U & D COAL LIMITED

A.C.N. 165 894 806

DISCLOSURE POLICY

As at 31 March 2014

DISCLOSURE POLICY

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1. Introduction

This is the disclosure policy and procedures for U&D Coal Limited (**Company**). This policy is based upon the Company's desire to promote fair markets, honest management and full and fair disclosure in line with the Australian Stock Exchange (**ASX**) Corporate Governance Council's "*Corporate Governance Principles and Recommendations".* The disclosure requirements must be complied with in accordance with the spirit, intention and purpose of the recommendations. In order to achieve this, the Company has adopted this policy and it is crucial that employees and management at all levels understand and comply with this policy and its procedures.

This policy is part of the Company's corporate governance program and should be interpreted so as to demonstrate the Company's real and abiding interest in, and being seen to be, implementing good corporate governance practices that are suitable for the Company.

Failure to strictly comply with this policy may result in serious civil or criminal liability for the Company and its officers and could damage the reputation of the Company.

When required, disclosure must be made immediately. Any employee or officer of the Company, who is uncertain as to whether certain information should be disclosed, should immediately contact the Company Secretary or any member of the Company's Disclosure Committee.

2. Purpose

The purpose of this policy is to:

- summarise the Company's disclosure obligations;
- explain what type of information needs to be disclosed;
- identify who is responsible for disclosure; and
- explain how individuals at the Company can contribute.

3. Company's disclosure obligations

3.1 Disclosure principles

The Company's main continuous disclosure obligations are set out in ASX Listing Rules 3.1 and 3.1B.

3.2 What information must be disclosed?

3.2.1 Price sensitive information

ASX Listing Rule 3.1 states:

> *Once an entity is or becomes aware of 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 entity must immediately tell ASX that information.*

The Company does not want to quibble about whether or not the Company became "aware" of information. In this policy the Company will assume that existing reporting lines mean that the

Company's executives should, in the course of the performance of their normal duties, become aware of material that will trigger a disclosure obligation.

A reasonable person would be taken to expect information to have a "material effect" on the price or value of shares and other securities of the Company if the information would, or would be likely to, influence persons who commonly invest in the Company securities in making a decision to buy, hold or sell the Company's securities.

This kind of "price-sensitive" information may derive from the internal activities of the Company or may come from external sources, such as a joint venture partner, an unlisted entity in which the Company has an interest or a decision by a court or government body.

Annexure A sets out examples of the kinds of "price-sensitive" information that the Company may be required to disclose.

Annexure B provides some examples of circumstances where companies have failed to make timely disclosure.

If you are ever in any doubt about the importance of information which comes to your attention, you should immediately notify the Company Secretary or any member of the Company's Disclosure Committee, so that a formal decision can be taken as to whether or not to release the information to the market.

3.2.2 Information required to correct a false market

ASX Listing Rule 3.1B states:

> *If ASX considers that there is or is likely to be a false market in an entity's securities, and asks that entity to give it information to correct or prevent a false market, the entity must give ASX the information needed to correct or prevent the false market.*

A false market refers to a market in which the Company's securities are traded:

- in the absence of material price-sensitive information having been disclosed; or
- on the basis of information that is inaccurate or misleading.

Factors such as market speculation on the Company's earnings projections or misunderstanding concerning the meaning of financial information released by the Company can lead to a false market.

In order to ensure that there is at all times a fair and balanced market in the Company's shares and other securities, the Company should:

- release to the market information required to correct a false market, whether or not a request has been received from the ASX; and
- provide the market with balanced and factual commentary on the Company's financial results to ensure that the Company's investors are able to make an informed assessment of the Company's activities and results.

3.2.3 Exception to requirement to disclose "price-sensitive" information

The Company's obligation to disclose price-sensitive information does not apply if, and only if, each of the following conditions is and remains satisfied:

- a reasonable person would not expect it to be disclosed (because, for example, the result of disclosure would be unreasonably prejudicial to the Company);
- the information is confidential (ie not in the public domain); and
- one or more of the following conditions apply:
    - it would be a breach of a law to disclose the information;
    - the information concerns an incomplete proposal or negotiation (for example, a negotiation to enter into a new contract);
    - the information comprised matters of supposition or is insufficiently definite to warrant disclosure; and/or
    - the information is a trade secret.

