

Stanmore Coal Limited

ABN 27 131 920 968

Notice of annual general meeting & explanatory memorandum

Meeting information:

Date: Wednesday, 30 November 2016

Time: 10.00am (Brisbane time)

Place: Corrs Chambers Westgarth, Level 42, 111 Eagle Street,
Brisbane Qld 4000

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

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Chairman's letter

Dear Shareholder

The annual general meeting (**AGM**) of Stanmore Coal Limited (**Company**) will take place on Wednesday the 30th of November 2016 at the offices of Corrs Chambers Westgarth, Level 42, 111 Eagle Street, Brisbane. A copy of the notice of meeting is attached.

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

- Our financial and statutory reports for 2016
- The re-election of Mr Nick Jorss to the Board of Directors
- The re-election of Mr Viv Forbes to the Board of Directors
- The approval of a new performance rights plan
- The approval of performance rights to be issued to the new Managing Director, Mr Dan Clifford
- The approval of an increase to the remuneration pool for Non-Executive Directors.

You will also be asked to cast a non-binding vote in respect of the adoption of the Remuneration Report for 2016. In FY16, as the Company undertook the transition from coal explorer to producer, the Board established a short term incentive structure that aligned key operational milestones with driving value for Shareholders. As with several previous years there were only limited changes to fixed compensation for key management personnel or any other employees of the Company. Very few employees have received any change to base remuneration arrangements since FY12. The short term incentive structure in FY16 was deemed necessary to align rewards with key performance outcomes associated with the recommencement of mining at Isaac Plains.

As the Company received 76.1% of the votes "against" the Remuneration Report in 2015, it received what is known as a "first strike" under the executive remuneration laws. If the votes "against" the 2016 Remuneration Report again exceed 25% of the votes cast, the Company will receive a "second strike". A Board Spill Meeting Resolution is also included on the agenda however this resolution will only be put to the AGM if at least 25% of the votes cast on the adoption of the Remuneration Report are cast against the adoption of the report and a "second strike" is received. If this resolution is put to the Meeting, the Board unanimously recommends that Shareholders vote against it on the basis that it would be extremely disruptive to the Company and in the Board's view it would be inappropriate to remove all of the Non-Executive Directors in the circumstances.

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

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

Yours sincerely



Neville Sneddon
Chairman

Notice of Annual General Meeting

Stanmore Coal Limited

Notice is given that the Annual General Meeting of Shareholders of Stanmore Coal Limited ABN 27 131 920 968 (**Company**) will be held at Corrs Chambers Westgarth, Level 42, 111 Eagle Street, Brisbane Qld 4000, on Wednesday 30 November 2016 commencing at 10.00am (Brisbane time).

ORDINARY BUSINESS

Financial Reports

To receive and consider the Company's Annual Report comprising the Directors' report and auditors' report, Directors' declaration, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to and forming part of the financial statements for the Company and its controlled entities for the financial year ended 30 June 2016.

Resolution 1: Re-election of Mr Nick Jorss as an Executive Director

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

"That Mr Nick Jorss, who retires in accordance with rules 38.1, 38.6 and 43.2(d) of the Constitution and, being eligible, offers himself for re-election, be re-elected as an Executive Director."

Resolution 2: Re-election of Mr Viv Forbes as a Non-Executive Director

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

"That Mr Viv Forbes, who retires in accordance with rules 38.1 and 38.4 of the Constitution and, being eligible, offers himself for re-election, be re-elected as a Non-Executive Director."

Resolution 3: Adoption of Remuneration Report

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

"That the Remuneration Report for the year ended 30 June 2016 (as set out in the Directors' Report) be adopted."

<p>Note: The vote on Resolution 3 is advisory only and does not bind the Directors or the Company.</p>

Resolution 4: Spill Resolution (contingent resolution)

Please note that this resolution is a contingent resolution, and will only be put to the Annual General Meeting if a minimum of 25% of the votes cast on Resolution 3 (Adoption of Remuneration Report) are against the adoption of the Remuneration Report.

