

HANCOCK PROSPECTING PTY LTD

Second Supplementary Bidder's Statement

1 Introduction

This is the second supplementary bidder's statement (**Second Supplementary Bidder's Statement**) under section 643 of the *Corporations Act 2001* (Cth) issued by Hancock Corporation Pty Ltd ACN 615 809 740 (**Hancock Corporation**), a wholly-owned subsidiary of Hancock Prospecting Pty Ltd ACN 008 676 417, in connection with Hancock Corporation's off-market takeover offer to acquire all of the shares in Riversdale Resources Limited ACN 152 669 291 (**Riversdale**), in which Hancock Corporation does not have a relevant interest.

This Second Supplementary Bidder's Statement supplements Hancock Corporation's replacement bidder's statement dated and lodged with the Australian Securities and Investments Commission (**ASIC**) on 11 March 2019 (**Bidder's Statement**).

This Second Supplementary Bidder's Statement is to be read together with the Bidder's Statement. The Bidder's Statement was dispatched to Riversdale Shareholders on 13 March 2019.

For completeness, it is noted that an original bidder's statement dated 27 February 2019 was lodged with ASIC on that same day (**Original Bidder's Statement**). Changes made to the Original Bidder's Statement were made prior to dispatch and were contained in a supplementary bidder's statement dated 11 March 2019 (**First Supplementary Bidder's Statement**). The Bidder's Statement contains the changes made in the First Supplementary Bidder's Statement and was the first document dispatched to Riversdale Shareholders.

Words and phrases defined in the Bidder's Statement have the same meaning in this Second Supplementary Bidder's Statement unless the context requires otherwise.

2 Purpose

The Bidder's Statement contained comprehensive disclosures on tax considerations for Riversdale Shareholders, including section 4 "FAQs in relation to the Offer", section 11 "Tax considerations" and section 13.7 "Payment of consideration".

On 25 March 2019 Hancock Corporation was asked by Riversdale, and Hancock Corporation has agreed, to make further disclosures in this Second Supplementary Bidder's Statement regarding certain Canadian tax considerations for Riversdale Shareholders on the disposal of Riversdale Shares.

These Canadian tax obligations apply to any disposal of shares in Riversdale by Riversdale Shareholders who are non-residents of Canada for Canadian income tax purposes (**Non-**

Canadian Shareholders), whether arising under the takeover offer by Hancock Corporation, any competing offer, or any other sale of shares.

3 Shareholders should consult independent taxation advisers

Hancock Corporation reiterates statements made in the Bidder's Statement, that disclosures made (including in this Second Supplementary Bidder's Statement) do not constitute tax advice. It is recommended that each Riversdale Shareholder consult their own tax adviser regarding the consequences of acquiring, holding or disposing of their Riversdale Shares in light of current tax laws and their particular circumstances, including with respect to potential foreign jurisdictions and international tax treaties.

This Second Supplementary Bidder's Statement contains a general description of the Canadian federal income tax consequences for Riversdale Shareholders who accept the Offer and who are Non-Canadian Shareholders. The comments set out below are relevant only to such Riversdale Shareholders who hold their Riversdale Shares on capital account. The description is based on Hancock Corporation's understanding of the Canadian law and administrative policy and assessing practice in effect at the date of this Second Supplementary Bidder's Statement, but it is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of every Riversdale Shareholder. Again, Riversdale Shareholders should seek independent professional advice in relation to their own particular circumstances.

4 Foreign tax legislation on the disposal of Riversdale Shares

The disposal of Riversdale Shares may be subject to withholding or other taxes in jurisdictions outside a Riversdale Shareholder's jurisdiction of residence for tax purposes or in which they are not otherwise subject to tax. If any Riversdale Shareholder wishes to claim the benefit of an applicable tax treaty, such Riversdale Shareholder may be required to submit information to the tax authorities in such jurisdictions.

5 Canadian obligations that may apply to Non-Canadian Shareholders

It is Hancock Corporation's understanding that, as a result of Riversdale's primary assets being its interests in Canadian coal assets, under the *Income Tax Act* (Canada) (**Canadian Tax Act**), the Riversdale Shares will be "taxable Canadian property" (**TCP**). As a result, gains realised by Non-Canadian Shareholders on the disposal of Riversdale Shares may be subject to Canadian federal income tax.

In this context, the Canadian Tax Act entitles the purchaser of shares which constitute TCP from Non-Canadian Shareholders to withhold 25% of the purchase price payable and, subject to the circumstances described below, obligates such purchaser to remit same to the Canada Revenue Agency (**CRA**). This applies to Hancock Corporation in respect of Riversdale Shares acquired under the Offer. The remainder of this Second Supplementary Bidder's Statement assumes that the Riversdale Shares will be TCP as of the date of disposition of the Riversdale Shares.

