

APAC Coal Limited

A.C.N 126 296 295

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7 February, 2014

Mr David Filov
ASX Compliance Pty Ltd
Level 8, Exchange Plaza
2 The Esplanade
Perth WA 6000

RESPONSE TO APPENDIX 5B LETTER

Dear Mr Filov

We refer to your letter dated 5 February 2013 and we seek to address the following questions that you have raised in your said letter;

Q1. Is it possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities? Is this the case, or are there other factors that should be taken into account in assessing the Company's position?

A1. On the basis of the information provided, it can be concluded that given the rate of cash expenditure for the quarter indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities.

As noted in the Quarterly Activities Report (as announced 24/1/2014) APAC is now sourcing for a Litigation Funder to fund the full cost of the International Centre for Settlement of Investment Disputes (ICSID) arbitration since we have exceeded the 6 months waiting period for the Indonesian authorities to response to our Letter of Intent to Resolve Investment Dispute through Consultations and Negotiations under the Business Investment Treaty on the Promotion and Protection of Investments.

The Ultimate Holding Company, Magnus Energy Group Limited, shall undertake the on-going requirements of the Company in the interim period while the Company's continues to take all necessary legal steps to resolve dispute regarding its Coal Concession License (CCOW License) in Kalimantan Indonesia.

Q2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?

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A2. As the Company is currently embroiled in a legal dispute in Indonesia with respect to its Coal Assets, we would expect the operating cash flows to remain negative for the immediate term. As to the requisite funding of its current operations, please refer to A1 above.

Q3. What steps has the Company taken, or what steps does it propose to take to enable it to continue to meet its business objectives?

A3. The Company's main asset is the Coal Concession (CCOW license) in Kalimantan Indonesia which is currently the subject of a legal dispute.

As noted above in A1 and the recent Quarterly Activities Report, the Company is now sourcing for a Litigation Funder to fund the full cost of the International Centre for Settlement of Investment Disputes (ICSID) arbitration since we have exceeded the 6 months waiting period for the Indonesian authorities to response to our Letter of Intent to Resolve Investment Dispute through Consultations and Negotiations under the Business Investment Treaty on the Promotion and Protection of Investments.

Meanwhile, the Company is evaluating investments in undervalued and viable mining properties which are close to production in order to build our asset portfolio.

Q4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

A4. Yes, we can confirm that the Company is in strict compliance with the Listing Rules, and in particular listing rule 3.1.

Q5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

A5. The Company has positive working capital and its liabilities are 47% of its total assets. Maintaining low cash balances enables the Company to pursue plausible better returns than deposits. It is prudent for the Company to extend secured loans and short term investments for higher returns, in lieu of the settlement of the on-going litigation surrounding its coal asset. Further, the Company is able to recall its receivables when the need arises. Save as aforesaid, its Ultimate Holding Company shall continue to undertake the on-going requirements of the Company in addition to the Company's ability to ensure its going concern.

Yours faithfully

TK Koh
Executive Director
APAC Coal Limited



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5 February 2014

Mr Zane Lewis
Company Secretary
APAC Coal Limited
Level 1, 981 Wellington Street
West Perth WA 6005

By email

Dear Zane

APAC Coal Limited ("Company")

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 31 December 2013, released to ASX Limited ("ASX") on 24 January 2014 (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales of nil.
2. Net negative operating cash flows for the quarter of \$71,000.
3. Cash at end of quarter of \$41,000.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on facsimile number +61 8 9221 2020 or email dave.filov@asx.com.au. It should not be sent to ASX Market Announcements.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **3.00 pm WST on Friday, 7 February 2014**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries please let me know.

Yours sincerely,

[sent electronically without signature]

Dave Filov

Senior Adviser, Listings Compliance (Perth)