Generally, the Disclosure Committee will make a decision as to whether the Company can rely on this exception to its disclosure obligations. In the usual course the Disclosure Committee may consult with external legal advisors on whether the Company can rely on one of the exceptions.

3.2.4 Periodic disclosure

The table below sets out some of the more important periodic disclosure obligations of the Company under the Listing Rules and this policy applies equally to the Company's periodic disclosure obligations.

Obligations – Periodic Disclosure	
Annual and half yearly financial reports	In addition to the Corporations Act obligations Chapter 4 of the ASX Listing Rules requires a preliminary final report in the form of Appendix 4B.
Trading halts and related events	Entities must disclose all relevant information in relation to a request for a trading halt, suspension of quotation of an entity's securities or removal of an entity from the official list.
Information relating to equity securities	Entities must disclose detailed information relating to the issue, ownership, attached rights of securities

3.2.5 Chief executive officers remuneration

The ASX expects the Company when announcing the appointment of a new Chief Executive Officer, to disclose the key terms and conditions of the relevant contract entered into.

3.2.6 Audit independence

The Company must disclose the following information in relation to audit independence in its annual report:

- fees paid to the auditor in relation to non-audit services; and

- a statement whether the directors are satisfied that the provision of these non-audit services does not compromise the general standard of audit independence required by the Corporations Act.

4. Disclosure committee

The Board has created a disclosure committee to manage the Company's continuous disclosure obligations given the combination of the Company's current size, shareholder base, JORC Code requirements and frequency of dealings with outside parties such as the media and shareholders. Disclosure matters are managed through consultation between the Disclosure Committee and external Corporate Governance consultants to ensure appropriate disclosure when issues arise.

This policy is made available to all employees and directors of the Company. Once a director or employee of the Company becomes aware of information that is, or may be, price-sensitive, they should immediately refer that information to the Chairman of the Disclosure Committee, a Disclosure Committee Member or the Company Secretary.

5. Disclosure procedures

5.1 Release of information to the ASX

The Company must immediately notify the ASX of any undisclosed price-sensitive information in accordance with the Company's legislative and regulatory disclosure obligations and the procedures set out in this policy.

If the Company becomes aware that information that should be released to the ASX has become generally available or is available to a sector of the market, and that information has not been given to the ASX, the Company must immediately give the information to the ASX.

Disclosure of price-sensitive information to the ASX will be made by the Company Secretary after consultation and approval by the Chairman of the Disclosure Committee.

An individual director, shareholder of, or third party to, the Company cannot disclose price-sensitive information to the ASX.

5.2 Release of information to the public

The Company must not publicly disclose price-sensitive information until it has given that information to the ASX and has received an acknowledgment from the ASX that the information has been released to the market.

After an acknowledgment has been received from the ASX, information disclosed in compliance with this policy should be promptly placed on the Company's website.

The Company Secretary may also determine that the disclosed information should be released to major news services and other news outlets.

6. Authorised spokespersons

6.1 Identity of authorized spokespersons

The number of authorised spokespersons of the Company must be kept to a minimum to avoid inconsistent communications and reduce the risk of material information being inadvertently disclosed to the market.

Only the following persons may act as authorised spokespersons of the Company:

- Chairman; Vice Chairman, Chief Executive Officer; Deputy Chief Executive Officer and the Company Secretary; and
- on specific occasions, the Chief Executive Officer may authorise other executives to act as authorised spokespersons of the Company, however any comments made by those executives must be limited to their area of expertise.

6.2 Employees and associated parties

No employee or associated party of the Company (such as consultants, advisers, lawyers, accountants, auditors, etc) is permitted to comment publicly on matters confidential to the Company.

All employees and associated parties must be aware of their obligation to keep non-public the confidential Company information.

In some circumstances, employees and associated parties of the Company may be asked to sign confidentiality agreements.

6.3 Procedures for comment by authorized spokespersons

The Company Secretary must approve the content of all public comments proposed to be made by an authorised spokesperson.

7. Dealing with outsiders

7.1 Insider trading

The Corporations Act makes it unlawful to deal in the shares of the Company while in possession of price-sensitive information that has not been disclosed.

It is unlawful for any directors, executives, officers and/or employees of the Company to buy, sell or otherwise deal in the Company's shares or other securities while in possession of undisclosed price-sensitive information (for example, prior to the release of the Company's financial results or an announcement by the Company of a negotiated joint venture).