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

“That:

- a) an extraordinary general meeting of the Company (**Spill Meeting**) be held within 90 days after the passing of this resolution;*
- b) all of the Directors in office at the time when the resolution to make the Directors’ Report for the financial year ended 30 June 2016 was passed, and who remain in office at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and*
- c) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote of the Shareholders at the Spill Meeting.”*

SPECIAL BUSINESS

Resolution 5: Approval of the Stanmore Coal Limited Rights Plan (SCLRP)

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

“That, for the purposes of Listing Rule 7.2 Exception 9, section 260C(4) of the Corporations Act and for all other purposes, the SCLRP, any grants of Rights under the SCLRP and any Shares issued upon the vesting of Rights under the SCLRP, as described in the Explanatory Memorandum, be approved.”

Resolution 6: Grant of Rights to Mr Dan Clifford, Managing Director

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

“That, for the purposes of Listing Rule 10.14 and for all other purposes, the issue of 531,497 Rights under the SCLRP to the Managing Director, Mr Dan Clifford, on the terms and conditions described in the Explanatory Memorandum, be approved.”

Resolution 7: Approval of increase to Non-Executive Directors’ remuneration pool

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

“That, for the purposes of rule 39.5 of the Constitution, Listing Rule 10.17 and for all other purposes, the maximum aggregate remuneration payable to the Non-Executive Directors in any financial year be increased from \$350,000 to \$500,000.”

VOTING EXCLUSION STATEMENT

The resolutions above are subject to the following voting exclusions.

Resolution 3 (Adoption of Remuneration Report)

The Company will disregard any votes cast on **Resolution 3** by:

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

Resolution 4 (Spill Resolution)

The Company will disregard any votes cast on **Resolution 4** by:

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

Resolution 5 (Approval of the Stanmore Coal Limited Rights Plan (SCLRP))

The Company will disregard any votes cast on **Resolution 5** by:

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

Resolution 6 (Grant of Rights to Mr Dan Clifford, Managing Director)

The Company will disregard any votes cast on **Resolution 6** by:

- any member of Key Management Personnel, and any Closely Related Party of such a member, who is appointed as an **undirected proxy** for a person who is entitled to vote; and
- Mr Dan Clifford, Mr Nick Jorss and any of their associates.

Resolution 7 (Approval of increase to Non-Executive Directors' remuneration pool)

The Company will disregard any votes cast on **Resolution 7** by:

- any member of Key Management Personnel, and any Closely Related Party of such a member, who is appointed as an **undirected proxy** for a person who is entitled to vote; and
- any Director and any of their associates.

Exceptions to voting exclusions

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

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

Please refer below to the important information about the appointment of proxies in relation to the above resolutions.

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

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

By order of the Board

A handwritten signature in black ink, appearing to read 'A Roach', written in a cursive style.

Andrew Roach
Company Secretary

Date: 26 October 2016

Voting information

How to vote

You may vote by:

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

Voting in person

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

Voting by proxy

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

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

All proxy forms will need to be lodged with the Company no later than 48 hours before commencement of the Meeting (ie lodged by 10.00am (Brisbane time) on 28 November 2016). Any proxy form received after the time will not be valid for the Meeting.

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

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

- by hand delivery to:
**Link Market Services Limited
1A Homebush Bay Drive
Rhodes, NSW 2138**

or

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

- by faxing the proxy form to:
**Link Market Services
+61 2 9287 0309**

Shareholders can also vote online at:

www.investorcentre.linkmarketservices.com.au

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

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

A proxy may decide whether to vote on any motion, except where the proxy is required by law or the company's constitution to vote, abstained from voting, in their capacity as proxy. If a proxy is directed how to vote on a Resolution, the proxy may vote on that item only in accordance with that direction. Any directed proxies which are not voted on a poll will automatically default to the chair of the Meeting, who must vote the proxies as directed. If a proxy is not directed how to vote on a Resolution, a proxy may vote as they think fit. If a Shareholder appoints the chair of the Meeting as a Shareholder's proxy and does not specify how the chair is to vote on a Resolution, the chair will vote, as proxy for that Shareholder, in favour of the Resolution (other than for Resolution 4, where the chair will vote all undirected proxies against that Resolution).

Voting by corporate representatives

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

Right to vote

The Board has determined that, for the purposes of the Meeting, Shares will be taken to be held by the persons who were the registered holders of those Shares at 7.00pm (Sydney time) on 28 November 2016. Accordingly, the Share transfers registered after the time will be disregarded in determining entitlements to attend and vote at the Meeting.

