the item needs the approval of a simple majority of the votes cast by Shareholders entitled to vote on the resolution.

## Explanatory Memorandum

The following information is provided to Shareholders of the Company in connection with the business to be considered at an Extraordinary General Meeting of Shareholders to be held at Allens, Level 26, 480 Queen Street, Brisbane QLD 4000, on 14 October 2019 at 10:00am (Brisbane time).

The Notice of Meeting, which is also enclosed, sets out details of proposals concerning the Resolutions to be put to Shareholders. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors recommend Shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum are defined in the Glossary accompanying this Explanatory Memorandum.

### Background to the Extraordinary General Meeting

On 26 July 2019, the Company received a request from Golden Investments to convene a meeting of Shareholders pursuant to section 249D of the Corporations Act. As subsequently announced to the market, the Company established that this notice was invalid, and that the Company was not legally able to convene a meeting of Shareholders under section 249D of the Corporations Act in response to that notice.

On 16 August 2019, the Company received a new request to convene a meeting of Shareholders pursuant to section 249D of the Corporations Act from Golden Investments, being a member who held at the date of the Requisition Notice at least 5% of the Company's issued Shares.

Golden Investments requested that the Directors convene the Meeting to consider each of the Resolutions specified in the Notice of Meeting.

The Directors have therefore convened this Meeting.

### Member's Statement

Section 249P of the Corporations Act provides that Golden Investments may submit a Member's Statement for circulation prior to Shareholders regarding the Resolutions or any other matter that may be properly considered at the Extraordinary General Meeting.

In accordance with Section 249P of the Corporations Act, the Company attaches the accompanying Member's Statement received from Golden Investments in Annexure A.

### The Company's Position

The Requisition Notice and the Member's Statement outlines a number of purported concerns that Golden Investments has with the management and direction of the Company. The Board provides the following responses to the issues raised.

#### 1. The Company's management and Board have consistently delivered results

Golden Investments' claim that it has concerns about the Company's performance, strategy and operations does not reflect the Company's transformation over a number of years and its recent results. In fact, on 13 February 2019, Golden Investments congratulated the Company (and Dan Clifford personally) in writing on the Company's first half FY19 results.

Under the leadership of the Board and management, the Company has taken Isaac Plains from a restarted mine producing 1.2 million tonnes per annum with a potential life of 7 years to a complex producing 2.4 million tonnes per annum with a potential life of 15 years.



The Company has also delivered the following notable recent financial and operating results:

**Financial**

- Record FY19 Net Profit after Tax of \$91.6m, delivering a 1,435% increase on FY18 NPAT due to strong sales growth (76%) and margins (99% increase).
- Underlying EBITDA of \$154.9m<sup>1</sup>, an increase of approximately 240% over FY18 (\$45.6m).
- Cash flows from operations generated \$140m in FY19 (FY18: \$21.9m).
- Cash balances increased from \$19.8m as at 30 June 2018 to \$90.5m as at 30 June 2019 and no corporate debt drawn.
- Paid a maiden annual dividend for FY18 of 2cps.
- Paid an interim dividend for FY19 of 3cps and declared a record final FY19 dividend of 8cps, ensuring Shareholders continue to benefit from the Company's strong cash flow generation.

**Operational**

- Record FY19 Run of Mine (ROM) and Saleable coal production of 2.9Mt and 2.4Mt respectively.
- Completed value-adding acquisitions such as Isaac Downs, which leverage the Company's installed infrastructure and provide a clear and defined pathway to future value for Shareholders.
- Secured additional port and rail capacity to unlock the value of our infrastructure.
- Significantly lowered the finance costs.
- Announced a maiden coal reserve and coal resource upgrade for the Isaac Downs Project.
- Delivered Isaac Plains East on time and on budget.
- Secured additional equipment to increase overburden removal efficiency and reduce average unit overburden costs.

Given the Company's strong financial and operating performance and having enjoyed the support of Golden Investments as recently as February 2019, the Board was very surprised to learn that Golden Investments, as the Company's largest shareholder, now claims that it does not support the Board. The Board has concluded that Golden Investments is trying to gain control over the Company without adequately compensating fellow Shareholders.

