

9 October 2014

Simon Daniels
ASX Compliance Pty Limited
Level 4
North Tower
525 Collins Street
Melbourne VIC 3000

Dear Simon

RE: Tiaro Coal Limited (Company)

We refer to your letter dated 1 October 2014 in relation to queries you have raised regarding the Company's Half Year Financial Report for the year ended 30 June 2014, as lodged with the ASX on 12 September 2014 (**Accounts**).

Questions for Response

Adopting the numbering of the questions raised in your letter, we respond accordingly as follows:

1. The Company confirms that the Board of Directors resolved that the Accounts comply with the relevant Accounting Standards and give a true and fair view of the financial performance and financial position of the Company for the year ended 30 June 2014.
2. On 12 September 2014, the Directors declared that they were satisfied that the Company continued to operate as a going concern taking into account the following factors:
 - As at the date of the declaration, the Company was in the process of exploring a number of capital raising initiatives, including a placement to sophisticated investors and a fully underwritten non-renounceable rights issue at a discount to the prevailing market price for the Company's shares. Although no capital raising initiative had been agreed, finalised or completed at that time, the Directors considered they had sufficient comfort that the Company would be able to undertake a capital raising initiative in the short term based on:
 - a. advice provided by the Company's corporate advisers in relation to the feasibility of a capital raising initiative; and
 - b. indications of support for a capital raising initiative from key shareholders.
 - On 23 September 2014, the Company announced to the ASX that it had successfully completed a capital raising of \$340,000 by the issue of 17,000,000 fully paid ordinary shares to sophisticated investors.

As noted in the announcement, the Company is currently exploring an opportunity to raise capital by way of a non-renounceable pro-rata rights issue. The Company expects to be in a position shortly to make an announcement in relation to this proposal.
 - The Company is not incurring any material new liabilities pending successful completion of the capital raising initiatives outlined above.
3. See response in paragraph 2 above.



4. The Company is currently investigating the recovery of the reported advance to a contractor in the amount of \$447,442 which is included in trade and other receivables in the Accounts. This investigation includes review of documentation supporting the advance and communications with the contractor requesting information and explanation of intended actions in relation to this advance amount.

The Company is currently seeking legal advice in relation to recoverability of this amount and anticipates that the issue will be resolved prior to completion of the Company's annual financial statements for the year ended 31 December 2014.

5. See response in paragraph 2 above.
6. The Company considers that its level of operations is sufficient to warrant continued quotation of its securities on ASX in accordance with the requirements of listing rule 12.1.
 - the Company has reported net assets of \$6.34 million in the Accounts; and
 - subject to completion of planned fundraising (see paragraph 2 above) the Company anticipates having sufficient working capital to progress its business objectives which will require expenditure of a substantial portion of its available cash over the next six to nine months on identified exploration project expenditures.
7. The Company considers that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2.
 - the Company has reported net assets of \$6.34 million in the Accounts; and
 - the Company has already completed a Placement raising \$340,000 and has received advice provided by the Company's corporate advisers in relation to a further capital raising by way of a non-renounceable pro-rata rights issue, including indications of support from key shareholders, (see paragraph 2 above).
8. Not applicable.
9. The Company confirms that it has fully complied with its obligations under the ASX Listing Rules, and in particular Listing Rule 3.1. In the event that the Company becomes aware of any information requiring disclosure pursuant to its continuous disclosure obligations, the Company will provide notice to the market as soon as practicable.

Please feel free to contact me if you have any queries regarding the above.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Dan Buckley', written over a light blue circular stamp.

Dan Buckley

Chief Executive Officer



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1 October 2014

DAN BUCKLEY
MANAGING DIRECTOR
TIARO COAL LIMITED

By Email: dbuckley@HIGL.com.au

Dear Dan,

Tiaro Coal Limited (the "Company")

ASX refers to the following:

1. The Company's Half Year Financial Report for the year ended 30 June 2014, lodged with ASX on 12 September 2014 (the "Accounts").
2. The Independent Auditor's Report of the Half Year Financial Report ("Auditor's Report") which contains a Disclaimer of Opinion (the "Disclaimer") which states the following:

Basis for Disclaimer of Auditor's Conclusion

As at the date of our review report, the following information was outstanding for the half-year ended 30 June 2014:

- Recoverability of advance to contractor of \$447,442 included in trade and other receivables; and
- Support and or justification for projected cash inflows in the cash flow forecast to 30 June 2015 received on 12 September 2014 to satisfy the ability of the company and the consolidated entity's to continue as a going concern.

Accordingly, as at the date of this report, we express no conclusion on the carrying value of trade and other receivables of \$447,442 and the appropriateness of going concern assumption used in the half-year financial report.

Relevant Listing Rules and Guidance

- Listing Rule 12.1 – *The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.*
- Listing Rule 12.2 – *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*
- Listing Rule 19.11A (b) – *If a listing rule requires an entity to give ASX accounts, the following rules apply:*

(b)The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.

Questions for Response

In light of the Auditor's Report, the information contained in the Accounts, and the application of the listing rules stated above, please respond to each of the following questions:

1. Is the Company able to confirm that in the Directors' opinion the Accounts:
 - (a) comply with the relevant Accounting Standards; and
 - (b) give a true and fair view of the financial performance and financial position of the Company?
2. Please explain the basis for and the factors considered by the Directors in relation to assessment of the Company's going concern.
3. What steps does the Company intend to take to address the going concern issues of the Company?
4. When does the Company expect to resolve the issue regarding the recoverability of the advance to a contractor relating to \$447,442?
5. What fundraising does the Company intend to undertake in the near future?
6. Does the Company consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX in accordance with the requirements of listing rule 12.1? In answering this question, please also explain the basis for this conclusion.
7. Does the Company consider that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2? In answering this question, please also explain the basis for this conclusion.
8. If the answer to questions 6 or 7 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rules 12.1 and 12.2.
9. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Please note the ASX reserves its right under listing rule 18.7A to release this letter and the Company's response to the market. Accordingly, the Company's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event by **no later than 9.30 a.m. AEST on Thursday, 9 October 2014**.

Any response should be sent to me by return email. It should not be sent to the ASX Market Announcements Office.

If you have any queries regarding any of the above, please contact me.

Yours sincerely

Simon Daniels

Senior Adviser, Listings Compliance (Sydney)