Shareholder questions and comments

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

Explanatory Memorandum

Stanmore Coal Limited

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting of the Company to be held at Corrs Chambers Westgarth, Level 42, 111 Eagle Street, Brisbane Qld 4000 on Wednesday, 30 November 2016 commencing at 10.00am (Brisbane time).

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

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

ORDINARY BUSINESS

Financial Reports

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

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

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

Written questions must be submitted by 5.00pm (Brisbane time) on Wednesday 23 November 2016 to:

By post

Mr Andrew Roach
Company Secretary
Stanmore Coal Limited
GPO Box 2602
Brisbane QLD 4001

By email

andrew.roach@stanmorecoal.com.au

Resolution 1: Re-election of Mr Nick Jorss as an Executive Director

Mr Nick Jorss will transition from the role of Managing Director to Executive Director and Deputy Chairman on 14 November 2016.

As he will have ceased to be the Managing Director, Mr Jorss is required by the Constitution to retire at the Annual General Meeting and, being eligible, has offered himself for re-election as an Executive Director.

Mr Jorss was initially appointed as the Managing Director on 27 June 2008. He is a founding Director of the Company, with over 20 years' experience in investment banking, civil engineering, corporate finance and project management.

Mr Jorss was previously a Director of Pacific Road Corporate Finance and was an engineer with Baulderstone Hornibrook prior to that where he delivered infrastructure and resource projects over a period of approximately 8 years. Mr Jorss is a founding Shareholder and Director of St. Lucia Resources International, Kurilpa Uranium and Wingate Capital. He was previously a Director of Vantage Private Equity Growth, Vantage Asset Management and WICET Holdings Pty Ltd.

Mr Jorss holds a Bachelor with Honours in Civil Engineering, a Masters of Business Administration and a Graduate Diploma of Applied Finance and Investment.

During the past three years, Mr Jorss has not served as a Director of any other ASX listed companies.

Directors' recommendation

The Directors (with Mr Jorss abstaining) unanimously recommend that you vote in favour of Resolution 1.

Resolution 2: Re-election of Mr Viv Forbes as a Non-Executive Director

In accordance with rules 38.1 and 38.4 of the Constitution, Mr Viv Forbes, a Non-Executive Director, will retire at the Annual General Meeting and being eligible, has offered himself for re-election.

Mr Forbes commenced as a Non-Executive Director on 5 October 2009. Mr Forbes is a Bowen Basin pioneer with over 40 years of coal industry experience including in government service, field exploration, mine valuation and acquisition, financing, development, operations and successful asset sales.

Mr Forbes has been involved in various capacities at Burton Coal, Dalrymple Bay Coal Terminal, South Blackwater Coal Mine, Tahmoor Coal Mine, Newlands/Collinsville Coal Mines, MIM, Utah Goonyella/Saraji and Gold Fields. Mr Forbes has a degree in Applied Science Geology and is a Fellow of the Australasian Institute of Mining and Metallurgy.

Mr Forbes is a member of the Remuneration & Nominations Committee.

During the past three years, Mr Forbes has not served as a director of any other ASX listed company.

Directors' recommendation

The Directors (with Mr Forbes abstaining) consider that Mr Forbes will, if re-elected, qualify as an Independent Non-Executive Director.

Non-Executive Directors Mr Chris McAuliffe and Mr Patrick O'Connor abstain from providing a recommendation on Resolution 2.

The remaining Non-Executive Directors, Mr Neville Sneddon and Mr Stephen Bizzell (with Mr Forbes abstaining), together with Executive Director Mr Nick Jorss, recommend that you vote in favour of Resolution 2.

Resolution 3: Adoption of Remuneration Report

The Remuneration Report

The Remuneration Report is set out in the Directors' Report section of the Annual Report. The Annual Report is available for download on the Company's website, www.stanmorecoal.com.au.

In summary the Remuneration Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and other Key Management Personnel;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the other most highly remunerated Key Management Personnel; and
- details and explains any performance conditions applicable to the remuneration of executive Directors and other Key Management Personnel.