**2. Shareholders have enjoyed sector-leading returns**

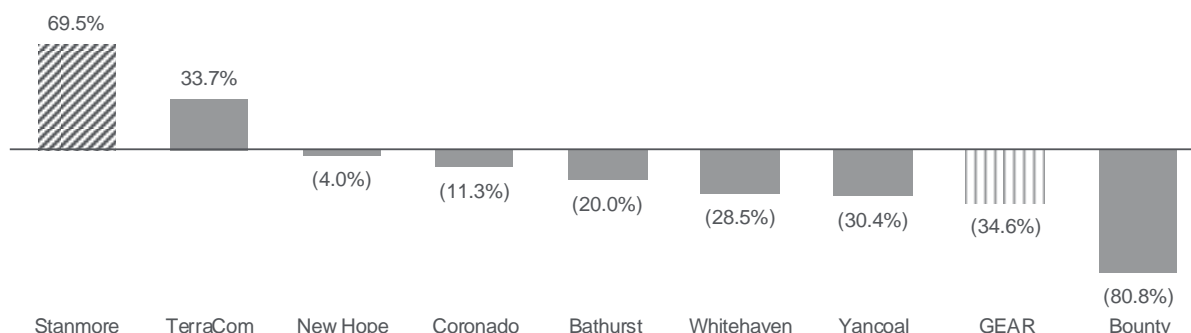
The Company has generated Total Shareholder Return (TSR) of 69.5% for the 2019 financial year.

The Board notes that the return on an investment in Stanmore shares for FY19 was superior to that of any other ASX-listed coal producer (or Golden Investments' largest shareholder, GEAR which is listed on the Singapore Stock Exchange).

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<sup>1</sup> Underlying EBITDA reflects statutory EBITDA as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Company as a consolidated entity. These numbers have not been audited. A reconciliation of the FY19 Underlying EBITDA can be found in the Company's ASX Announcement dated 22 August 2019: "Record FY19 Operating and Financial Results".

**FY19 Total Shareholder Return of selected ASX Coal Peers and GEAR**



*Note: Coronado was admitted to the ASX Official List on 22 October 2018 – Coronado Total Shareholder Return calculated based on IPO Offer Price of A\$4.00 per share. Total Shareholder Return includes share price performance and dividends paid to shareholders.*

The Board also notes that since Golden Investment’s takeover offer closed on 22 January 2019, it has enjoyed an increase in the value of its Shares of more than 47%<sup>2</sup> and a dividend payment net to Golden Investments of A\$1.9 million.

**3. Golden Investments and its proposed board nominees will not provide any additional expertise or skills to the Company or the Board**

Replacing Stewart Butel and Dan Clifford with Golden Investments’ proposed nominees will not improve governance, nor will it provide the board with any additional skills and expertise. Stewart Butel and Dan Clifford have a combined 65 years of experience in the resources industry. Stewart Butel, the current Chair, is a leading figure in the Australian resources industry, with more than 40 years of experience in operational, management and board roles in the resources industry in New South Wales, Queensland and Western Australia. Dan Clifford has more than 25 years’ experience in the coal mining industry. He has substantial open cut and underground coal mining experience, and has held senior operational or management positions in a number of major resources companies, including Glencore, Anglo Coal, BHP Billiton and recently Solid Energy (where he was Chief Executive Officer).

The Board does not consider that Cameron Vorias has greater industry expertise than either Stewart Butel or Dan Clifford. Other members of the Board, such as Darren Yeates, also have significant industry experience and expertise.

In addition, the Board already has significant capital raising and investment experience, in particular through Stephen Bizzell. The Board does not consider that Jimmy Sen Ming Lim will add any additional expertise or skills in these areas.

The Board maintains and regularly reviews a skills matrix which identifies the current skills, experience, expertise and diversity of the Board to ensure an appropriate mix of skills for good governance of the Company. The Board does not consider that Cameron Vorias or Jimmy Sen Ming Lim will improve governance and contribute to a broader and more diverse skillset on the Board.

Further, Golden Investments’ major shareholder, GEAR, is a large Indonesian coal producer that is well-versed in the production of large volumes of low-energy thermal coal. However, unlike the Company’s current management, it does not have any Australian operating expertise, Australian operating asset acquisition experience, understanding of the regulatory environment in Australia or history of producing and selling higher quality metallurgical coal products. Therefore, the Board does not agree with and

<sup>2</sup> Based on a closing price of Stanmore of A\$0.955 per share on 22 January 2019 and A\$1.40 on 30 August 2019.