It is also unlawful for a director, executive, officer and/or employee of the Company in possession of undisclosed price-sensitive information to encourage someone else to deal in the Company's shares

or other securities or pass the information onto someone they know or suspect may use the information to buy or sell the Company's shares or other securities.

The penalties for insider trading are severe and can include imprisonment.

The Company's policy on the trading of its shares and other securities by directors, executives, officers and employees of the Company is contained in the Company's Securities Trading Policy.

7.2 Media

The Company must not provide "exclusive" interviews, stories or information to the media that contains material or price-sensitive information before that information has been disclosed to the market.

Where it is considered appropriate, the media may be invited to participate in the Company presentations to investors and analysts.

Press releases should be honest, fair and consistent with the terms of this policy.

7.3 Analysts

7.3.1 One-on-one and group briefings

The Company does not permit selective disclosure of material information and all investors are to be treated in a balanced and fair fashion. One-on-one and group briefings between the Company and investors or analysts must be restricted to discussion of previously disclosed information.

Usually the Company Secretary, Chief Executive Officer or Deputy Chief Executive Officer will be present at all one-on-one and group briefings and must ensure that no undisclosed price-sensitive information is discussed.

Where it is not possible either of those individuals to attend a one-on-one or group briefing:

- the relevant disclosure officer must be fully briefed immediately after that briefing to determine whether any price-sensitive information may have been inadvertently disclosed; and
- where any executive, director or employee of the Company who participated in that briefing considers that a matter was raised that might constitute a previously undisclosed price-sensitive matter, they must immediately refer that matter to a disclosure officer.

If the disclosure officer considers that price-sensitive information was inadvertently disclosed at a briefing, the Company must immediately release that information to the ASX.

Information provided to analysts and investors during a one-on-one or group briefing (such as slides) is provided to the ASX for release to the market and posted on the Company's website as soon as practical to ensure all shareholders and investors have equal access to the Company information.

7.3.2 Procedure for dealing with analyst, shareholder and investor queries

In responding to analyst, shareholder and investor queries, an authorised spokesperson must:

- only discuss information that has been publicly released;

- ensure all responses are balanced, factual and truthful; and
- confine comments on market analysts' financial projections to errors in factual information or underlying assumptions.

Where an analyst, shareholder or investor query can only be answered by disclosing price-sensitive information, the Company's authorised spokesperson must decline to answer that query. He or she should then refer the query to the Chief Executive Officer, Deputy Chief Executive Officer or Company Secretary, so a formal decision can be made as to whether or not it is appropriate for the Company to disclose information relevant to that query.

7.3.3 Analyst reports and forecasts

Where the disclosure officer determines that the Company should comment on a report prepared by an analyst, the Company's comment must be restricted to information that the Company has publicly disclosed or information that is in the public domain.

The Company must not comment on analyst forecasts regarding earnings projections for the Company except:

- where the forecast differs significantly from the Company's published earnings projections (if relevant); or
- to correct any factual errors relating to publicly issued information and the Company's statements.

The Company should not endorse, or be seen to endorse, analyst reports or the information they contain.

Where the Company becomes aware that the market's earnings projections on the Company differ significantly from the Company's published earnings projections or own earnings estimates, the Company should issue a profit warning or company statement, if considered necessary by the Committee, to avoid a false market.

7.4 Market speculation

The Company should not comment on market speculation and rumour unless:

- there are factual errors contained in the speculation or rumour that could materially affect the Company;
- there is a move in the price of the Company's securities which is reasonably referable (in the opinion of the Chief Executive Officer) to the speculation or rumour; or
- the Company receives a formal request from the ASX or a regulator.

Any comments made by the Company in response to market speculation and rumour must be authorised by the Chief Executive Officer and must be limited to correcting factual errors.

The Company is committed to ensuring that a false market is not created in respect of the Company's securities.

8. Communications

8.1 Website

To ensure information relevant to the Company is readily available to shareholders, investors and stakeholders, the Company will provide the following information on its website:

- all the Company's announcements made to the ASX;
- annual reports and result announcements;
- new presentations and support material (including slides) given at investor conferences, briefings or presentations;
- the Company's profile and contact details; and
- all new written information provided to investors or stockbroking analysts.