The Company's business strategy of managing an operating coal business can only be achieved by identifying and retaining high calibre employees with appropriate experience and capability. Developing an appropriate compensation strategy for the Company's employees is a key factor in ensuring employees are engaged and motivated to improve the Company's performance over the long term. The Board's intention is to maximise stakeholder benefit from the retention of a high quality Board and executive team without creating an undue cost burden for the Company, but allowing the Company to respond to opportunities quickly and rapidly progress development opportunities at the appropriate point in the cycle.

Commentary on remuneration practices

At the Company's 2015 Annual General Meeting, more than 25% of the votes cast by persons entitled to vote on the 2015 Remuneration Report were cast against the adoption of the 2015 Remuneration Report. Accordingly, the Company received a "first strike" against its Remuneration Report under the Corporations Act.

In response to the first strike, the Company makes the following comments:

- the Board has not issued any Shares, Rights or options as remuneration to any employees in respect of FY16;
- Board fees have remained fixed since the IPO in 2009;¹
- overheads have been reasonably stable despite significant increase in workload and responsibility as a result of the acquisition of the Isaac Plains Coal Mine; and
- the Board regularly reviews the appropriateness of employees' fixed compensation in light of the Company's cost structure and the practices of its peers. In FY16, as the Company undertook the transition from coal explorer to producer, the Board established a short term incentive structure that aligned key operational milestones with driving value for Shareholders. As with several previous years there were only limited changes to fixed compensation for Key Management Personnel or any other employees of the Company. Very few employees have received any change to base remuneration arrangements since FY12. The short term incentive structure in FY16 was deemed necessary to align rewards with key performance outcomes associated with the recommencement of mining at Isaac Plains.

The Board considers the above outcomes to be an appropriate response to the first strike whilst enabling the Company to retain a small, highly skilled team, able to execute on the acquisition of Isaac Plains and deliver on a safe recommencement of mining.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting. Shareholders should be aware that any undirected proxies given to the Chairman will be cast by the Chairman and counted in favour of the Resolution.

Directors' recommendation

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

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

Resolution 4: Spill Resolution (contingent resolution)

The Corporations Act includes a "two strikes" rule in relation to Remuneration Reports. The two strikes rule provides that, if at least 25% of the votes cast on the resolution to adopt the Remuneration Report at two consecutive Annual General Meetings are against adopting the Remuneration Report, Shareholders will have the opportunity to vote on a spill resolution at the second Annual General Meeting.

¹ It is currently proposed under Resolution 7 to increase the pool of Non-Executive Directors' remuneration from \$350,000 to \$500,000 for FY17.

As noted in this Explanatory Memorandum, last year more than 25% of the votes cast by persons entitled to vote on the Company's 2015 Remuneration Report were cast against the adoption of that Remuneration Report. Accordingly, the Company received a "first strike" against its Remuneration Report.

Resolution 4, which is an ordinary resolution, will only be put to the Annual General Meeting if at least 25% of the votes cast on Resolution 3 (Adoption of Remuneration Report) are against the adoption of the Remuneration Report (ie the Company receives a "second strike"). If less than 25% of the votes cast on Resolution 3 are against adopting the Remuneration Report at the Meeting, the Company will not receive a "second strike", and Resolution 4 will not be put to the Meeting. In such circumstances, the current Board of Directors will remain in place.

If this Resolution is passed and becomes effective, a special meeting of Shareholders must be held within 90 days after the Meeting (**Spill Meeting**). Immediately before the end of the Spill Meeting, each of the following Directors who were in office when the Board approved the last Directors' Report will automatically cease to hold office, unless they are willing to stand for re-election and are re-elected at the Spill Meeting (and subject to the Company maintaining the minimum number of Directors required by the Corporations Act):²

- Nick Jorss
- Neville Sneddon
- Stephen Bizzell
- Vivian Forbes
- Chris McAuliffe
- Patrick O'Connor.

Directors' recommendation

Noting that each of the abovementioned Directors would have a personal interest in any such resolution, and that each of them (and their Closely Related Parties) would be excluded from voting on the Resolution, the Directors unanimously recommend that you **vote against** Resolution 4.

The Directors make this recommendation on the basis that they consider that a Spill Meeting would be extremely disruptive to the Company and it would be inappropriate to remove all of the Directors (other than the Managing Director) in the circumstances. However, the Board recognises that Shareholders can remove a Director by a majority Shareholder vote at any general meeting and for any reason.