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rejects Golden Investments' assertion that GEAR has superior industry knowledge and insight to support the Company.

**4. Golden Investments' concerns with the Company's coal marketing capabilities are unfounded**

Golden Investments claims that an independent review it commissioned found that Stanmore could have achieved a premium to its actual FY19 Average Sales Price.

Golden Investments has declined to provide a copy of the review for the Company to consider its findings, and prior to the section 249D request had not previously raised any concerns that it had with the Company's approach to coal marketing. Additionally, any report commissioned by Golden Investments could not possibly have been based on actual confidential coal contract pricing and product specification data from the Company, which would be critical inputs for an accurate and informed review.

The Company's production and sales strategy is based on detailed consideration of a number of factors, including:

- Geological and exploration data;
- The coal resource and site-specific mining constraints;
- Processing plant capability;
- Product specifications;
- Available markets and customers; and
- Ensuring the financial stability of the Company.

Golden Investments simply does not have access to, and detailed knowledge of, any of these key components. Therefore, we do not know on what basis Golden Investments is making its claims.

The Board and management are confident that the Company's production and sales strategy maximises the margins available from the resource and this is evidenced by the premiums we are achieving. Golden Investments' claims in relation to coal sales are incorrect and ill-informed.

**5. The Company's financing costs are entirely appropriate and in line with market**

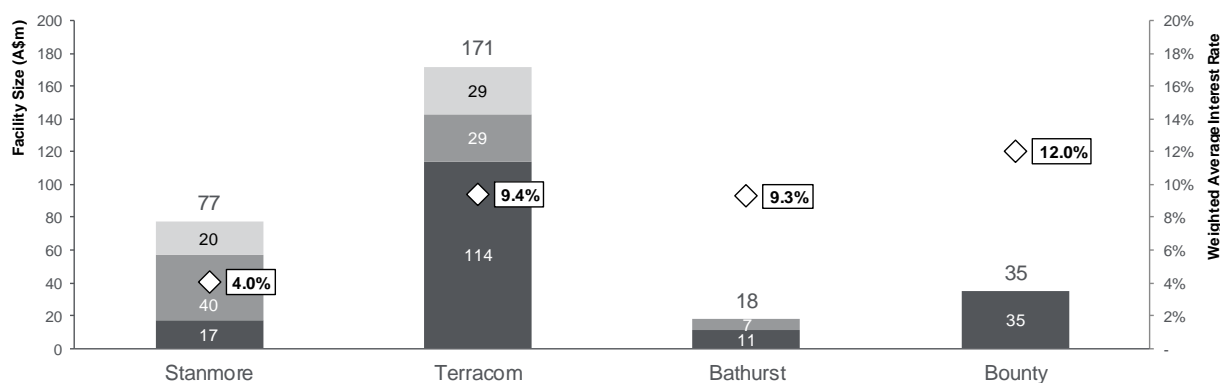
Golden Investments has claimed that the Company has uncompetitive financing costs. In reaching this conclusion, Golden Investments has asserted that the Company has an effective financing cost of 14.5% per annum, which includes the Company's ongoing 1% royalty arrangement with Taurus Funds Management. Golden Investments claims to have also compared the Company's financing costs against a 'peer group' and concluded that they are uncompetitive and not in line with the market. Both of these conclusions are inaccurate and misleading.

<b><i>Golden Investments' claims</i></b>	<b><i>Stanmore response</i></b>
The Company's effective financing cost is 14.5% per annum (including its ongoing 1% Taurus royalty).	<p>Stanmore's weighted average interest rate on its financing facilities is 4.0% or 7.1% if the Taurus working capital facility is fully drawn. That facility is currently undrawn.</p> <p>The Company's debt re-finance package announced on 1 July 2019 will reduce annual financing costs by \$500,000.</p> <p>As at 31 December 2018, more than 50% of Golden Investments' largest shareholder (GEAR's) outstanding debt carried an interest rate of 9%.</p>

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<b>Golden Investments' claims</b>	<b>Stanmore response</b>
	The 1% Taurus royalty is an historical agreement that is not linked to the current financing package. It is misleading to claim that the royalty is linked to the Company's current funding package with Taurus.
The Company's financing costs are uncompetitive against a peer group selected by Golden Investments.	Stanmore's financing costs are materially lower than those of a comparable peer group of mid-cap ASX-listed coal producers (see chart below).  Golden Investments' comparisons against larger diversified resources companies are not valid for a small scale, single mine company such as Stanmore.
On current revenues, the Company's 1% royalty payment to Taurus leads to leakage of profits.	The royalty agreement was reached before the Company was producing coal and generating revenue. Like many smaller mining companies, the Company used royalties as an effective way of providing deferred consideration in exchange for benefits that would otherwise have been unavailable.

