

Stanmore Coal Limited

ABN 27 131 920 968

Notice of annual general meeting & explanatory memorandum

Meeting information:

Date: Wednesday, 27 November 2013

Time: 10.00am (Brisbane time)

Place: The offices of Corrs Chambers Westgarth,
Level 35 Waterfront Place, 1 Eagle Street,
Brisbane, Queensland

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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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 the offices of Corrs Chambers Westgarth, Level 35 Waterfront Place, 1 Eagle Street, Brisbane, Queensland, on Wednesday 27 November 2013 and will commence 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 2013.

Resolution 1: Re-election of Mr Stephen Bizzell as a Non-Executive Director

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

That Mr Stephen Bizzell, who retires in accordance with Rule 38.1 of the Company's constitution and, being eligible, offers himself for re-election, be re-elected as a Non-Executive Director.

Resolution 2: Re-election of Mr Andrew Martin as a Non-Executive Director

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

That Mr Andrew Martin, who retires in accordance with Rule 38.1 of the Company's 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 2013 (as set out in the Directors' Report) is adopted.

The vote on Resolution 3 is advisory only and does not bind the Directors of the Company.

VOTING EXCLUSION STATEMENT – Resolution 3

The Company will disregard any votes cast on Resolution 3 by any member of Key Management Personnel and any Closely Related Party of such a member.

However, the Company will not disregard a vote 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; 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.

Please refer below to the important information about the appointment of proxies in relation to Resolution 3.

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

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

By order of the Board

Doug McAlpine
Joint Company Secretary

Date: 25 October 2013

Shareholder information

Proxy voting – Corporations Act

In accordance with the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 3, being connected directly or indirectly with the remuneration of a member of Key Management Personnel if:

- the proxy is either:
 - a member of Key Management Personnel; or
 - a Closely Related Party or a member of Key Management Personnel; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

If the proxy form appoints the chair of the meeting as the proxy, but does not specify the way the proxy is to vote on the Resolution, and the appointment expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel, the chair may vote the proxy. Further details regarding the appointment of the chair are included on the proxy form.

How to vote

You may vote at the Meeting in person, by proxy or authorised corporate representative.

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) 25 November 2013). 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:

**Computershare Investor Services
Pty Limited
GPO Box 242
VICTORIA 3001 Australia;** or

- by faxing the proxy form to:

**Computershare Investor Services
Pty Limited
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555**

Proxies given by corporate Shareholders must be executed in accordance with their constitutions, assigned 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 an item of business, the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, 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 an item of business, the chair will vote, as proxy for that Shareholder, in favour of the item.

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 company representative. The authority must be sent to the Company or its share registry in advance of the Meeting or hand it 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 25 November 2013. 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 of the Company in connection with the business to be conducted at the Annual General Meeting of the Company to be held at the offices of Corrs Chambers Westgarth, Level 35 Waterfront Place, 1 Eagle Street, Brisbane, Queensland on Thursday 27 November 2013 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 of the Company 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.

Resolution 1: Re-election of Mr Stephen Bizzell as a Non-Executive Director

In accordance with rule 38.1 of the constitution, Mr Stephen Bizzell, a Non-Executive Director, will retire at the Annual General Meeting and being eligible, has offered himself for re-election.

Mr Bizzell was initially appointed as a Non-Executive Director of the Company on 5 October 2009.

Rule 38.1 of the constitution provides that at every Annual General Meeting of the Company one third of the Directors, other than the Managing Director, must retire from office. If the number of Directors is not a multiple of three, rule 38.1 of the constitution requires that the number of Directors nearest to, but not less than, one third of the Directors (other than the Managing Director) must retire from office.

Mr Bizzell is Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners. Stephen spent his early career in the corporate finance division of Ernst & Young and the corporate tax division of Coopers & Lybrand and qualified as a chartered accountant. He is highly experienced in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions and has 20 years of corporate finance and public company management experience in the resources sector in Australia and Canada.

