

ASX RELEASE
2 September 2022

TERMINATION OF TREPANG TRANSACTION

LAUNCH OF \$100 MILLION UNDERWRITTEN RENOUNCEABLE ENTITLEMENT OFFER

Update on Trepang Transaction and non-binding indicative proposals

Australian Pacific Coal Limited ('**AQC**' or '**Company**') (ASX: AQC) refers to its previous announcements regarding the proposed sale of its Dartbrook coal mine in the Hunter Valley, NSW to Trepang Services Pty Ltd or its nominee (**Trepang**) (**Trepang Transaction**), and the subsequent receipt of two separate highly conditional non-binding alternative proposals that, subject to the satisfaction of a number of conditions, could result in the parties to those proposals potentially offering to acquire the Company (separately the **Nakevo Proposal** and the **M Resources Proposal**).

Pre-conditions to the Nakevo Proposal and M Resources Proposal unable to be satisfied

AQC confirms that it has received correspondence from, and has responded to, Trepang, in relation to the Nakevo Proposal and the M Resources Proposal.

Trepang has acknowledged that both the Nakevo Proposal and the M Resources Proposal are subject to a number of conditions, including Trepang, Mr Robinson and Mr Paspaley (**Trepang Parties**) agreeing to certain terms set out in each of the proposals, including how the debt owed by the Company to the Trepang Parties should be dealt with. Trepang has confirmed to the Company in writing that the Trepang Parties will not consider or enter into, any such terms or agreements, meaning that critical pre-conditions to both the Nakevo Proposal and the M Resources Proposal progressing any further cannot be satisfied.

Termination of Trepang Transaction

Late on 1 September 2022 the Company received written notice from Trepang advising that due to the non-satisfaction of the condition requiring AQC to obtain shareholder approval for the Trepang Transaction under ASX Listing Rules 10.1 and 11.2 and Part 2E of the *Corporations Act 2001* (Cth) by 23 August 2022, Trepang was terminating the share sale agreement with effect from two business days after the notice. The termination notice was unexpected and was received while the Company was working towards re-convening the postponed extraordinary general meeting (**EGM**) to approve the Trepang Transaction as soon as reasonably possible, including providing shareholders with further detailed information regarding the Nakevo Proposal and the M Resources Proposal that it received, as well as providing an update to the independent expert's report that accompanied the Notice of Meeting for the EGM.

As a result of the receipt of the notice of termination, the Company's work with respect to the re-convening of the postponed EGM will cease and since the purpose of the EGM is now redundant, the EGM will be cancelled.

Launch of \$A100 million underwritten renounceable rights issue

Overview

While working through the re-convening of the postponed EGM, the Board was concerned that there was no fallback position in the event that shareholders did not approve the Trepang Transaction at the postponed EGM. If shareholders did not approve the Trepang Transaction at the postponed EGM, the Company would be left in a perilous financial position with Trepang, Robinson and Paspaley immediately capable of calling in their debt, with the Company having no means to repay that debt. Therefore as a contingency plan, the Board had been seeking fallback funding to repay the Trepang debt if shareholders did not approve the Trepang Transaction. The Company was in the process of finalising that funding when it received termination of the Trepang Transaction.

As a result of the termination, the fallback position has become an essential path to ensure the Company is suitably funded to service its ongoing obligations. The Company hereby announces the immediate launch of a 5.83 for 1 (5.83 new shares for every 1 existing share held on the record date of 7.00pm (Brisbane time) on 8 September 2022) fully underwritten renounceable pro rata entitlement offer of shares in the Company at A\$0.34 per share (**Offer Price**) pursuant to which the Company will raise up to approximately A\$100 million (before costs and expenses and subject to rounding) (**Entitlement Offer**). The Offer Price represents a 6.8% discount to the closing price of the Company's shares on 26 August, the last trading day prior to the Company entering into the trading halt and voluntary suspension preceding this announcement.

The Entitlement Offer is fully underwritten by Evolution Capital Pty Ltd ACN 652 397 263 (**Underwriter**) pursuant to an underwriting agreement, the key terms of which are summarised in the **Annexure** to this announcement. The Company is advised by the Underwriter that any potential shortfall under the Entitlement Offer is fully covered by sub-underwriting arrangements. Accordingly, the Company does not expect the Underwriter to take any meaningful quantity of new shares that will have an effect on the control of the Company.

The proceeds of the A\$100 million to be raised under the Entitlement Offer will be used by the Company to fully repay its debt owing to the Trepang Parties and for general working capital purposes (including paying the costs and expenses of the Entitlement Offer).