² Assuming Nick Jorss and Viv Forbes are elected / re-elected in accordance with Resolutions 1 and 2 and are therefore Directors as at the time of the Spill Meeting.

SPECIAL BUSINESS

Resolution 5: Approval of the Stanmore Coal Limited Rights Plan (SCLRP)

Summary

The Board adopted the SCLRP in October 2016 to give the Board flexibility to provide long term incentives to the Managing Director and other senior executives through the grant of Rights.

Non-Executive Directors are not eligible to participate in the SCLRP.

The key terms of the SCLRP are summarised in **Annexure A**.

Senior executive remuneration is determined by the Non-Executive Directors having consideration of relevant market practices and the circumstances of the Company on an annual basis. It is the view of these Directors that it is in the interests of Shareholders for selected senior executives to receive part of their total remuneration package (**TRP**) in the form of at-risk securities (Rights) that will vest based on performance against indicators that are linked to Shareholder benefit during a defined measurement period.

The SCLRP is therefore designed to form a significant component of at-risk remuneration and to create alignment between Shareholder benefit and the remuneration of selected senior executives. Grants under the SCLRP will facilitate the Company providing appropriate, competitive and performance-linked remuneration to the senior executives of the Company. The Non-Executive Directors seek to ensure that grants to senior executives are made at a level that will appropriately position their TRPs in the market, in accordance with the Company's remuneration policies. The Board regularly reviews market positioning, the elements and mix of remuneration for senior executives to ensure remuneration remains reasonable, within the range of market practices, and is appropriate to the circumstances of the Company.

What is a Right?

A Right is a contractual right awarded to a senior executive to receive the value of a specific number of Shares which is contingent upon the achievement against particular indicators. Upon the achievement of those indicators, a certain number of (or all) Rights vest. The Rights are an entitlement to the value of Shares (ordinary fully paid shares) which may be satisfied either in cash and/or Shares. Generally it is expected that vested Rights will be satisfied in Shares. If satisfied in Shares, that senior executive is entitled to receive one Share for every vested Right.

The number of Rights issued to any person in any given year represents the maximum number of Shares that they could be entitled to receive if the maximum benchmarked indicators are met. To the extent such indicators are not met, a fewer number (and possibly zero) Rights will vest.

Requirement for Shareholder approval

Listing Rule 7.1 imposes a cap on the number of securities that a company may issue or agree to issue without shareholder approval. Specifically, the Company may not, without prior approval from Shareholders, issue in any 12 month period, securities which are more than 15% of the Shares on issue 12 months before that issue.

However, Listing Rule 7.2 Exception 9 provides an exception to Listing Rule 7.1 where Shareholder approval is obtained for the issue of securities under the SCLRP for a period of three years from the date of Shareholder approval. If Shareholder approval for this resolution is obtained, the Company will be able to rely on this exception for the issue of Rights (and any subsequent issue of Shares upon vesting) under the SCLRP.

Section 260A of the Corporations Act restricts the circumstances in which financial assistance may be provided to a person for the purposes of acquiring Shares in the Company. Section 260C(4) exempts assistance that arises under an employee share scheme which is approved by Shareholders. Accordingly, if Shareholder approval for this Resolution is obtained, the issue of Rights under the SCLRP and any subsequent issue of Shares upon vesting will not be treated as financial assistance and no further Shareholder approval will be necessary.

As at the date of this Notice of Meeting, no Rights have been issued under the SCLRP.

The Company previously issued the following number of securities under the previous plans approved by Shareholders in 2012, being the Stanmore Coal Limited Director and Employee Share Plan and the Stanmore Coal Limited Director and Employee Incentive Plan:

- 592,162 Shares
- 4,122,000 options
- 2,350,000 performance rights.

With the recent adoption of the SCLRP, it is not proposed to issue any further securities under these two plans.

Proposed issuances under the SCLRP

For FY17, in addition to the Rights the subject of Resolution 6, the Board currently proposes to issue a further 785,082 Rights to other senior executives as part of their long term remuneration opportunity as set out below:

Executive	Long term incentive (Rights) as a percentage of base salary	Number of Performance Rights
Mike McKee, Chief Operating Officer	30%	448,546
Andrew Roach, Chief Financial Officer	30%	336,536

The Rights are proposed to be issued to Mr McKee and Mr Roach on the same terms and conditions as those proposed to be issued to Mr Clifford under Resolution 6. As Mr McKee and Mr Roach are not Directors, the Company does not require a separate Shareholder approval for the issue of Rights to them under the SCLRP.

