

COUNTY COAL

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ASX Operations Limited
ATTN: Stephanie So
Senior Adviser, Listings Compliance
20 Bridge Street
Sydney NSW 2000

9th January 2013

Dear Madam,

We refer your letter dated 7th January 2013.

You have asked that the Company specifically comment on certain ASX Corporate Governance Principles and Recommendations and our responses are as follows:

Recommendation 3.2

This recommendation requires, amongst other things, that companies publish their policy concerning diversity. County Coal Limited's diversity policy was released to the market on 14th November 2011 and this policy is shown on the Company's website (www.countycoal.com) and a copy of that policy is attached to this letter.

Recommendation 3.4

As detailed in the Company's diversity policy, the Board of County Coal Limited at the time of listing comprised 3 men, including an Executive Director and two Non-Executive Directors. As at the 30th June 2012, as disclosed in the Company's Annual Report (page 21), County Coal Limited had only one employee, a male Executive Director. Thus, the following proportions were applicable as at 30th June 2012:

- of women employees in the whole organisation to men - zero to one
- of women in executive positions to men - zero to one; and
- of women on the board to men - zero to three.

Recommendations 3.3 and 3.5

County Coal Limited is committed to workplace diversity and has established a diversity policy. However the company did not have the opportunity to apply the principles contained in the diversity policy, as no further appointments to the board were made (and none were contemplated), nor did any additional employees commence employment during the year. Therefore for the year ended 30 June 2012 there were no measurable objectives for achieving gender diversity applicable and thus no measurable objectives were published in the Annual Report.

If you have any further enquiries please feel free to contact me.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'T A Flitcroft', written over a horizontal line.

T A Flitcroft
Company Secretary

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Diversity Policy

1. Overview

County Coal Limited is committed to workplace diversity. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, we will comply with the recommendations and guidance provided in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles) through this policy.

2. County Coal's Commitment To Workplace Diversity

The Company is committed to workplaces where everyone is treated fairly and decisions are based on merit. The Board believes in workplace diversity as a positive means of achieving its corporate goals. It recognises that benefits arise from diversity including:

- a broader pool of high quality employees;
- improved employee productivity and retention; and
- access to different perspectives and ideas.

The board comprises three men, including an executive director and two non-executive directors. There are no plans to increase the size of the Board as at October 2011. However, when an opportunity to appoint a new director arises, this policy will apply to the selection of that new director.

3. Selection And Appointment Of Directors And Employees

The Company is committed to a corporate culture that promotes diversity when determining the composition of the board, senior management and employees, including its recruitment and selection processes.

The Company's recruitment decisions are based on merit and a person's skills and qualifications, regardless of their age, gender, nationality, cultural background or any other factor not relevant to the position.

3.1 Selection and Appointment of New Directors

The Board will take diversity of background into account (in addition to previous Board and leadership experience, candidates' skills and experience in a variety of specified fields) to enhance the Board's skills. A wider candidate pool can be established by engaging a professional search firm and by advertising Board and employment vacancies.

In order to promote the specific objective of gender diversity, the selection process for Board appointments must involve the following steps:

- the director selection process and decision making must be formal and transparent as set out in the ASX Principles;
- candidates should be selected from a diverse pool of qualified candidates. A wider candidate pool can be established by engaging a professional search firm.
- at least one woman candidate should be present on every shortlist;
- if, at the end of the selection process, a woman candidate is not selected, the Board must be satisfied that there are objective reasons to support its decision determination.

3.2 Selection And Appointment Of Employees (Including Senior Management Roles)

Maintain diversity objectives through the following steps:

- the CEO will have reference to this policy in selecting and assessing candidates and in presenting recommendations to the Board regarding appointments to the executive team;
- The Board will also consider gender diversity and the objectives of this policy when considering those recommendations;
- candidates will be selected from a diverse pool of qualified candidates. A wider candidate pool can be established by engaging a professional search/recruitment firm(s), and/or by advertising vacancies; and
- a short-list identifying potential candidates for the appointment should include a mix of both men and women wherever possible.