All information posted on the Company's website must be approved by the Company Secretary and must be continuously reviewed and updated to ensure its accuracy and relevance.

8.2 Publications and other communications

Where approved by the Company Secretary, the Company may issue statements or publications regarding previously disclosed information, including:

- press releases;
- fact books and other corporate publications;
- publication on the Company's website; and
- broadcast via e-mail and/or fax to the Company's shareholders, institutional investors and other key stakeholders.

9. Trading halts

In order to maintain a fully informed, fair and transparent market in respect of the Company's securities, the Company may request a trading halt from the ASX where:

- confidential information about the Company is inadvertently made public and further time is required to enable the Company to prepare an appropriate public announcement; or
- the Company is preparing to make a major announcement and is concerned to prevent speculative or insider trading (for example, where the Company plans to announce a joint venture enterprise or profit warning).

The Disclosure Committee are authorised to request a trading halt.

10. Monitoring compliance

10.1 Monitoring

If the Company's continuous disclosure policy and procedures are complied with by all directors, executives, officers and employees of the Company, the disclosure officers should be aware of all price-sensitive information that has been disclosed and which may need to be disclosed.

11. Maintenance and promotion of policy

11.1 Annual review

The disclosure officers will review the Company's continuous disclosure policy and procedures on an annual basis to determine whether they are effective in ensuring accurate, balanced and timely disclosure in accordance with the Company's disclosure obligations.

The Company encourages all of its executives, officers and employees to actively consider the Company's disclosure obligations and offer suggestions as to how to improve the Company's continuous disclosure policy and procedures.

11.2 Training and internal compliance

11.2.1 Training

As part of the Company's commitment to its continuous disclosure obligations all directors, executives, officers and employees of the Company must:

- be issued with a copy of the Company's continuous disclosure policy and procedure; and
- accept the terms of this policy, including the obligation imposed upon them to keep non-public the confidential Company information, as a condition of their employment or office.

11.2.2 Consequences of a breach of this policy

Failure of a director or employee of the Company to comply with this policy may lead to disciplinary action being taken, including dismissal or removal in serious cases.

Australian Securities and Investments Commission (**ASIC**) has the power to issue infringement notices for breaches of the continuous disclosure obligations. If ASIC determines that a breach of the continuous disclosure obligations has occurred, it will hold a hearing to determine whether to issue an infringement notice. If an infringement notice is issued, the Company should comply with its terms, including paying a penalty amount, or the Company may be liable to a significant penalty.

Annexure A

Guidelines – material information

Examples of information that might need to be disclosed include the following:

- results (anticipated or otherwise) from the activities of the Company;
- a new contract that has been entered into or a variation to an existing contract. In certain circumstances it may even be necessary to disclose the existence of negotiations surrounding the entry into or variation of a contract, should these negotiations no longer be confidential;
- any event which could affect the Company's earnings or profitability such as:
    - litigation being commenced by or against the Company (eg because of an alleged breach of contract);
    - industrial action being threatened or commenced; or
    - significant unbudgeted capital expenditure commitments arising;
- a change in the Company's financial forecast or expectation. As a general policy, a 10% to 15% change may be considered material. Further, if the Company has not made a forecast, a similar variation from the previous corresponding period will need to be disclosed;
- the appointment of a receiver, manager, liquidator or administrator in respect of any loan, trade, credit, trade debt, borrowing or securities held by it or any of its child entities;
- a transaction for which the consideration payable or receivable is a significant proportion of the written down value of the Company's consolidated assets. Normally, an amount of 5% or more would be significant, but a small amount may be significant in a particular case;
- a recommendation or declaration of a dividend or distribution or a recommendation or decision that a dividend or distribution will not be declared;
- under subscriptions or over subscriptions to an issue;
- a copy of a document containing market sensitive information that is lodged with an overseas stock exchange or other regulator which is available to the public. The copy given to ASX must be in English;
- information about the beneficial ownership of shares obtained under Part 6C.2 of the Corporations Act;
- giving or receiving a notice of intention to make a takeover;
- an agreement between the Company (or a related party or subsidiary) and a director of the Company (or a related party of the director); or
- to the maximum extent practicable, the components of the Chief Executive Officer's pay package that might govern the action of the Chief Executive Officer and drive levels of performance.