Mr Bizzell was an Executive Director of Arrow Energy Ltd from 1999 until its acquisition in 2010 by Royal Dutch Shell and PetroChina for \$3.5 billion. Mr Bizzell was instrumental in Arrow's corporate and commercial success and its growth from a junior explorer to a large integrated energy company.

Mr Bizzell has significant experience as a public company director and during the past three years has served on the Board of a number of ASX listed companies operating in the resources sector. He is currently a director of Armour Energy Limited, Dart Energy Ltd, Diversa Ltd, Hot Rock Ltd, Renaissance Uranium Ltd, Laneway Resources Limited and Titan Energy Services Limited.

During the year ended 30 June 2013, Stephen was also appointed to the Board of Queensland Treasury Corporation.

Stephen is the Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee. The Directors of Stanmore Coal acknowledge Mr Bizzell's significant commercial experience and highly value his ongoing contribution to the development of the Company's strategy.

The Directors (with Mr Bizzell abstaining) recommend that you vote in favour of this ordinary Resolution.

Resolution 2: Re-election of Mr Andrew Martin as a Non-Executive Director

In accordance with rule 38.1 of the constitution, Mr Andrew Martin, a Non-Executive Director, will retire at the Annual General Meeting and being eligible, has offered himself for re-election.

Mr Martin was initially appointed as a Non-Executive Director of the Company on 27 June 2008. He holds a Bachelor of Economics (Honours) from the University of Sydney.

An investment banker with Deutsche Bank, Mr Martin has more than 15 years financial, advisory and corporate experience within the infrastructure, utilities and natural resources industries. In recent years, Mr Martin has advised on transactions within the power generation, utilities, gas, water, road, rail and ports sectors.

Mr Martin is a founding Director and shareholder in the Company. Mr Martin is also a Director of Renaissance Uranium Ltd.

Mr Martin is a member of the Audit and Risk Management Committee. The Directors of Stanmore Coal recognise Mr Martin's important contribution to the Company as both a founding shareholder and ongoing Director. Mr Martin's significant banking experience in the natural resources and infrastructure sectors is invaluable to the development and delivery of the Company's strategy.

The Directors (with Mr Martin abstaining) recommend that you vote in favour of this ordinary Resolution.

Resolution 3: 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.

During financial year ended 30 June 2012, the Board acknowledged that as the Company developed and moved into the development and operating phases for its key assets, a more comprehensive, structured and transparent approach to remunerating its employees was required. In conjunction with advice from an independent remuneration consultant, the Board developed a remuneration framework which satisfies market practice around remuneration governance for public companies and strikes an appropriate balance between fixed and at-risk compensation for its employees. The Board believes this scheme improves the alignment between Company performance and executive remuneration outcomes. Shareholders approved the new scheme at the EGM held on 10 October 2012.

During the financial year ended 30 June 2013, the Board recognised that in light of current market conditions the Company's overhead costs (including remuneration) must be controlled and consequently has recently implemented the following measures:

- reduced headcount across the business, including within the executive team;
- no further increase to employee base remuneration arrangements until market conditions substantially improve; and
- a greater focus on the structure of at-risk compensation to ensure employee behaviour is appropriately aligned with enhancing shareholder value.

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.

Noting that each Director has a personal interest in their own remuneration from the Company as set out in the Remuneration Report, the Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. Under section 250R(3) of the Corporations Act, the vote is advisory only and does not bind the Directors or the Company.

Glossary of terms

In the Notice and Explanatory Memorandum the following words and expressions have the following meanings:

Annual General 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 2013.
Board	the board of Directors of the Company.
Closely Related Party	has the meaning in section 9 of the Corporations Act.
Company	Stanmore Coal Limited ACN 131 920 968.
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.
Notice	the notice of meeting of Shareholders dated 25 October 2013.
Remuneration Report	the section of the Directors' report contained in the annual financial report of the Company for the year ended 30 June 2013 entitled "Remuneration Report".
Resolution	a resolution to be proposed at the Annual General Meeting.
Shares	fully paid ordinary shares in the capital of the Company (each a Share).
Shareholder	a registered holder of Shares.