4. Diversity Strategies

In addition to recruitment guidelines which promote diversity, we are committed to a range of other strategies to improve diversity including:

- measuring performance based on agreed goals to remove bias and promote equity;
- developing a culture which takes into account domestic responsibilities of employees including helping women and men balance their work, life and family responsibilities including flexible work options and return to work programs;
- as part of its annual remuneration review, assessing the gender pay parity across the business and implementing action plans to address any areas of concern;
- implementing regular diversity education and training for all employees and contractors, and periodically conducting awareness sessions on issues related to equal employment opportunities in the workplace;
- maintaining a workplace culture that supports difference and that enables each staff member to fully contribute to the best of their ability; and
- identifying roadblocks to diversity success and taking action to address the issues including targeting professional development programs aimed at helping women to develop skills.

5. Reporting Measurable Objectives

For the purposes of reporting on measurable objectives, The Company's current focus is on gender diversity as required by the ASX Principles. The Board will include in the Annual Report each year:

- measurable gender diversity objectives set by the Board;
- progress towards achieving those objectives; and
- the proportion of women employees in the whole organisation, at senior management level and at Board level.

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7 January 2013

Mr Terry Flitcroft
Company Secretary
County Coal Limited
Level 2
27-31 Macquarie Street
Sydney NSW 2000

By Email

Dear Terry,

County Coal Limited (the "Company")

We refer to the Company's annual report for the year ended 30 June 2012 ("Annual Report") released to the market on 27 September 2012 and in particular to the Company's disclosures about its corporate governance practices and in particular its diversity policy.

Listing rule 4.10.3 requires that an entity include in its annual report:

"A statement disclosing the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed all of the recommendations the entity must identify those recommendations that have not been followed and give reasons for not following them. If a recommendation had been followed for only part of the period, the entity must state the period during which it had been followed."

Principle 3 of the 2010 amendments to the 2nd edition of the ASX Corporate Governance Principles and Recommendations states that Companies should actively promote ethical and responsible decision-making and that:

"Companies should publish their policy concerning diversity, or a summary of that policy, and disclose annually their measurable objectives for achieving gender diversity, their progress toward achieving those objectives and the proportion of women in the whole organisation, in senior management postings and on the board."

More specifically the following recommendations set out in more detail the requirements:-

Recommendation 3.2

"Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them."



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Recommendation 3.3

“Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.”

Recommendation 3.4

“Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.”

Recommendation 3.5

“Companies should provide the information indicated in the Guide to reporting on Principle 3.”

The Listed Entities Updates dated 1 October 2010 and 7 February 2012, reminded listed entities of their obligation to report under the 2010 amendments to the 2nd edition of the ASX Corporate Governance Principles and Recommendations as set out above in their annual report for their first financial year commencing on or after 1 January 2011.

ASX Listings (ASXL) has reviewed the diversity policy disclosures in the annual reports of all entities. Upon our review of the Company's Annual Report, ASXL could not identify a statement in the annual report explaining why the Company has not followed the diversity recommendations of the Council.

ASXL attaches particular importance to encouraging a consistently high standard of listed entities' disclosures about the Council's corporate governance recommendations.

In light of the Company's non-disclosure in respect of the diversity recommendations in its Annual Report, ASXL requires that the Company make additional disclosure to the market in compliance with listing rule 4.10.3 about the extent to which the Company has followed or not followed each of the diversity recommendations of the Council.

The additional disclosure should be sent to me by e-mail or by facsimile on facsimile number **(02) 9241 7620**. It should not be sent to ASX Market Announcements. This is requested as soon as possible and, in any event, not later than **9.30am A.E.D.T. on Tuesday, 15 January 2013**.

Under listing rule 18.7A, a copy of this letter and the additional disclosure will be released to the market, so your response should be presented in a suitable form.

Should the Company fail to do so, ASXL may consider suspending the Company's securities from quotation until the Company releases to the market a diversity policy that discloses the required information.

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If you have any queries about this letter, or about the Council's recommendations and the Company's reporting obligations in relation to those recommendations, please contact me immediately.

Yours sincerely,

[Sent electronically without signature]

Stephanie So
Senior Adviser, Listings Compliance (Sydney)