Directors' recommendation

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

Resolution 6: Grant of Rights to Mr Dan Clifford, Managing Director

As announced on 4 October 2016, the Company has appointed Mr Dan Clifford as Managing Director, with a commencement date of 14 November 2016. His Executive Services Agreement with the Company, the material terms of which were disclosed in the ASX announcement of 4 October 2016, include a provision for his remuneration to include an annual component of long term incentive opportunity which is the subject matter of this Resolution.

It is proposed that a total of 531,497 Rights will be offered to Mr Clifford in FY17. The target number of Rights have been calculated by first multiplying his base salary from the date of commencement for FY17 (ie the pro-rata base salary paid in FY17) by the target long term incentive percentage (50%) and then dividing that figure by \$0.47246, being the 10 day VWAP of Shares in the 24 hours following the release of the Company's 2016 annual financial results (**Target Rights**). The 531,497 Rights proposed to be issued to Mr Clifford is double the number of Target Rights, recognising that at maximum performance, the stretch award (and therefore the maximum number of Rights that may vest) is double that of the target (see table below).

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

The measurement period for the vesting of Mr Clifford's Rights is three years, commencing on 1 July 2016 and ending on 30 June 2019.

Vesting Condition

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

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

Performance Level	ATSR of Company Compound Annual Growth Rate (CAGR)	% of Rights vesting
Stretch	58.74%	100%
Between Target and Stretch	>44.22%, < 58.74%	Pro-rata
Target	44.22%	50%
Between Threshold and Target	>25.99%, < 44.22%	Pro-rata
Threshold	25.99%	0%
Below Threshold	<25.99%	0%

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

In considering the performance levels, the Board has adopted a nominated Share price at 1 July 2016 of \$0.30 per Share and a threshold Share price of \$0.60, a target Share price of \$0.90 and a stretch Share price of \$1.20 to determine the ATSR of the Company Compound Annual Growth Rate (**CAGR**) shown in the above table. Given the measurement of the performance level will be the 10 day VWAP of Shares at 30 June 2019, the Non-Executive Directors believe the Vesting Condition to be appropriate.

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

The other key features of the proposed FY17 grant of Rights to Mr Clifford are summarised in **Annexure B**.

Information required by Listing Rules

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

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

Name of Director	Dan Clifford.
Details of proposed issue	
Maximum number of Rights to be approved under Resolution 6	531,497 Rights.
Date by which the Rights will be granted	Within one month of the Resolution being approved.
Names of any persons referred to in Listing Rule 10.14 entitled to participate in the SCLRP	Dan Clifford and Nick Jorss.
Issue price	Nil.
Details of previous issues	
Number of Rights issued under SCLRP	No Rights have been issued to Mr Clifford or any other Directors under the SCLRP.
Securities issued to persons under Listing Rule 10.14 since the last Shareholder approval on 10 October 2012	The following securities have been issued to Mr Nick Jorss in accordance with the Shareholder approval obtained at the general meeting on 10 October 2012:

	<ul style="list-style-type: none"> • 100,835 Shares for nil consideration • 200,000 options with an exercise price of \$0.48 per option for nil consideration (expired without exercise) • 500,000 performance rights for nil consideration
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Directors' recommendation

Although Mr Jorss is not being issued Rights under Resolution 6, he is prohibited under the Listing Rules from voting on this Resolution as, like Mr Clifford, he is a Director that is eligible to participate in the SCLRP. Accordingly, he does not offer a recommendation on this Resolution.

The current Directors (with Mr Jorss abstaining) unanimously recommend that you vote in favour of Resolution 6.

Resolution 7: Approval of increase to Non-Executive Directors' remuneration pool

Listing Rule 10.17 and rule 39.5 of the Constitution provide that the aggregate maximum remuneration payable to the Non-Executive Directors (ie excluding executive salaries payable to the Managing Director and Executive Director) (the **Remuneration Pool**) can only be increased by way of Shareholder approval.

At the Company's initial public offering in 2009, the Remuneration Pool was set at \$350,000 and has not been increased since that time.