**Weighted Average Interest Rates – Stanmore versus Selected Peers**



Source: publicly available company reports

Notes: assumes Stanmore's working capital facility remains undrawn. If these facility was fully drawn, Stanmore's weighted average interest rate would increase to approximately 7.1%. AUD: USD rate of 0.70 assumed where relevant. Terracom debt profile assumes that the US\$80m OCP term facility is drawn and used to repay US\$80m of the Euroclear bond, as per Terracom's stated intentions.

The Board also notes that financing costs are not material in the context of the Company's overall costs of operation. For example, if all funds under the Taurus facilities were fully drawn for a 12-month period (no funds are currently drawn on the Taurus working capital facility), the Company's interest costs would

equate to less than 4% of FY19 EBITDA<sup>3</sup>. By comparison, interest and coupon costs for Terracom Limited (one of the peer group companies selected by Golden Investments) are approximately 18% of FY19 EBITDA<sup>4</sup>.

According to the 2018 Annual Report of Golden Investments' major shareholder, GEAR, more than 50% of GEAR's outstanding debt of US\$269m carried an interest rate of 9.0%. The total amount of GEAR's outstanding debt had increased by US\$49m to US\$318m as at 30 June 2019, and is more than 2.8 times greater than the reported EBITDA it generated in the twelve months to 30 June 2019. As a result, the Board does not accept any suggestion that Golden Investments possesses superior financial expertise which would have resulted in the Company obtaining better financing terms.

#### **6. The value of your Shares may fall should Golden Investments' resolutions be passed**

The Board considers that the attempt by Golden Investments to remove key members of the Company's successful Board may have a negative impact on the Company's share price, customer relationships and employee morale.

The Board believes that Golden Investments is more concerned about achieving control of the Company at the expense of fellow Shareholders than delivering operational excellence. By allowing effective control of the Company to pass to Golden Investments, there is a real risk that your investment in the Company will not realise its full potential.

#### **7. Golden Investments is seeking to obtain effective control without paying shareholders a control premium**

For the reasons outlined above, the Board considers that Golden Investments' concerns about the performance of the Company are completely unfounded. The Board has concluded that Golden Investments is not genuinely concerned about the Company's performance or the management of the Company under the current Board. Instead, the Board believes Golden Investments' true motive is to obtain control of the Company without paying any control premium to Shareholders.

The Board believes that (in line with previous arrangements with major shareholders) Golden Investments is entitled to Board representation proportionate to its shareholding in the Company. To that end, in February 2019, after Golden Investments' unsuccessful takeover offer expired, the Board began discussions with Golden Investments regarding representation on the Board. Golden Investments requested the appointment of two of its nominees to the Board. The Board agreed to appoint Jimmy Sen Ming Lim and advised Golden Investments that it was in the process of recruiting an additional independent non-executive director (and subsequently appointed Darren Yeates). Golden Investments did not take up the offer to appoint Jimmy Sen Ming Lim to the Board.

On 26 July 2019, after receiving the first requisition notice from Golden Investments, the Board reconfirmed its willingness to appoint Jimmy Sen Ming Lim to the Board, and also offered to appoint Cameron Vorias to the Board, subject to usual protocols and customary terms of appointment. This offer was made on the basis that Golden Investments withdraw the Requisition Notice in order to protect Shareholders from the consequences of a public fight over Board composition. Golden Investments rejected the Board's offer on the same day and declined a request for an urgent meeting to discuss the matter. The Board made the same offer to Golden Investments on 13 August 2019. Golden Investments once again rejected the Board's offer.

Clearly, Golden Investments has made no effort to work constructively with the Board to resolve any purported concerns it may have.

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<sup>3</sup> Interest of A\$5.5m payable on approximately A\$77m of debt if the Taurus facilities are fully drawn, representing 3.6% of FY19 underlying EBITDA of A\$154.9 million.

<sup>4</sup> Weighted average interest rate of 9.4% on A\$171m of fully drawn debt, equating to interest and coupon payments of A\$16.1m per annum. This is approximately 17.7% of FY19 EBITDA of A\$91m.

