

5 February 2020

Lauren Osbich
ASX Compliance
20 Bridge Street
Sydney NSW 2000

Dear Lauren,

I refer to your letter dated 31 January 2020 in relation to the Appendix 3Y for Mr Stone which was released to the ASX on 30 January 2020.

As noted in your letter the Company has a Securities Trading Policy that complies with the requirements of ASX Listing Rule 12.9. The policy sets out a number of closed periods, which included the period relevant to the release of the December 2019 quarterly report.

The circumstances of the trade, disclosed in the Appendix 3Y, were that Mr Stone's brokers requested he clear a cash balance from the brokers accounts which had stood dormant for over 12 months. He advised the broker to buy AQC to give effect to the request. As an afterthought he contacted the Company Secretary who drew to Mr Stone's attention the non-trading period. Mr Stone thereafter rang the broker but the transaction had been actioned and could not be reversed.

Accordingly, Part 3 of the Appendix 3Y discloses that the shares were purchased during a closed period and that written clearance was not provided to allow the trade to proceed during that closed period. The purchase by Mr Stone as disclosed in the Appendix 3Y was on the basis that he was not in possession of any information that would preclude him from trading in the company's securities that was otherwise available to the market.

Responding to your specific questions and taking into account the information referred to above:

1. The Company has entered into disclosure agreements with each director under which directors are obliged to provide all necessary information so that the Company can meet its disclosure obligations under Listing Rule 3.19A.
2. Mr Stone advised the Company of the on-market transaction on 24 January 2020.
3. No, Mr Stone did not comply with the Trading Policy and as noted inadvertently overlooked the closed period as provided for by the Trading Policy.
4. No, as the on-market transaction had completed the opportunity to confer with the Board had passed.
5. No, as the on-market transaction had completed the opportunity to advise Mr Stone had passed.
6. No, approval for Mr Stone to carry out the transaction was not provided.
7. The Board has accepted a formal apology from Mr Stone, who has noted his embarrassment of the inadvertent oversight and his obligations. The Board has also addressed the requirements of its directors when considering trading in the company's securities as provided for by the trading policy. In the circumstances, including the explanations provided by Mr Stone as noted in this response, the Board does not intend to take any further action.

8. The Company is in compliance with the Listing Rules, including Listing Rule 3.1.
9. The Company's responses have been approved by the Board.

Craig McPherson
Company Secretary
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31 January 2020

Reference: ODIN13171

Mr Craig McPherson
Company Secretary
Australian Pacific Coal Limited

By email: cosec@aqcltd.com

Dear Mr McPherson

Australian Pacific Coal Limited ('AQC'): Appendix 3Y – Change of Director's Interest Notice

ASX refers to the following:

- A. The announcement by AQC entitled 'Change of Director's Interest Notice' lodged on the ASX Market Announcements Platform on 30 January 2020 (the 'Announcement'). The Announcement disclosed:
- (i) The on-market purchase of 29,525 shares in AQC by Mr Shane Stone [or an entity associated with Mr Stone], a director of AQC, on 30 January 2020 (the 'Transaction');
 - (ii) The shares were traded during a closed period; and
 - (iii) The shares were traded without written clearance being provided to allow the trade to proceed during the closed period.
- B. AQC's securities trading policy lodged on the ASX Market Announcements Platform on 15 March 2017 (the 'Trading Policy') which is also available on AQC's website and which states, among other things, the following:

Closed Periods (Blackout Periods)

Restricted Persons (or their Connected Persons) must not Deal in the Company's Securities during any of the following 'Closed Periods':

- for the calendar quarters ending 31 March and 30 September, the period starting ten Business Days before the planned date for release of the relevant quarterly report and ending on the Business Day after the release of that report to the ASX;
- for the calendar quarter ending 30 June, the period starting ten Business Days before the planned date for release of the June quarterly report and ending on the Business Day after the release of the 30 June full year financial report to ASX;
- for the calendar quarter ending 31 December, the period starting ten Business Days before the planned date for release of the December quarterly report and ending on the Business Day after the release of the 31 December half year financial report to ASX;
- the period commencing from the release of Information to the ASX which a reasonable person would expect to have a Material Effect on either the price or the value of the Company's Securities and ending the Business Day after the release of such Information to the ASX; and
- any other period that the Board specifies from time to time.

For the avoidance of doubt, during the above Closed Periods, Restricted Persons (or their Connected Persons) must not Deal in financial products issued or created over or in respect of the Company's Securities (for example, exchange-traded options, contracts for differences and other derivatives).

Exceptional circumstances

A Restricted Person who is not in possession of Inside Information in relation to the Company may be given written clearance to sell or otherwise dispose of (but not purchase) Company Securities during a Prohibited Period if that person is in severe financial difficulty, is required by law to transfer the Company Securities or where other exceptional circumstances exist. Where clearance is given, the person must trade the Company Securities within five Business Days of receiving clearance.

Restricted Persons who wish to sell or otherwise dispose of Company Securities during a Prohibited Period, must submit a written notification to the Company Secretary and obtain the prior written consent of the Chairman (or in the case of the Chairman, prior written consent of the Chief Executive Officer ('CEO') or Managing Director ('MD')) or their delegate (the 'Approver'). Restricted Persons must demonstrate to the satisfaction of the Approver that he or she is in severe financial difficulty or that his or her circumstances are otherwise exceptional.

A Restricted Person must not be given clearance to Deal in any Securities of the Company during a Prohibited Period unless an exceptional circumstance arises in accordance with this Policy.

- C. Guidance Note 27: *Director Disclosure of Interests and Transactions in Securities – Obligations of Listed Entities* which was published to assist listed entities with their obligations under Listing Rules 3.19A and 3.19B and to give an overview of ASX policy in relation to disclosure of directors' interests and transactions in securities, and Guidance Note 22: *Trading Policies* which was published to assist listed entities to comply with their obligations under Listing Rules 12.9-12.12 regarding trading policies. ASX notes the Announcement disclosed that the Transaction took place during a closed period. Request for Information

Having regard to the above, and pursuant to Listing Rule 18.7, ASX asks AQC to respond separately to each of the following questions.

1. Please explain what arrangements AQC has in place with its directors to ensure that it is able to meet its disclosure obligations under Listing Rule 3.19A.
2. When did AQC first become aware of Hon Shane Stone's on-market Transactions?
3. Did Mr Stone comply with the Trading Policy and notify the Company Secretary or Chairman in writing of his intention to carry out the Transaction before entering into it? If not, why not?
4. Did the Company Secretary or Chairman confer with the Board in relation to the proposed Transaction in accordance with the Trading Policy? If not, why not?
5. Did the Board advise Mr Stone in writing that there is no known reason to preclude him/her from dealing in AQC's securities before he entered into the on-market Transactions, as required under the Trading Policy? If so, please provide a copy of the written communications. If not, why not?
6. Did the Company Secretary or Chairman grant approval (written or otherwise) to Mr Stone to carry out the Transaction that took place/appear to have taken place during a closed period? If so, on what basis did it do so? If not, why not?
7. What disciplinary or remedial action is the board of AQC proposing to take in relation to the apparent breaches of AQC's Trading Policy?
8. Please confirm that AQC is complying with the Listing Rules and, in particular, Listing Rule 3.1.
9. Please confirm that AQC's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of AQC with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the start of trading (**ie before 9.30 a.m. AEST) 7 February 2020**. ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow ASX to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Regards

Lauren Osbich
Compliance Adviser, Listings Compliance (Sydney)