It is currently proposed that the Remuneration Pool be increased by \$150,000 to \$500,000.

Your Company currently has seven Directors, five of whom are Non-Executive Directors. A significant time commitment is made by Directors in directing and overseeing the Company's affairs, particularly now that the Company is managing an operating coal business which brings with it a higher workload and responsibility for those Directors.

To be able to continue to attract Non-Executive Directors of a high calibre, and to remunerate the existing Non-Executive Directors commensurate with their increased workload, it is essential that remuneration arrangements for Non-Executive Directors are competitive with the market. A higher Remuneration Pool will also provide the Board with the flexibility to appoint additional Non-Executive Directors to ensure the Board has an appropriate mix of skills and experience, if necessary. A modest increase of \$150,000 has been proposed to meet these objectives.

It is not intended that the increase in the Remuneration Pool would be fully utilised immediately. It is expected that the level of Non-Executive Directors' fees currently paid will be increased, but will be set in line with market practice for similar companies, and will better reflect each Director's additional responsibilities (eg being a member or chair of a Board committee).

The Managing Director, Dan Clifford, and Executive Director, Nick Jorss, receive salary and other remuneration in accordance with the terms of their employment agreements, but do not receive Non-Executive Directors' fees. The remuneration paid by the Company to these executive Directors is not included in the Remuneration Pool for the purpose of this Resolution.

Additional information required by Listing Rules

No securities have been issued to a Non-Executive Director under Listing Rules 10.11 or 10.14 with the approval of Shareholders in the last three years.

Directors' recommendation

Noting that each current Director and their associates are excluded from voting on Resolution 7 in accordance with the Listing Rules, the Directors unanimously recommend that you vote in favour of Resolution 7.

Glossary of terms

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

Annual General Meeting or Meeting	the annual general meeting of the Shareholders convened pursuant to the Notice for the purposes of considering the resolutions set out in the Notice.
Annual Report	the annual report of the Company for the year ended 30 June 2016.
ASX	ASX Limited or the securities exchange it operates, as the context requires.
ATSR	Absolute Total Shareholder Return, being the change in Share price over a measurement period plus any dividends paid during the measurement period, assumed to be re-invested in Shares.
Board	the board of Directors of the Company.
Closely Related Party	in respect of a member of Key Management Personnel: <ul style="list-style-type: none">(a) a spouse or child of the member;(b) a child of the member's spouse;(c) a dependent of the member or of the member's spouse;(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;(e) a company that the member controls; or(f) a person prescribed by the <i>Corporations Regulations 2001</i> (Cth).
Company	Stanmore Coal Limited ACN 131 920 968.
Constitution	the Constitution of the Company, as amended from time to time.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Directors	the directors of the Company from time to time (each a Director).
Explanatory Memorandum	the explanatory memorandum that accompanies the Notice.
Key Management Personnel	a person having authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiaries, directly or indirectly, including any Director (whether executive or otherwise) of the Company or any of its subsidiaries.
Listing Rules	the Listing Rules of the ASX.
Notice or Notice of Meeting	this notice of meeting of Shareholders.
Performance Right	the meaning given to that term in Annexure A .
Remuneration Pool	the aggregate maximum remuneration payable to the Non-Executive Directors each financial year. This amount is currently \$350,000 and is proposed to be increased to \$500,000 in accordance with Resolution 7.
Remuneration Report	the section of the Directors' report contained in the Annual Report entitled "Remuneration Report" which starts on page 39 of the Annual Report.
Resolution	a resolution to be proposed at the Annual General Meeting.
Right	a right issued under the SCLRP that entitles the holder, on vesting, to one Share (or an equivalent cash value). A Right can be a

	Performance Right, a Service Right or a Deferred Right as defined in Annexure A .
SCLRP	the Stanmore Coal Limited Rights Plan adopted by the Board in October 2016, the terms and conditions of which are summarised in the Explanatory Memorandum and in Annexure A .
Shares	fully paid ordinary shares in the capital of the Company (each a Share).
Shareholder	a registered holder of Shares.
TRP	total remuneration package.
Vesting Conditions	the conditions that must be satisfied for a Right to vest and entitle the holder to the value of a Share (which may be satisfied either in cash and/or in Shares).
VWAP	volume weighted average price.