In its Member's Statement, Golden Investments has claimed that it is not trying to take control of the Company. In addition to the reasons outlined above, the Board does not consider this statement to be genuine for the following reasons:

- Golden Investments has already unsuccessfully attempted to obtain control of the Company via its November 2018 unsolicited takeover offer.
- In its Requisition Notice, Golden Investments has suggested (although not included in the body of the relevant Resolution) that Cameron Vorias be appointed as Chair. Under the Constitution, the Chair has a casting vote at Board meetings. However, under the Constitution, the Chair is to be chosen by the Company's Board and not its Shareholders. Golden Investments' attempt to install its candidate as Chair is an obvious attempt to gain greater control.
- In its first, invalid requisition notice dated 26 July 2019, Golden Investments also proposed that Darren Yeates stand for re-election at the EGM, rather than at the Company's next AGM. Given the short time period between the EGM and AGM, Golden Investments has presumably only proposed this course of action so that it can vote against the re-election of Darren Yeates at the EGM.

If the resolutions proposed by Golden Investments at the EGM are approved and Darren Yeates is not re-elected at the upcoming AGM, the result will be a four member Board which includes two directors nominated by Golden Investments. If one of those Golden Investments' nominees is made Chair of the Board, as Golden Investments has suggested should occur, Golden Investments would then control decision making on the Board. This degree of control over the Company is far greater than is warranted by Golden Investments' current shareholding in the Company of 28.42%.

Golden Investments has claimed that Cameron Vorias is independent and does not represent the interests of Golden Investments. The Board has not yet made a determination as to whether Cameron Vorias would be an independent Director. Under its Charter (which can be found on the Company's website), the Board's Remuneration and Nominations Committee is responsible for considering the independence of candidates who are to be put forward for Shareholders to consider for election as directors, and for managing real and potential conflicts of interest. On 27 August 2019, the Board requested that Cameron Vorias attend a meeting with the Remuneration and Nominations Committee to discuss his independence as a potential candidate for election to the Board.

#### **8. Winfield NBIO**

On 7 August 2019, the Board announced that it received a non-solicited Indicative Proposal from Winfield Energy. The Board is currently engaging with Winfield Energy to facilitate due diligence in order to determine whether a formal and binding offer will be made to Shareholders by Winfield Energy.

Whilst there is no certainty that this proposal by Winfield Energy will evolve into a formal and binding offer for the Company, the Board notes that there is a possibility that any change to the composition of the Board as a result of the Resolutions being passed may put at risk a formal and binding offer being made to Shareholders by Winfield Energy. If no formal and binding offer is made by Winfield Energy, then the Board is concerned that Shareholders will not be offered a control premium for their Shares.

## The Resolutions

### Resolution 1: Election of Cameron Vorias as a Non-executive Director

The Member's Statement notes the relevant experience of Cameron Vorias.

In its Requisition Notice, Golden Investments included the following heading for this Resolution:

**'Resolution 1 – Election of Cameron Vorias as an Independent Non-executive Director and Chairman'**

As noted above, the power to appoint the Chair is vested in the Board under the Constitution. As Shareholders do not have the power to appoint the Chair, the reference to 'Chairman' has been removed from the heading of this Resolution. Similarly, as also noted above, the Board, through the Remuneration and Nominations Committee, are responsible for making a determination as the independence of proposed candidates to the Board, rather than Shareholders. Accordingly, the reference to 'Independent' has also been removed from the heading of this Resolution.

**Directors' Recommendation:** *The Directors recommend that Shareholders vote against the Resolution to appoint Cameron Vorias.*

### Resolution 2: Election of Jimmy Sen Ming Lim as a Non-executive Director

The Member's Statement notes the relevant experience of Jimmy Sen Ming Lim.

**Directors' Recommendation:** *The Directors recommend that Shareholders vote against the Resolution to appoint Jimmy Sen Ming Lim.*

### Resolution 3: Removal of Stewart Butel as Director

Stewart Butel is the Chairman of the Board.

Stewart Butel is also a member of the Remuneration and Nominations Committee, the Health Safety, Environment and Community Committee and the Audit and Risk Management Committee.