Annexure B

Example 1

An example of a failure to disclose price sensitive information occurred in the context of a takeover by Rio Tinto Limited (Rio).

1. Sequence of events

Between October 2006 and July 2007, Rio and Alcan Inc (Alcan) engaged in discussions about the possibility of combining Rio and Alcan.

On 10 July 2007 Rio sent an offer letter to Alcan offering to acquire all of the ordinary common shares in Alcan. The offer was due to lapse at 5.00 pm (Montreal time) on 11 July 2007 unless accepted and publicly announced by Alcan on 12 July 2007.

The sequence of events on 12 July 2007 was as follows:

1. Early in the morning, the Alcan board met to discuss the offers it had received.
2. Alcan notified Rio it was the preferred bidder for Alcan and accepted Rio's offer at 8.07 am. Therefore, from this time Rio was aware that their offer to acquire all of Alcan's outstanding common shares at US$38.1 billion had been accepted and the Alcan board had agreed to unanimously recommend the offer to Alcan shareholders.
3. At 2.30 pm Dow Jones Newswires published an article that included information about the proposed acquisition. It is important to note that it was at this time that the proposed acquisition ceased to be confidential and Rio was required to notify ASX of the proposed acquisition immediately upon it ceasing to be confidential.
4. At 2.41 pm Dow Jones Wires published a second article about the proposed acquisition.
5. At 2.46 pm Reuters published an article about the proposed acquisition.
6. At 3.00 pm ASX contacted Rio in relation to the speculation about the proposed acquisition. Rio told ASX they would consider their position and telephone ASX back.
7. At 3.38 pm Rio telephoned ASX and requested a trading halt in respect of its ASX listed securities, pending an announcement.
8. At 3.41 pm Rio formally requested an immediate trading halt pending the making of an announcement to the market.
9. The trading halt was applied at 3.42 pm.
10. An announcement was made to ASX about the proposed acquisition at 4.00 pm.
11. The ASX announcement was released by ASX at 4.30 pm.

37.6% of the daily volume and 35.3% of daily value of Rio's shares were traded between 2.30 pm and 3.41 pm.

2. When did the infringement occur?

The infringement occurred in the period between 2.30 pm and 3.42 pm on 12 July 2007 (see events 3 to 8 above) because it is expected that, if information about the proposed acquisition was generally available, it would have a material effect on the price or value of the securities of Rio.

From 2.30 pm the exception to Listing Rule 3.1 no longer applied because the proposed acquisition ceased to be confidential. As a result of the speculation about the offer in the media and the absence of an immediate request by Rio for a trading halt, a reasonable person would have expected the proposed acquisition to be disclosed to ASX.

Consequently, from 2.30 pm ASX Listing Rule 3.1 required Rio to tell ASX about the proposed acquisition.

Therefore, between 2.30 pm and 3.42 pm the information about the proposed acquisition was not generally available.

ASIC served Rio with an infringement notice, imposing a $100,000 penalty, alleging that Rio had failed to comply with the continuous disclosure provisions. Rio paid the infringement notice.

This example highlights the importance of monitoring external media sources in times where the Company is in possession of price sensitive information as confidentiality may be lost through the actions of third parties.

Example 2

A good example of a failure to disclose price sensitive information occurred in England in relation to Marconi plc. Marconi plc was censured by the Financial Services Authority (UK) for a breach of its general disclosure obligations in 2001.

Marconi announced its final year results for the year ending 31 March 2001 and stated that the company's results were unlikely to improve in the first half of the new financial year. The announcement also stated that the company's results were to show growth over the full year and the market expected financial performance of £807 million.

In late June 2001, Marconi's management forecasts reflected a revised forecast of £491 million. The Chief Executive Officer and the Chief Financial Officer, believing the forecasts to contain inaccuracies and inconsistencies, urgently ordered management to revise the forecast.

On 2 July 2001, a revised full year profit expectation of £400 million was decided between the Chief Executive Officer and the Chief Financial Officer after reviewing the revised forecast.

On 4 July 2001, Marconi held a board meeting, and after that board meeting, announced the profit downgrade at 6.41 pm after the market had closed.

The Financial Services Authority concluded that the obligation to notify the market of the profit downgrade arose after the Chief Executive Officer and the Chief Financial Officer concluded that they were satisfied with the revised forecast on 2 July 2001.