HANCOCK PROSPECTING PTY LTD

29 March 2019

LETTER TO ALL RIVERSDALE SHAREHOLDERS

Dear Riversdale Shareholders,

We refer to Hancock Corporation Pty Ltd's (**Hancock**) offer to acquire all of the ordinary shares in Riversdale Resources Limited (**Riversdale**) in which Hancock does not already have a relevant interest (**Offer**). By now, you will have received your copy of Hancock's **Bidder's Statement** and subsequent disclosure in relation to the Offer.

Yesterday Riversdale issued its Target's Statement which included an Independent Expert's Report (**IER**).

Following review, Hancock and its advisers consider that the Target's Statement and IER contain incomplete and inaccurate information on matters important to assess whether to accept the Offer.

Hancock has written to Riversdale in relation to these matters, urging prompt corrective disclosures.

While we await Riversdale's response, some of those matters are outlined below.

Now that you are in possession of the Target's Statement and the Bidder's Statement, and taking note of the information set out below, you should be in a position to make a fully informed decision. With the Offer scheduled to close on 14 April 2019 at 7.00 pm (Sydney time), Hancock encourages you to **ACCEPT THE OFFER WITHOUT DELAY**.

1. The $2.20 per share Offer price is compelling for an increased minority shareholding

There are two components to the consideration payable under the Offer:

- $2.20 per share, which is the Offer Price where Hancock increases its minority position but fails to achieve control – meaning the price is determined on a minority basis; and
- $2.50 per share, which is the Offer Price if Hancock obtains control[1] – meaning the price is determined on a controlling basis.

Riversdale has advised that it is highly unlikely that Hancock will achieve a change of control as a result of RCF and Regal rejecting the Offer. Therefore, the $2.20 per share price is likely to apply.

The IER evaluates the fairness and reasonableness of the $2.20 per share minority offer price against a valuation determined on a controlling basis. Given this inconsistency, Hancock believes that an assessment on this basis is of limited assistance. Riversdale Shareholders should expect the IER to assess whether the $2.20 Offer Price is fair as against a valuation determined on a minority basis.

2. Inconsistent portrayal of taxes and of the Offer Price which you will receive

The Target's Statement implies that the application of Canadian withholding tax is unique to Hancock's Offer. And further, that *"You will not receive the Offer Price of $2.20 per Riversdale Share, but rather will receive $1.65 per share from Hancock".*

To be clear, you will receive the benefit of the $2.20 Offer Price, with $1.65 initially being paid to you in cash and $0.55 being withheld in relation to your potential Canadian capital gains tax obligations. Once you obtain a Section 116 Certificate from the Canada Revenue Agency (**CRA**), which will require you to have paid Canadian tax on your actual capital gain, then the amount withheld will be fully remitted to you. If a Section 116 Certificate is not received by the sunset date of 15 December 2020, Hancock will remit the $0.55 per share to the CRA to meet the Canadian tax requirements.

[1]Meaning where Hancock's voting power in Riversdale exceeds 50%, calculated on a fully diluted basis, prior to the end of the Offer period.

Canadian withholding taxes apply to any sale of your Riversdale shares[2], whether the sale is under Hancock's Offer or otherwise. Your proceeds from the Offer are likely to be subject to capital gains taxes – as the proceeds from the sale of shares generally are. You should consult your tax adviser to consider your specific circumstances.

Australian tax-resident shareholders should receive a credit for the Canadian taxes paid, up to the extent that the credit offsets the Australian tax applicable on the capital gains on the sale of Riversdale shares. It is therefore unlikely that the imposition of Canadian taxes will alter the post-tax Offer consideration received by those shareholders.

Please note that the independent expert's valuation range has been prepared on a pre-tax basis (from a shareholder perspective), so Riversdale shareholders should be aware it is misleading to compare the post-tax Offer consideration of "$1.65" with the independent expert's valuation range.

In addition, as noted in the Bidder's Statement, Australian tax-resident shareholders will also be subject to Australian income tax on any dividends received from Riversdale. Riversdale Shareholders should be aware that it appears the independent expert has not taken those additional taxes applicable to shareholders into account when determining its valuation and the valuation is stated[3] as being after only Canadian corporate income taxes.

3. Riversdale shareholders do not need to obtain a Section 116 Certificate prior to accepting the Offer

In many sections of the Target's Statement, Riversdale indicates it has been advised that *"it usually takes a number of months to obtain a Section 116 Certificate which means it is not practicable for Riversdale Shareholders to obtain a certificate before the end of the Offer Period"* and highlights that failure to obtain a Section 116 Certificate may mean shareholders are *"subject to penalties of up to CAD$2,500"*.

Provided Riversdale shareholders apply for a Section 116 Certificate within the deadline following acceptance of the Offer[4], no penalty would apply.

Further, a 'comfort letter' procedure is also available through the CRA, which enables you to adequately deal with any timing practicalities associated with a Section 116 Certificate application.

Neither of these points is properly disclosed in the Target's Statement.

4. The facts surrounding Hancock's August 2018 placement need to be more accurately explained

Riversdale has stated that *"the premium of Hancock's Offer to Hancock's previous subscription price of $1.75 per Riversdale Share, may not be an appropriate reference point"*.

The reasons provided in the Target's Statement include that *"large placements are usually undertaken at a discount to the underlying market value of a share", "Riversdale has made permitting and operational progress since August 2018", "RRL did not run a full competitive global process"* and *"the fact that there is no liquid market for Riversdale Shares means it is difficult to conduct meaningful premia analysis"*.

Hancock disagrees with this assessment and believes the average placement price of $1.70 per share for a minority holding in Riversdale is a useful reference point and provides guidance as to the Board's assessment of value at the time of the placement. The facts surrounding Hancock's August 2018 placement are:

- The Riversdale Board selected the Hancock proposal in preference to other competing proposals;

[2] On the basis that you are a non-resident of Canada for tax purposes, where tax treaty relief does not apply, and you hold your shares on capital account.
[3] Refer Grant Thornton IER, section 5.2.1.4 at page 44 of that report.
[4] Shareholders should refer to the Second Supplementary Bidder's Statement regarding the time frames and other requirements with respect to Section 116 Certificate applications.

- Hancock considers that it paid a premium for its entry stake and at no time during the negotiations did either Hancock or Riversdale discuss any discount;
- Hancock understands that the price paid was reflective of that which was sought by Riversdale when it was pursuing an IPO during 2018, despite that IPO having been aborted due to a lack of investor demand at those price levels;
- Hancock further understands that subsequent transactions for significant parcels of Riversdale shares have occurred within the Hancock subscription price range of $1.60 to $1.75 per share;
- Just over 6 months have passed since the placement was completed, providing only limited time for any progress.

The Hancock placement was conducted at prices between $1.60 and $1.75 per share, with an average of $1.70, representing an Offer premium of 29%. Hancock considers this to be the appropriate benchmark with respect to a non-controlling stake in Riversdale.

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Hancock has written to Riversdale and its advisers urging that they issue additional corrective disclosure as quickly as possible, to ensure the completeness and accuracy of information provided to Riversdale shareholders. As highlighted in the Target's Statement, Riversdale is awaiting a response from the Takeovers Panel in relation to its application that proceedings be commenced regarding Hancock's disclosures. Hancock expects that Riversdale will provide an update to shareholders once that decision by the Panel is made.

In the absence of these additional disclosures, we encourage you to consider the explanations provided in this letter, and if more detail is required, please contact the Hancock Offer Information Line on +618 9429 8222 between 12.00pm and 8.00pm (Sydney time) Monday to Friday.

Ends.