



Wayne Lee Chin Ing
Chairman and CEO
W Capital Markets Pte Ltd
65 Chulia Street, #43-01, OCBC Centre
Singapore 049513

February 10, 2023

Dear Mr Ing,

I understand you have been appointed by GEAR as the independent financial advisor (IFA) to opine on both the Proposed Distribution and Exit Offer, as contemplated by GEAR's announcements to the market on November 9, 2022, as required under the Listing Rules.¹

I am writing today to express my profound concern regarding aspects of the Exit Offer. The Offeror, an entity associated with the controlling shareholders (the Widjaya family), are executing a series of manoeuvres designed solely to extract over \$1 billion SGD in value from minority shareholders, subverting or even violating portions of the Listing Manual along the way.² A true and proper fairness opinion on the Exit Offer – now your firm's responsibility – is one of the few obstacles standing in the way of the wholesale robbery of common shareholders. I will explain some of my concerns herein, and I would exhort you to consider these perspectives as you perform your crucial valuation analysis.

Firstly, I believe **the structure of the request for a fairness opinion is in violation of the spirit, and letter, of Section 1309 of the SGX Mainbook Rules.**³ In its Offer announcements, GEAR describes how W Capital Markets has been requested to perform a fairness opinion, firstly on the Cash Alternative Price to the Proposed Distribution; and then secondly, on the Proposed Distribution AND the Exit Offer, 'when taken together as a single transaction.'⁴ I believe this latter instruction is a potential violation of Listing Rule 1309 (regarding Exit Offers),

¹ See here, p. 9-10: <http://investor.gear.com.sg/news.html/id/2412281>

² This dollar number being the difference between the Exit Offer consideration (16c per share) and the post-GEMS NAV (about 76c per share), multiplied by the Widjaya's ownership of GEAR post-transaction.

³ Mainbook Rules, Section 1309, available here: [https://rulebook.sgx.com/rulebook/1309-0#:~:text=\(2\)%20the%20issuer%20must%20appoint,offer%20is%20fair%20and%20reasonable.](https://rulebook.sgx.com/rulebook/1309-0#:~:text=(2)%20the%20issuer%20must%20appoint,offer%20is%20fair%20and%20reasonable.)

⁴ Specifically, see page 9 here:

http://investor.gear.com.sg/newsroom/20221109_021802_AUE_6Z135PE7SZMEQPE9.1.pdf

which clearly states that ‘the issuer must appoint an independent financial adviser to advise on the exit offer and the independent financial adviser must opine that the exit offer is fair and reasonable.’ The language in the Listing Manual is clear: there is no allowance to combine, or conflate, the Exit Offer with any other purported transaction. It is simply ‘the exit offer’ that must be deemed fair and reasonable – not ‘the exit offer when considered together with other transactions as a whole.’

Why, then, is the Company instructing your firm to only consider the fairness of the Exit Offer here, combined with the Proposed Distribution ‘when taken together as a single transaction’? This appears to violate both the spirit and the letter of the regulations, since – as we shall see – it is the Exit Offer terms themselves, in isolation, that are a blatant and unmitigated robbery of value from minority shareholders. I would exhort you to conduct your fairness analysis both on the Cash Alternative Price to the Proposed Distribution, and then the Exit Offer, separately – as is demanded both by the Listing Manual and plain common sense. *Please note that I have raised this specific point of law in formal complaints to the Monetary Authority of Singapore (MAS); Securities Industry Council (SIC); and Singapore Securities Exchange (SGX), and, for the sake of complete transparency, I will forward a copy of this letter to all three bodies as well.*

Secondly, when we consider the actual underlying assets at GEAR post the Proposed Distribution, it is evidently clear that **the terms of the Exit Offer are beyond egregious**. GEAR’s main asset excluding the GEMS shares (to be distributed in specie via the Proposed Distribution) is simply its 64.01% stake in Stanmore Resources (SMR), an Australian coking coal company listed and trading on the ASX. Putting other valuation techniques aside, the reality is a liquid, accessible market price for these shares exists. On this simple observational basis, the Offeror is attempting to pay – via the Exit Offer – 16c for something worth ~75c in the market:⁵

	As at Offer date	Today
SMR share price (A\$)	2.85	3.56
SMR shares held by GEAR (mm)	600	600
Total value to GEAR (A\$ mm)	1709	2135
Convert to S\$ at 0.92	1572	1964
Value per GEAR share (S\$)	\$0.60	\$0.74
Exit Offer consideration (S\$)	\$0.16	\$0.16
Implied discount to fair value (%)	73%	79%

That is to say, the Offeror is attempting to extract shareholders’ look-through Stanmore equity at a near-80% discount to the value of said shares readily trading, in a liquid market, right now. This kind of a discount would look extreme even if the underlying assets were illiquid, opaque, and loss-making (ie ‘Level 3’ assets). But Stanmore is a >\$3 billion AUD market capitalization company listed in a premium jurisdiction, generating huge cash flows with strong opportunities for further growth (indeed, the stock has rallied >30% simply in the few

⁵ Assuming other GEAR assets beyond the SMR stake (Ravenswood, other investments, cash, etc) are valued at zero.

months since the Offer was made).⁶ One wonders why this Exit Offer is even necessary, given that the stated rationale for the transaction was to exit the thermal coal markets (noting that Stanmore produces almost entirely coking, not thermal, coal, at its mines).⁷ Why are the Stanmore shares not simply being distributed to shareholders, in the same fashion as the GEMS shares?

Thirdly, I believe **the timing of the Offer announcement suspiciously coincided with potential market manipulation of GEAR shares** (another matter I have raised both to Singaporean regulators and the media). On November 8, 2022 – the day before the Offeror’s intent to delist GEAR was made public – *GEAR shares somehow fell 28%, from 90.5c to 67c, an inexplicable move in the total absence of any company-specific news*:



The very next day the Offeror announced the aforementioned transactions, claiming that the deals offered a ‘premium’ to the pre-deal trading price. The premium is utterly illusory, and simply a function of these pre-deal machinations in GEAR stock. The reality is GEAR shares were trading well above 90c a share for multiple weeks before the offer was made – making the terms of the current offer – implying 83.5c a share in total value – essentially a take-under.

These are but some of the multifarious issues with the purported transactions. In closing, I seek only to highlight the violations of process and basic governance norms that have preceded the request made to your firm for the fairness opinion; and I would simply ask you to conduct your analysis with the dispassionate professionalism and adherence to best practices we would expect from a Singapore-regulated entity. I do intend to publicize the various abuses that have occurred here, in counsel with both Singaporean and Australian regulators and organs of the media in both countries. My intentions are not wholly altruistic (as a large shareholder), but absent a concerted

⁶ See Stanmore’s latest Quarterly Report, describing \$400mm USD of free cash flow in a single quarter and near zero net debt: https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02623103-2A1426556?access_token=83ff96335c2d45a094df02a206a39ff4

⁷ See p.2, Section 2.1, for the Rationale for the transactions: http://investor.gear.com.sg/newsroom/20221109_021802_AUE_6Z135PE7SZMEQPE9.1.pdf

effort to protect minorities here from the ravages of a rapacious majority shareholder, it is overwhelmingly Singaporean retail investors who will have over \$1 billion SGD stolen from them.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jeremy Raper', with a stylized, cursive script.

Jeremy Raper