Potential strategic partnership with M Resources

In conjunction with the launch of the Entitlement Offer, the Company has entered into a non-binding agreement with M Resources Pty Ltd, an entity associated with Matthew Latimore, with respect to a proposed 50:50 joint venture for the operation of the Dartbrook mine and for potential future mine management services at the Dartbrook mine (including marketing services, logistics services and technical services). In addition, M Resources has committed A\$10 million in sub-underwriting to the Entitlement Offer and will be entitled to appoint a director to the Board, subject to compliance with laws and the ASX Listing Rules. If the Company enters into binding agreements with M Resources and shareholder approval is required to be obtained by the Company with respect to that entry, and such shareholder approval is not ultimately obtained, the Company has agreed to pay M Resources a break fee of A\$1 million.

These arrangements with M Resources were to have been conditional on the Trepang Transaction not being approved by shareholders and the Entitlement Offer concluding but, due to Trepang's termination of the Trepang Transaction, the Company proposes to pursue these arrangements with M Resources immediately. The Company has agreed to grant M Resources exclusivity to undertake due diligence investigations in respect of the Dartbrook mine and to negotiate transaction documents for 28 days from today's date (subject to fiduciary carve-outs).

Given the proposed arrangements with M Resources are currently non-binding (other than the exclusivity arrangement) and subject to ongoing due diligence, there is no guarantee that the partnership with M Resources will eventuate and shareholders are cautioned against placing significant emphasis on any transaction with M Resources when subscribing for shares under the Entitlement Offer.

Details of Entitlement Offer

The Entitlement Offer is available to all registered shareholders who hold shares on the record date with a registered address in Australia or New Zealand, or certain other foreign jurisdictions determined by the directors at their discretion, and subject to being able to comply with local laws.

The Entitlement Offer is being made without a prospectus in accordance with section 708AA of the *Corporations Act 2001* (Cth) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84). An Offer Booklet will be despatched to eligible shareholders on or around 9 September 2022.

The Entitlement Offer is expected to open on 9 September and is currently expected to close on 20 September 2022.

Trading of entitlements

Entitlements are renounceable and will be tradeable on ASX or transferable off-market. This provides eligible shareholders the opportunity to sell some or all of their entitlements in order to realise value for those entitlements.

Trading of entitlements on ASX is expected to commence on 7 September 2022 (on a deferred settlement basis) and conclude on close of trading on 13 September 2022 (**Entitlement Trading Period**).

Eligible shareholders can also transfer in whole or in part their entitlement directly to another eligible person off-market.

It is the responsibility of the purchasers of entitlements to inform themselves of the 'eligibility criteria' (details of which will be set out in the Offer Booklet) for exercise. If holders of entitlements after the end of the Entitlement Trading Period do not meet eligibility criteria, they will not be able to exercise the entitlements purchased. If holders are not able to take up their entitlements, those entitlements will lapse and holders may receive no value for them.

Nominee for ineligible foreign shareholders

The Entitlement Offer is only being made to all registered shareholders who hold shares on the record date with a registered address in Australia or New Zealand, or certain other foreign jurisdictions determined by the directors at their discretion, and subject to being able to comply with local laws. The Company has appointed the Underwriter as nominee for ineligible foreign shareholders who will arrange the sale of entitlements that would have been offered to ineligible shareholders, with the net proceeds, if any, distributed to those shareholders.

Key dates for the Entitlement Offer

Key dates of the Entitlement Offer are provided in the indicative timetable below:

Event	Date* (2022)
Announcement of Entitlement Offer, Appendix 3B and 708AA notice	Friday, 2 September
Ex-date for Entitlement Offer and rights trading starts on ASX on a deferred settlement basis	Wednesday, 7 September
Record Date	7.00pm on Thursday, 8 September
Entitlement Offer opens Dispatch of Offer Booklet and Entitlement and Acceptance Form	Friday, 9 September
Entitlement trading on ASX ends	Tuesday, 13 September
New Shares under Entitlement Offer commence trading on ASX on deferred settlement basis	Wednesday, 14 September
Entitlement Offer closes (Closing Date)	5.00pm on Tuesday, 20 September
Announcement of shortfall (if any) under the Entitlement Offer	Wednesday, 21 September
Issue and allotment of shares under the Entitlement Offer; issue Appendix 2A	Monday, 26 September
Dispatch of holding statements	Tuesday, 27 September
Commencement of trading of new shares	Tuesday, 27 September

Note: All dates and times above are indicative and the Company reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), ASX Listing Rules and other applicable laws. All times and dates are in reference to Brisbane time. The commencement of quotation of new shares under the Entitlement Offer is subject to confirmation from ASX.

Additional Information

In conjunction with this announcement, the Company has today released to ASX a Cleansing Notice (in accordance with section 708AA(2)(f) of the *Corporations Act 2001* (Cth) and an Appendix 3B (New Issue Announcement) in connection with the Entitlement Offer. Further details about the Entitlement Offer are set out in these documents. Further details regarding the Entitlement Offer are expected to be released to the ASX on or around 9 September 2022.

This announcement has been authorised for release to ASX by the Board of Directors of Australian Pacific Coal Limited.

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