Stewart Butel has more than 40 years of experience in operational management and board roles in the resources industry in New South Wales, Queensland and Western Australia. He joined Wesfarmers Limited in 2000 as Managing Director of the Curragh mine, and was Managing Director of Wesfarmers Resources between 2006 and 2016. Stewart Butel holds a Bachelor of Science (Geology) and qualifications in business and mining.

He has completed the Breakthrough Program for Senior Executives at IMD Business School in Switzerland and the Advanced Management Program at Harvard Business School. He is on the Board of Gladstone Ports Corporation and ASX listed RPM Global Holdings Limited (ASX: RUL). He is a past director of a number of Wesfarmers subsidiaries, and Duet Company and Duet Investment Holdings. He is past President of Queensland Resources Council and has held directorships of a number of resources industry bodies including Minerals Council of Australia, Chamber of Mines and Energy WA, Australian Coal Association and its low emissions technology fund, ACALET.

**Directors' Recommendation:** *The Directors (other than Stewart Butel who abstains given his personal interest in the Resolution) recommend that Shareholders vote against the Resolution to remove Stewart Butel.*

#### **Resolution 4: Removal of Dan Clifford as Director**

Dan Clifford was appointed as Managing Director and Chief Executive Officer on 14 November 2016.

Dan Clifford has 25 years' experience in the coal mining industry and has worked in Australia, South Africa and New Zealand. He has substantial open cut and underground coal mining experience, including responsibility for major dragline and longwall operations under previous employers including Glencore, Anglo Coal, BHP Billiton and Solid Energy.

Dan Clifford was appointed Chief Executive Officer of Solid Energy New Zealand in 2014 when the company was facing significant financial pressures and very difficult market conditions for coal mining companies. During this period, significant achievements in health and safety and operational efficiencies were reached. In parallel with running the operations of Solid Energy, Dan Clifford led the process of an asset sales program. Dan Clifford previously held the position of General Manager of the Ulan Complex at Glencore in Ulan, New South Wales, and has held roles with Anglo Coal and BHP in technical, operational and regional management roles.

Since Dan Clifford commenced at Stanmore Coal as Managing Director in November 2016, in conjunction with the management team and Board, the Company has:

- Doubled production volumes and contained operating costs;
- Doubled the market footprint for its product;
- Increased the mine life from a potential 7 years at 1.2mpta to 15 years at 2.4mpta;
- Become a relevant participant in the sector; and
- Had an 87% appreciation in its share price<sup>5</sup> and increased market capitalisation in November 2016 from \$167million to \$358 million as at 30 August 2019.

**Directors' Recommendation:** *The Directors (other than Dan Clifford who abstains given his personal interest in the Resolution) recommend that Shareholders vote against the Resolution to remove Dan Clifford.*

Any enquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Ian Poole (Company Secretary).

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<sup>5</sup> Based on a closing price of A\$0.75 per share on 14 November 2016 to A\$1.40 per share on 30 August 2019.



## Glossary

The following terms used in the Notice of Meeting and the Explanatory Memorandum are defined as follows:

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means the ASX Limited or the securities exchange operated by it (as the case requires).

**Board** means the board of Directors of the Company from time to time.

**Chair** means the person appointed Chair of the Meeting.

**Company** means Stanmore Coal Limited ACN 131 920 968.

**Constitution** means the constitution of the Company as amended from time to time.

**Corporations Act** means the *Corporations Act 2001* (Cth) as amended from time to time.

**Coronado** means Coronado Global Resources Inc.

**Directors** means the directors of the Company from time to time.

**Explanatory Memorandum** means the explanatory memorandum accompanying this Notice.

**GEAR** means Golden Energy and Resources Limited.

**Golden Investments** means Golden Investments (Australia) Pte Ltd.

**Indicative Proposal** means the unsolicited, non-binding, indicative proposal dated 7 August 2019 which may, subject to satisfactory due diligence and securing of finance, result in an off-market takeover offer to acquire 100% of the Company's shares for an indicative price of between \$1.50 - \$1.70 per share in cash from Winfield Energy.

**Listing Rules** means the official listing rules of the ASX as amended from time to time.

**Meeting** means the Extraordinary General Meeting of Shareholders to be held on 14 October 2019 as convened by the accompanying Notice of Meeting.

**Member's Statement** means a member's statement provided by Golden Investments to the Company pursuant to section 249P of the Corporations Act, as set out in Annexure A to this Notice.

