

# stanmorecoal



7 August 2019

## NON-BINDING INDICATIVE PROPOSAL

The Board of Stanmore Coal Limited (Stanmore or the Company) announces that it has received an unsolicited, non-binding, indicative proposal 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 A\$1.50-A\$1.70 per Share in cash (Indicative Proposal), from Winfield Group Investments Pty Ltd (Winfield Energy) (Appendix A).

The Board has engaged with Winfield Energy to finalise a Process Deed to facilitate the conduct of due diligence by Winfield Energy and its debt and equity financiers and, subject to satisfactory completion of that due diligence, negotiation by the parties of a bid implementation agreement.

The Board notes that there is no guarantee that the Indicative Proposal will result in a formal and binding offer for the Company. The Board recommends Shareholders take no action in relation to the Indicative Proposal at this time.

The indicative pricing in the Indicative Proposal is within the independent expert valuation range of \$1.48 to \$1.90 per Share from the Company's Target's Statement published in December 2018 and implies an equity valuation of the Company of \$390 million to \$442 million.

The Company has appointed Allens Linklaters and Citi as its advisors throughout this process. Winfield Energy has appointed Thomson Geer as its legal advisors for this process.

The Indicative Proposal is not a notice of an intention to make an offer and under no circumstances is it, or does it constitute, an announcement for the purposes of section 631(1) of the Corporations Act 2001 (Cth).

The Board will update Shareholders, in accordance with the Company's continuous disclosure obligations, in due course.

Chairman, Stewart Butel said, "The Board has engaged with Winfield Energy with a view to entering into a Process Deed and ultimately, to facilitate a formal offer for the consideration of Shareholders."

### Terms of Indicative Proposal

The Indicative Proposal is subject to a number of conditions, including:

- Winfield Energy and its financiers undertaking and being satisfied with the results of further due diligence on the Company.
- Winfield Energy securing offers of financing and entering into financing documentation with its financiers.

The Indicative Proposal states that any resulting transaction would also be subject to a number of customary terms and conditions, including:

- 50.1% minimum acceptances of the offer;
- No prescribed occurrences within the meaning of the Corporations Act 2001;
- No material adverse change affecting the Company and no material change to the business of the Company.

Winfield Energy has conducted initial due diligence based on the Company's ASX disclosures and is seeking a period to complete further due diligence. The indicative pricing set out in the Indicative Proposal may change pending Winfield Energy's due diligence findings.

## Winfield Group Investments Pty Ltd

Winfield Energy is a privately-owned Australian coal company which owns a 12.5% interest in the Rolleston mine located in Queensland's southern Bowen Basin, approximately 275 km from Gladstone. Winfield Energy's share of Rolleston production is currently 2 million tonnes per year of thermal coal.

Winfield Energy acquired its interest in the Rolleston mine from Itochu Corporation in February 2019. Rolleston produces approximately 16 million tonnes per annum of thermal coal for export and the domestic market. Winfield Energy's other Joint Venture partners at Rolleston include Sumitomo (12.5%) and Glencore (75%).

Winfield Group Investments Pty Ltd is owned by its senior management team which includes the Managing Director, John Canavan, Executive Chairman, Rob Hammond, and General Counsel, James Stokes.

Mr Hammond is former Group Executive, Managing Director and Chief Operating Officer of Peabody Energy Australia, and has more than 40 years' experience operating and managing mines in Australia, the United States and South America.

Mr Canavan has extensive managerial experience within the energy and resources sector, specialising in corporate mergers and acquisitions. He has negotiated and managed significant energy and resources transactions. Prior to joining Winfield Energy, Mr Canavan held senior positions with global consultancies and major mining companies including Deloitte, KPMG, InterGen and Peabody Energy.

Yours faithfully,

Ian Poole  
Company Secretary

### For further information, please contact:

**Dan Clifford**  
Managing Director  
07 3238 1000

**Ian Poole**  
Chief Financial Officer & Company Secretary  
07 3238 1000

### About Stanmore Coal Limited (ASX: SMR)

Stanmore Coal operates the Isaac Plains coking coal mine in Queensland's prime Bowen Basin region. Stanmore Coal owns 100% of the Isaac Plains Complex which includes the original Isaac Plains Mine, the adjoining Isaac Plains East (operational), Isaac Downs (open cut mine project) and the Isaac Plains Underground Project. The Company is focused on the creation of shareholder value via the efficient operation of the Isaac Plains Complex and the identification of further development opportunities within the region. In addition, Stanmore Coal holds a number of high-quality development assets (both coking and thermal coal resources) located in Queensland Bowen and Surat basins.

### Stanmore Coal Limited ACN 131 920 968

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## Winfield Energy

Winfield Group Investments Pty Ltd  
Level 23, 127 Creek Street  
Brisbane, QLD  
4000

**7 August 2019**

Mr. Stewart Butel  
Chairman, Stanmore Coal Limited  
Level 8, 100 Edward Street  
Brisbane QLD 4000

Dear Mr. Butel:

### **Indicative Non-Binding Proposal**

Winfield Group Investments Pty Ltd ACN 621 645 323 (**Winfield Energy**) is pleased to submit this conditional, indicative, non-binding proposal to engage in further discussions and to facilitate further due diligence for the purpose of Winfield Energy evaluating, in consultation with its debt and equity financiers, its capacity to make an offer or announce an intention to make an offer to acquire all of the shares in Stanmore Coal Limited ABN 27 131 920 968 (**Stanmore**).