Annexure A – Summary of key features of the SCLRP

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

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

	Company or its nominee. The nominee may be a trust, the purpose of which is to facilitate the operation of the SCLRP.
Cost and Administration	The Company will pay all costs of issuing and acquiring Shares for the purposes of satisfying exercised Rights, as well as any brokerage on acquisitions of Shares for this purpose and all costs of administering the SCLRP.
Other Terms of the SCLRP	The SCLRP also contains customary and usual terms having regard to Australian law for dealing with winding up, administration, variation, suspension and termination of the SCLRP.
Hedging	The Company prohibits the hedging of Rights or Shares subject to dealing restrictions by participants.
Lapse and Forfeiture of Rights	Rights will lapse if the prescribed Vesting Conditions are not satisfied within the prescribed measurement period, subject to retesting.

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

Aspect	Details
Number of Performance Rights	A total of 531,497 Performance Rights are proposed to be granted to the Managing Director, Mr Dan Clifford, in FY17. The number of Performance Rights has been calculated as described in the Explanatory Memorandum.
Amount payable for Performance Rights	No amount will be payable by the Managing Director for the Performance Rights as they are part of the intended total remuneration package for FY17.
Vesting of Performance Rights	Upon the satisfaction of the Vesting Conditions, the value of Rights that vest will be evaluated and will be paid in Shares, cash or a combination of cash and Shares based on the then Share price. No exercise price is required to exercise vested Rights.
Measurement Period	The Measurement Period will be the three financial years from 1 July 2016 to 30 June 2019.
Vesting Condition	See Explanatory Memorandum.
Exercise Price	No amount will be payable by the Managing Director to exercise a Right that has vested.
Cessation of Employment	<p>Unless the Board determines otherwise, if the Managing Director ceases employment by reason of resignation, termination for poor performance or termination for cause, all unvested Rights held by the Managing Director will lapse.</p> <p>Unless the Board determines otherwise, if the Managing Director ceases employment for any other reason, including by reason of death, disability, redundancy, retirement or by agreement, Rights that were granted to the Managing Director during the financial year in which the termination occurred will be forfeited in the same proportion as the remainder of the financial year bears to the full year. All remaining Rights for which Vesting Conditions have not been satisfied as at the date of cessation of employment will then remain “on foot”, subject to the original Vesting Conditions.</p>
Change of Control of the Company	In the event of a change of control unvested Rights would vest in the same proportion as the share price has increased since the beginning of the Measurement Period. Remaining Rights would either lapse or some or all may vest at the Board’s discretion. In relation to Shares that have resulted from the vesting of Rights, dealing restrictions, if any, specified in the letter of grant would also be lifted, though the Company’s securities trading policy would continue to apply.
Voting and Dividend Rights	See Annexure A.
No Transfer of Performance Rights	See Annexure A.
Quotation	See Annexure A.
Variation of Terms and Conditions	See Annexure A.
Issue or Acquisition of Shares	See Annexure A.
Cost and Administration	See Annexure A.
Other Terms of the SCLRP	See Annexure A.
Hedging	See Annexure A.
Lapse and Forfeiture of Performance Rights	See Annexure A.

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



X99999999999

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 Annual General Meeting of the Company to be held at **10:00am on Wednesday, 30 November 2016 at the offices of Corrs Chambers Westgarth, Level 42, 111 Eagle Street, Brisbane** (the Meeting) and at any postponement or adjournment of the Meeting.

Important for Resolutions 3, 4, 5, 6 and 7: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 3, 4, 5, 6 and 7, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

Other than in relation to Resolution 4, the Chairman of the Meeting intends to vote undirected proxies in favour of 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

Resolutions	For	Against	Abstain*	For	Against	Abstain*
1 Re-Election of Mr Nick Jorss as an Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr Viv Forbes as a Non-Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Chairman of the Meeting intends to vote undirected proxies AGAINST Resolution 4.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Spill Resolution (Contingent Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of the Stanmore Coal Limited Rights Plan (SCLRP)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Grant of Rights to Mr Dan Clifford, Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Approval of increase to Non-Executive Directors' remuneration pool	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input 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).



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, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

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:

- (a) 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
- (b) 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" should 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.

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 Monday, 28 November 2016**, 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

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) as shown on the front of the Proxy Form).



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
Rhodes NSW 2138
or
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 ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**