

APAC COAL LIMITED
(ACN 126 296 295)
(Company)

TERMS OF PERFORMANCE SHARES

The performance shares entitle the holder to Shares on the terms and conditions set out below.

Issue price

Each performance share (**Performance Share**) will be issued for nil cash consideration.

Rights

- (a) The Performance Shares do not carry any voting rights in the Company.
- (b) The Performance Shares confer on the holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders of Performance Shares have the right to attend general meetings of shareholders.
- (c) The Performance Shares do not entitle the holder to any dividends.
- (d) The Performance Shares do not confer any right to participate in the surplus profits or assets of the Company upon winding up of the Company.
- (e) The Performance Shares do not confer any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
- (f) The Performance Shares do not confer the right to participate in new issues of securities such as entitlement issues. If the Company makes a bonus issue of Shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares which must be issued on the conversion of a Performance Share will be increased by the number of Shares which the holder would have received if the relevant Performance Share had converted before the record date for the bonus issue.
- (g) If at any time the issued capital of the Company is reorganised, the Performance Shares are to be treated in the manner set out in Listing Rule 7.21 (or other applicable Listing Rule), being that the number of Performance Shares or the conversion ratio or both will be reorganised so that the holder of the Performance Shares will not receive a benefit that holders of ordinary shares do not receive and so that the holders of ordinary shares will not receive a benefit that the holder of the Performance Shares does not receive.
- (h) The Performance Shares give the holder no rights other than those expressly provided by these terms and conditions and those provided at law where such rights at law cannot be excluded by these terms and conditions.

Conversion

- (a) Subject to clause 3(b) each Performance Share is convertible into a fully paid ordinary share in the capital of the Company (**Conversion Share**) subject to the Company achieving the following applicable milestone (**Milestone**):

Performance Share	Milestone	Expiry date
Class A	On the Company's 30 day volume weighted average share price reaching at least \$0.025.	2 years from the date the Company re-commences trading on the ASX.
Class B	On the Company's 30 day volume weighted average share price reaching at least \$0.03.	3 years from the date the Company re-commences trading on the ASX.

- (b) Despite anything else contained in these terms and conditions, the conversion of any Performance Shares is subject to the Company obtaining all required (if any) shareholder or regulatory approval for the purpose of issuing the Conversion Shares. If conversion of all or part of the Performance Shares would result in any person being in contravention of section 606(1) of the Corporations Act then the conversion of each Performance Share that would cause the contravention will be deferred until such time or times that the conversion would not at a later date result in a contravention of section 606(1) of the Corporations Act. The holder must give prior notification to the Company in writing if it considers that the conversion of all or part of its Performance Shares may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be entitled to assume that the conversion of the Performance Shares under these terms and conditions will not result in any person being in contravention of section 606(1) of the Corporations Act.
- (c) The Company must issue any Conversion Shares in the name of the holder (or its nominee) within 7 days of the relevant Performance Shares becoming convertible into Conversion Shares under these terms and conditions.
- (d) Each Conversion Share will rank equally with a fully paid ordinary share in the capital of the Company.
- (e) The Performance Shares will not be quoted on any securities exchange and the Company will not make an application for quotation in respect of them. However, if the Company is listed on the ASX at the relevant time, upon conversion of any Performance Shares into Conversion Shares, the Company must within 7 days after the conversion apply for quotation of the Conversion Shares on the ASX, subject always to the requirements of the Listing Rules, including those relating to escrow.
- (f) If the Milestone is not satisfied on or before the expiry date, the relevant Performance Shares will immediately be redeemed by the Company for nil cash consideration.

Transferability

The Performance Shares are not transferable.

Compliance with Corporations Act, Listing Rules and Constitution

- (a) Despite anything else contained in these terms and conditions, if the Corporations Act, Listing Rules or Constitution prohibits an act being done, that act must not be done.
- (b) Nothing contained in these terms and conditions prevents an act being done that the Corporations Act, Listing Rules or Constitution require to be done.
- (c) If the Corporations Act, Listing Rules or Constitution conflict with these terms and conditions, or these terms and conditions do not comply with the Corporations Act, Listing Rules or the Constitution, the holder authorises the Company to do anything necessary to rectify such conflict or non-compliance, including but not limited to unilaterally amending these terms and conditions.
- (d) The terms of the Performance Shares may be amended as necessary by the directors of the Company in order to comply with the Listing Rules, or any directions of ASX regarding the terms.

Change of Control Event

- (a) A change of control event (**Change of Control Event**) occurs where:
 - (i) an offer is made for Shares pursuant to a takeover bid under Chapter 6 of the Corporations Act and is, or is declared, unconditional; or
 - (ii) the Court sanctions under Part 5.1 of the Corporations Act a compromise or arrangement relating to the Company or a compromise or arrangement proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies.
- (b) If a Change of Control Event occurs, unconverted Performance Shares will, subject to the Listing Rules and 6(c) below, become immediately convertible into Conversion Shares with such conversion deemed to have taken place immediately prior to the effective date of the Change of Control Event.
- (c) The total number of Conversion Shares issued under 6(b) above shall not exceed 10% of the issued ordinary capital of the Company as at the date of conversion.
- (d) Whether or not the Board determines to accelerate the conversion of any Performance Shares, the Company shall give written notice of any proposed Change of Control Event to each holder of Performance Shares.