**Notice of Meeting** or **Notice** means the notice of meeting giving notice to shareholders of the Meeting, accompanying this Explanatory Memorandum.

**Ordinary Resolution** means a resolution passed by more than 50% of the votes cast by those entitled to vote on the resolution.

**Proxy Form** means the proxy form accompanying the Notice of Meeting.

**Requisition Notice** means the valid notice from Golden Investments requesting that the Directors convene a General Meeting of Shareholders pursuant to section 249D of the Corporations Act to consider the Resolutions.

**Resolutions** means the resolutions set out in the Notice of Meeting.

**Shareholder** means a holder of Shares.

**Shares** means fully paid ordinary shares in the Company.

**TerraCom** means TerraCom Limited.

**TSR** means total shareholder returns.

**Winfield Energy** means Winfield Group Investments Pty Ltd.

## Proxy Form (Pre-populated)

Use this Proxy Form if you want to vote AGAINST the Resolutions in accordance with the Director's recommendations.


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## LODGE YOUR VOTE

 **ONLINE**  
www.linkmarketservices.com.au

 **BY MAIL**  
Stanmore Coal Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

 **BY FAX**  
+61 2 9287 0309

 **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138; or  
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**  
Telephone: +61 1300 554 474



X999999999999

## PROXY FORM

I/We being a member(s) of Stanmore Coal Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **10:00am on Monday, 14 October 2019 at Allens office's, Level 26, 480 Queen Street, Brisbane QLD 4000** (the Meeting) and at any postponement or adjournment of the Meeting.

**Use this Proxy Form if you want to vote in accordance with the Director's recommendation which is to vote AGAINST each item of business.**

**The Chairman of the Meeting intends to vote undirected proxies AGAINST each item of business**


### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an

#### Resolutions

	For	Against	Abstain*
1 That, Cameron Vorias, having consented to act as a Director of the Company, be appointed a Director of the Company, with effect from closure of the meeting	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2 That, Jimmy Sen Ming Lim, having consented to act as a Director of the Company, be appointed a Director of the Company, with effect from closure of the meeting	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3 That, Stewart Butel be removed from office as a Director of the Company, with effect from closure of the meeting	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4 That, Dan Clifford be removed from office as a Director of the Company, with effect from closure of the meeting	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

 \* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

SMR PRX1901A

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STEP 1

STEP 2

STEP 3



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am on Saturday, 12 October 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

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

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



#### BY MAIL

Stanmore Coal Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
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Level 12  
680 George Street  
Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
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Stanmore Coal Limited

Proxy Form (Blank)

For personal use only

## LODGE YOUR VOTE



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### ALL ENQUIRIES TO

Telephone: +61 1300 554 474

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the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **10:00am on Monday, 14 October 2019 at Allens office's, Level 26, 480 Queen Street, Brisbane QLD 4000** (the Meeting) and at any postponement or adjournment of the Meeting.

**The Directors recommend voting AGAINST each item of business.**

**The Chairman of the Meeting intends to vote undirected proxies AGAINST each item of business**

### VOTING DIRECTIONS

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#### Resolutions

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Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

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STEP 3

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THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

Annexure A – Member's Statement

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# Statement to the members of Stanmore Coal Limited from Golden Investments

Pursuant Section 249P of the Corporations Act 2001

## Why Golden Investments wants to see changes to the board of Directors

Golden Investments (Australia) Pte Ltd (**Golden Investments**), a subsidiary of Golden Energy and Resources (**GEAR**) is the largest shareholder of Stanmore Coal Limited (**Company**) holding 25.85% voting power in the Company.

GEAR is a leading coal producer in Indonesia with significant industry experience and an annual production run rate of 28 million tonnes in 2019, and also has strategic investments in gold mining operations in Australia and renewable energy projects. This experience gives GEAR superior industry knowledge and insight on which to leverage to support the Company.

Golden Investments has over the last few months in correspondence with the board of Directors of Stanmore Coal (**Board**) raised concerns around the performance, strategy and operations of the Company. These concerns regard Golden Investment's opinion that the Company continues to have:

1. Significantly high and uncompetitive financing costs; and
2. Non-optimal coal sales prices

Accordingly, Golden Investments believes that its proposed resolutions to remove Daniel Clifford and Stewart Butel and replace them with an independent director (having expert industry experience) and a non-executive director (having significant fund raising and investment experience) will provide the board with skills and expertise to ensure the Company succeeds into the future, and deliver maximum value to shareholders.