Hancock Corporation's view is that the date of disposition is the date that the Offer is accepted (if accepted when the Offer is unconditional) or if the Offer is subject to a Condition

when the Riversdale Shareholder accepts the Offer, the date the Offer becomes unconditional.

The terms of any applicable income tax treaty between Canada and the non-resident shareholder's country of residence may be relevant in determining the taxation treatment of the gain derived from the sale of the Riversdale Shares and any withholding by Hancock Corporation of any portion of the Offer consideration.

For those Non-Canadian Shareholders who are Australian residents for tax purposes, the Convention between Canada and Australia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (**Canada-Australia Tax Treaty**) does not exempt Australian residents from Canadian income tax on gains realised from the disposition of TCP. As a result, the purchase of Riversdale Shares from an Australian taxation resident Riversdale Shareholders will likely be subject to Canadian withholding tax (and the associated administrative requirements).

For Canadian income tax purposes, all amounts must be calculated and remitted in Canadian dollars (**CAD**), based on the applicable foreign exchange rate in effect on the relevant date (which is, generally, the date of disposition of the Riversdale Shares). All references herein to amounts (as they relate to Canadian tax and tax compliance obligations) are to the CAD equivalent thereof.

6 Administrative requirements for Non-Canadian Shareholders

Under section 116 of the Canadian Tax Act, each Non-Canadian Shareholder is obliged to apply for and obtain a clearance certificate (**Section 116 Certificate**) from the CRA. Non-Canadian Shareholders will also be obliged to file a Canadian federal income tax return in connection with the disposition for the year which includes the date of disposition of the Riversdale Shares (excluding, in general, Non-Canadian Shareholders to which a treaty exemption is applicable).

In order to obtain a Section 116 Certificate, a Non-Canadian Shareholder will be required to pay to the CRA an amount equal to 25% of the expected gain on the disposition, unless such Non-Canadian Shareholder is exempt from taxation pursuant to the terms of a bilateral tax treaty between Canada and the Riversdale Shareholder's country of residence.

For example, under the *Canada-U.S. Tax Treaty* (1980), as amended, a disposition of Riversdale Shares by a resident of the United States entitled to applicable benefits thereof will not be subject to Canadian tax provided that Riversdale Shareholder is not resident in Canada at the time of the disposition.

Non-Canadian Shareholders who may be entitled to such treaty benefits should consult their own tax advisers regarding the ability to claim such treaty benefits and obtain a Section 116 Certificate. Hancock Corporation intends to withhold, and remit if no Section 116 Certificate is provided to it (all as described herein) in respect of all Riversdale Shareholders other than those who provide a declaration in a form satisfactory to Hancock Corporation (having regard to the requirements of the Canadian Tax Act) that they are not a non-resident of Canada for purposes of the Canadian Tax Act.

Once the CRA receives, processes and accepts the application and payment, the CRA should issue a Section 116 Certificate.

If the application for a Section 116 Certificate was made by a Non-Canadian Shareholder prior to the disposition of the Riversdale Shares, then the CRA should issue a Section 116 Certificate under subsection 116(2) of the Canadian Tax Act (**116(2) Certificate**). Such certificate will contain a "Certificate Limit" equal to the expected proceeds of disposition (calculated in CAD). If the Certificate Limit is less than the actual proceeds of disposition, then Hancock Corporation will be required to remit 25% of the difference to the CRA, and shall release the balance of the withheld amount to such Non-Canadian Shareholder. If the application for a Section 116 Certificate was made by a Non-Canadian Shareholder after the date of disposition of the Riversdale Shares, then the CRA should issue a Section 116 Certificate under subsection 116(4) of the Canadian Tax Act (**116(4) Certificate**), and provided it is valid in Hancock Corporation's determination, acting reasonably, the withheld amount shall be released to such Non-Canadian Shareholder.

If a Section 116 Certificate is not obtained by a Non-Canadian Shareholder and provided to Hancock Corporation prior to the completion of the purchase of Riversdale Shares, Hancock Corporation is entitled and intends to withhold 25% of the consideration payable to the Non-Canadian Shareholder for its Riversdale Shares under the Offer, and is statutorily required to remit such amount to the CRA within 30 days from the end of the month during which the disposition occurred, as a pre-payment on account of that Riversdale Shareholder's potential Canadian income tax liability on the gain from the disposition.

In the event that Hancock Corporation remits amounts to the CRA, Non-Canadian Shareholders should be able to recover any excess remittances upon the filing of a Canadian federal income tax return reporting the disposition of the Riversdale Shares.

In the context of the Offer, Hancock Corporation expects that Non-Canadian Shareholders are unlikely to have obtained a Section 116 Certificate prior to the completion of the purchase of Riversdale Shares.