Winfield Energy is interested in Stanmore, its business interests, and assets, as they are complimentary to the existing business interests held by Winfield Energy. Winfield Energy has undertaken a preliminary investigation and analysis of Stanmore's business and assets and Winfield Energy makes this proposal to Stanmore with a view to opening up a dialog with Stanmore's Board and agreeing a Transaction Process Deed that enables Winfield Energy to evaluate whether to proceed with a formal offer at a price and on terms that the Board of Stanmore would, in the absence of a superior proposal, be willing to recommend to shareholders.

Winfield Energy confirms that the proposal is not and must not be taken to be an offer or notice of an intention to make an offer and under no circumstances is it or does it constitute an announcement for the purposes of Section 631(1) of the *Corporation Act* 2001 (Cth). Winfield Energy confirms that the proposal represents an incomplete, conditional and non-binding indicative proposal that does not constitute an offer that is

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capable of acceptance and while it may not be a disclosable event for the purposes of the Australian Securities Exchange listing rules, it may be disclosed as Stanmore sees fit.

Winfield Energy reserves its rights either to proceed or not to proceed with this proposal in its absolute discretion.

### **The proposal**

If Winfield Energy proceeds with the proposal, Winfield Energy's present intention is that it (or a wholly owned subsidiary of it) will make a cash offer to acquire up to 100% of the issued share capital of Stanmore between A\$1.50-\$1.70 per share. This price is within the range (including the lower and upper limits of the range) set forth in BDO's expert report dated 11 December 2018 contained within Stanmore's Target Statement dated 12 December 2018

If Winfield Energy elects to proceed with the proposal, the proposal would be made conditionally.

Those conditions would include, but would not be limited to, 50.1% minimum acceptances of the offer, the prescribed occurrence conditions in Section 652C(1) and Section 652C(2) of the *Corporations Act* 2001 (Cth), the Target not proceeding with any initiative under which shares or other securities convertible or exercisable into shares of Stanmore would be issued including (without limitation) a rights issue, there being no material adverse change affecting Stanmore, and there being no material change to the business of Stanmore.

### **Financing**

Winfield Energy is currently working with its debt and equity financiers to negotiate and secure to Winfield Energy the financing necessary to proceed with the proposed acquisition. Such financing would be sufficient to enable Winfield Energy to acquire all of the shares on issue and any share that might be issued on the exercise of options (assuming all options are exercised) as at the date of this document.

Winfield Energy's financiers will require due diligence be carried out on Stanmore before it will offer the financing necessary to proceed with the proposal.

### **Due Diligence Timeframes**

Winfield Energy and its technical advisors have already undertaken a significant amount of work in relation to Stanmore based on public information and its own knowledge of Isaac Plains and the Basin.

Winfield and its financiers estimate that they would require a period of approximately 4 weeks to confirm its assumptions, including: geological modelling, mine planning, legal

and financial due diligence. Winfield has already engaged technical advisors, and has retained Thomson Geer to undertake legal due diligence.

### **Winfield Energy's Intentions**

Winfield Energy has not yet formed a view on what it may or may not do upon acquiring different levels of ownership (if any) in Stanmore if it elects to proceed with the proposal except that it intends to retain the current members of the Senior Management and the Board of Directors until such time as it has carried out a thorough review of the business assets and requirements of Stanmore to delivering on its strategic objectives.

We request that Stanmore's Board consider this proposal and indicate their willingness or not to open a dialog with Winfield Energy on the basis set forth in this document

## **About Winfield Energy**

Winfield Energy is a private coal company located in Brisbane, Australia. Winfield Energy currently produces 2Mtpa of thermal coal.

Winfield Energy's key asset is its 12.5% interest in the Rolleston Coal Mine, located in Central Queensland. Rolleston is Australia's second largest thermal coal mine, producing ~16Mtpa.

Winfield Energy is focused on acquisitions that compliment its existing investment in Rolleston and the Wiggins Island Coal Export Terminal (WICET), with a particular focus on the Southern Bowen and Surat Basins. Winfield Energy believes that an acquisition of Stanmore may enable it to drive the development of the Southern Missing Link rail line and provide a long-term solution to the current under-utilisation at WICET.

Winfield Energy is led by John Canavan (Managing Director), Rob Hammond (Executive Chairman), and James Stokes (General Counsel). Winfield Energy's Senior Management team has over 80 years combined resource management experience.

## **Rolleston Mine**

Rolleston is a tier one mining asset located in Queensland's Bowen Basin. It is one of the largest open cut thermal coal operations in Australia. Rolleston is owned 12.5% by Winfield Energy, 12.5% by Sumitomo and 75% by Glencore.

Rolleston is located 16km west of the township of Rolleston and 275km west of Gladstone, in the Central Highlands region of Queensland's resource rich southern Bowen Basin.

Rolleston encompasses five mining leases which cover an area of over 17,400ha and has six EPCs that include an area of 53,000ha.

## Contact Details

All correspondence should be sent electronically to the following contacts:

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## Other

Nothing in this letter gives rise to binding obligations on Winfield Energy, or any of its associates or Investors.

We look forward to discussing this opportunity in more detail with you.

Sincerely,



John Canavan  
Managing Director  
Winfield Group Investments Pty Ltd