Regarding the Company's announcement on 7 August in relation to a "non-binding indicative proposal" from Winfield Group Investments Pty Ltd (**Winfield**) which is still subject to, *amongst others* satisfactory due diligence and securing of financing, Golden Investments advises that it was not approached by either the Company or Winfield prior to this announcement. Golden Investments further advises that this announcement does not change its stated concerns.

## Golden Investments is NOT trying to take control of the Company

This is despite the current board's misinformed accusations that Golden Investments could somehow control the Board if the proposed resolutions were passed.

If the proposed resolutions pass, the Board will have a total of 5 directors. Only Jimmy Lim is a "nominee" director for Golden Investments and one nominee director out of 5 directors in no way, gives Golden Investments control of the Board or Company.

### *Cameron Vorias does not represent the interests of Golden Investments*

Mr Vorias is independent of Golden Investments. He is simply a leading industry expert free of any interest, position, association, or other relationship that might influence his capacity to exercise independent judgement.

## Significantly high and uncompetitive financing costs

- Despite its recent refinancing, Golden Investments believes that the Company may actually have an effective financing cost of a very high **14.5% per annum** (including its ongoing 1% Taurus royalty).
- Only a 2% reduction was managed to the fixed interest rate, despite falling interest rates and a materially improved credit risk profile.

- Against a peer group, this is uncompetitive and not in line with the market. Given that the Taurus facility was not due until November 2019, management should have negotiated and evaluated all options in this declining interest rate environment.
- On current revenues, the 1% Taurus royalty may be approximately AU\$4 million per annum and leads to substantial leakage of the Company's profit. The current arrangement will also result in continued leakage throughout the life of mine of Isaac Plains Complex for up to 15 years and is expected to materially grow in line with the Company's production increase from 2.4 million tonnes to 5 million tonnes.
- It's also puzzling why this royalty was increased from 0.8% to 1.0% in FY2018, despite an almost doubling of the average semi soft coal index from US\$63.6/tonne in FY2016 to US\$119.5/tonne in FY2018 and Management's plans to double production with the commencement of Isaac Plains East. The royalty should have been negotiated down, not up.

#### **Non-optimal coal sales price**

- Golden Investments commissioned S&P Global Platts (**Platts**) to conduct an independent review of the value of Isaac Plains Complex coal.
- The Platts' review found that the valuations of the coal sold from the Isaac Plains Complex could command a significant premium to the Company's Average Sales Price for FY2019.

#### **Proposed Changes to Board**

Golden Investments believes that the proposed new directors will improve governance and contribute a broad and diverse skillset to the Board.

#### **Cameron Vorias**

Cameron Vorias is Managing Director and CEO of Sojitz Coal Mining, a subsidiary of the Sojitz Corporation in Japan.

Mr. Vorias is a Mining Engineer with over 35 years of experience (predominantly in coal & iron ore) and holds an MBA (Tech) from the UNSW and is a graduate of the Australian Institute of Company Directors. Mr Vorias has also held a prominent position on the Ministerial Advisory Committee (Minister Cripps) on Exploration and Tenure and has been a key note speaker at mining conferences globally.

Mr Vorias has led the successful development of 3 greenfield coal mines and has worked in executive roles for Peabody Energy Australia, QCoal, Excel Coal, New Hope Coal, Shell Coal, Anglo American and BHP – Iron Ore. Golden Investments believe that Mr. Vorias will be able to bring objective invaluable advice on the Company's development projects such as Isaac Downs, Isaac Plains South and The Range.

Mr. Vorias is also an Executive Director for Futura Resources, an emerging coking coal producer in the Bowen Basin.

#### **Jimmy Sen Ming Lim**

Mr. Lim has over 17 years' experience in finance and investment management in the metals and mining sector, with extensive industry relationships in Australia and globally. He will complement the Board's expertise on capital markets, financing, business development and M&A.

Mr. Lim previously worked for EY and KPMG in Perth and JPMorgan in Melbourne, advising some of the world's largest miners. Thereafter, he moved to Goldman Sachs to cover Metals and Mining in Asia ex-China.

Mr. Lim is a Fellow of the FSIA and holds an MBA and degrees in Engineering and Science from the University of Western Australia.



Mark Zhou  
Golden Investments (Australia) Pte. Ltd

16 August 2019

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