Further, Hancock Corporation understands that it is unlikely that Non-Canadian Shareholders will have obtained a Section 116 Certificate prior to the statutory deadline requiring Hancock Corporation to remit the withheld funds to the CRA.

However, Hancock Corporation understands that the CRA has an administrative policy whereby upon request (in this case, by a Riversdale Shareholder) it will issue a "comfort letter" confirming that an application for a Section 116 Certificate has been received and that Hancock Corporation is not required to remit the withheld amount to the CRA while the Section 116 Certificate application is being reviewed and processed, notwithstanding the statutory deadline.

Once the Section 116 Certificate is issued and the "purchaser's copy" thereof is provided to Hancock Corporation, Hancock Corporation will remit the required portion (if any) of the withheld funds to the CRA, and any remainder will be paid to the Non-Canadian Shareholder. In the interim period, the withheld amount is held in trust on behalf of the Non-Canadian Shareholder, to be released in accordance with the arrangements in this Second Supplementary Bidders Statement.

Hancock Corporation will hold the withheld amount in Australian dollars (**AUD**). In the event that Hancock Corporation is required to make a remittance to the CRA and the CAD equivalent at the time of such remittance is insufficient due to fluctuations in the CAD/AUD foreign exchange rate between the disposition of the relevant Riversdale Shares and the remittance date, Hancock Corporation will fund the difference.

Absent their own individual tax advice, Non-Canadian Shareholders should assume when deciding whether or not to accept the takeover offer that the amount required to be withheld under Canadian tax law will be deducted from the consideration payable to the Non-Canadian Shareholder for its Shares under the Offer.

7 Implications for Australian Shareholders

The payment of consideration due to Riversdale Shareholders if they accept the Offer remains unchanged, at \$2.20 per share (which will increase to \$2.50 per share if Hancock Corporation's voting power in Riversdale exceeds 50% calculated on a fully diluted basis prior to the end of the Offer Period) and subject to the terms and conditions of the Offer.¹

Hancock Corporation considers it unlikely that the imposition of Canadian taxation will alter the net after-taxation Offer consideration received by Australian taxation-resident shareholders who are in a capital gains tax paying position (ie. not being in a capital gains tax loss position).² However, the timing and amount of after-taxation Offer consideration received will be affected as a result of Canadian requirements which include the withholding of 25% of the Offer consideration payable by Hancock Corporation to Non-Canadian Shareholders, the need for Non-Canadian Shareholders to pay to the CRA certain amounts for the purposes of obtaining Section 116 Certificates on account of their Canadian tax liability, as described above, and the delays associated with completing a Canadian taxation return in order for Non-Canadian Shareholders to receive refunds of any funds paid to the CRA in excess of such Non-Canadian Shareholders Canadian tax liabilities. The timeframes associated with these compliance obligations are not in Hancock Corporation's control. Riversdale Shareholders should therefore not expect that excess remitted funds will be received in a prompt or timely manner. Riversdale Shareholders should consider and, if applicable, seek advice in relation to these processes and the impacts that they will have on timing of cashflows for the shareholder when assessing whether to accept the Offer.

In respect of the Section 116 Certificate application process referred to herein, Non-Canadian Shareholders are urged to inform the CRA regarding any increase to purchase price as contemplated in this Section 7.

To reiterate, all Riversdale Shareholders should consult their own tax adviser in light of current tax laws and their particular circumstances.

8 Process for Non-Canadian Shareholders

An example of the process triggers expected to be applicable for any Non-Canadian Shareholder is set out below. Please note this is not intended to be exhaustive, apply in all circumstances or constitute tax advice. All Riversdale Shareholders should consult their own tax adviser in light of current tax laws and their particular circumstances.

¹ Details in relation to the Increased Offer Price and the calculation of voting power are set out in section 12.10 of the Bidder's Statement.

² Only applicable to Australian incorporated shareholders, including those acting as trustees for superannuation funds, and for Australian resident individual shareholders with a taxable income (before capital gains) exceeding AUD180,000 in a financial year and who are in a capital gains tax paying position.

Key triggers:

- 1) Hancock Corporation will pay Non-Canadian Shareholders and complete the acquisition of those Riversdale Shares within 7 days after the date the Riversdale Shareholder accepts the Offer or, if the Offer is subject to a Condition when the Riversdale Shareholder accepts the Offer, 7 days after the Offer becomes unconditional (**Completion Date**).
- 2) The Non-Canadian Shareholder is obliged to apply for a Section 116 Certificate from the CRA within 10 days of the date of disposition of the Riversdale Shares. Non-Canadian Shareholders may also make this application in advance of completion of the purchase of their Riversdale Shares. In light of the view of Hancock Corporation regarding the date of disposition referred to above, Non-Canadian Shareholders are urged to apply for a Section 116 Certificate within 10 days after acceptance of the Offer.
- 3) 2 Business Days prior to the Completion Date, Hancock Corporation will determine the payment due to the Non-Canadian Shareholder on the Completion Date.
 - a) If Hancock Corporation has not been provided a Section 116 Certificate before 2 Business Days prior to the Completion Date or a declaration in a form satisfactory to Hancock Corporation (having regard to the requirements of the Canadian Tax Act) from the Riversdale Shareholder that it is not a Non-Canadian Shareholder, then Hancock Corporation will pay that Riversdale Shareholder 75% of the consideration payable to the Riversdale Shareholder for its Shares under the Offer and withhold 25% of the consideration on the Completion Date.
 - b) If Hancock Corporation has been provided a valid Section 116 Certificate, then,
 - (i) in the case of a 116(2) Certificate, Hancock Corporation shall remit to the CRA 25% of the amount by which the proceeds of disposition exceed the Certificate Limit, and the balance of the withheld funds shall be released to the Non-Canadian Shareholder on the Completion Date, or
 - (ii) in the case of a 116(4) Certificate, Hancock Corporation shall release the withheld funds to the Non-Canadian Shareholder on the Completion Date.

In each of paragraphs 3 (a) and (b) above, the payment and withholding (if any) of the consideration payable to the Non-Canadian Shareholder for its Riversdale Shares under the Offer will be taken to be payment of the full consideration due to the Non-Canadian Shareholder of its Riversdale Shares for the purposes of the Offer.

- 4) If Hancock Corporation has not been provided with a Section 116 Certificate or a CRA Comfort Letter satisfactory to it by the 26th day after the end of the month in which the date of disposition of the Riversdale Shares occurs, Hancock Corporation shall proceed to remit the withheld funds to the CRA and will cease to have obligations to Non-Canadian Shareholders in relation to those amounts.
- 5) Where Hancock Corporation has been timely provided with a satisfactory Comfort Letter, it shall continue to hold the withheld funds until the earlier of (i) being provided a Section 116 Certificate (in which case it shall act as described in paragraph 3(b) above), (ii) the date on which the CRA provides notification that Hancock Corporation is required to remit all or any portion of the withheld funds (with the balance released to the Riversdale Shareholder if so advised by the CRA) and (iii) 15 December 2020 (**Sunset Date**). If Hancock Corporation has not been provided with a Section 116 Certificate by the Sunset

Date it shall promptly remit the withheld funds to the CRA following which it will cease to have obligations to Non-Canadian Shareholders in relation to those amounts.

- 6) Non-Canadian Shareholders will be required to file a Canadian federal income tax return for the relevant taxation year. In the case where Hancock Corporation has not received a valid Section 116 Certificate prior to remitting withheld funds to the CRA, and where the funds remitted exceed that Riversdale Shareholder's Canadian tax obligation, then that Riversdale Shareholder should receive the differential as a refund through that tax return process.
- 7) Hancock Corporation intends to withhold from any additional consideration payable to a Non-Canadian Shareholder pursuant to this Second Supplementary Bidder's Statement in accordance with the provisions described above.

9 Hancock Corporation will appoint PwC to act as its agent in ensuring all of its statutory tax obligations are met

Hancock Corporation will appoint PwC as its agent for the purposes of ensuring Hancock Corporation meets its statutory tax obligations including in Canada.

10 Withdrawal rights

Given the further disclosures contained in this Second Supplementary Bidder's Statement and subject to obtaining any necessary ASIC approval, Hancock Corporation will give Riversdale Shareholders who accepted the Offer prior to 27 March 2019 the right to withdraw their acceptances.

This withdrawal right will be open until 10 April 2019 and can be exercised by contacting Hancock Corporation on the Offer Information Line on +618 9429 8222.

If you are entitled to withdraw your acceptance but do not exercise that right, Your Shares will be sold to Hancock Corporation and you will be paid the consideration for Your Shares in accordance with the terms of the Offer.

11 How to accept

Hancock Corporation encourages you to accept the Offer. You may accept the Offer in accordance with the instructions in section 13.4 of the Bidder's Statement or the instructions on the Acceptance Form.

If you have any queries in relation to the Offer, please contact the Offer information line on +618 9429 8222 between 12.00pm and 8.00pm (Sydney time) Monday to Friday.

12 **Approval of Second Supplementary Bidder's Statement**

A copy of this Second Supplementary Bidder's Statement was lodged with ASIC on 27 March 2019. Neither ASIC nor any of its officers takes any responsibility for the content of this Second Supplementary Bidder's Statement.

This Second Supplementary Bidder's Statement has been approved by a resolution passed by the directors of Hancock Corporation.

Date: 27 March 2019

Signed for and on behalf of
Hancock Corporation Pty Ltd
by



Jay Newby
Director