



Australian Pacific Coal

Company Update

Annual General Meeting – 30 November 2015
Managing Director's Presentation

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Summary



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- Australia's high quality thermal coal has a major role in reducing world's carbon emissions
- Better policy needed to regain Australia's reputation as preferred destination for foreign investment in coal
- Oversupply to continue in 2016: no near term catalyst for thermal or metallurgical coal price increases
- Unprecedented opportunity to acquire Tier 1 assets: both production and greenfield
- APC well positioned to:
 - Take advantage of acquisition opportunities
 - Consider investment in clean coal technology and innovations in the mining industry
 - Begin drilling on South Clermont and Mt Hillalong in Q1 2016



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Market Overview



- Both thermal and metallurgical coal markets remain oversupplied
- Tier 1 producers producing historically high volumes of coal in spite of this oversupply and downward pressure on pricing
- The next 12 months will remain tough for seaborne coal producers with no near term catalyst for thermal or metallurgical coal price increases
- Focus needs to be on cost reduction, productivity and returning to sustainable management practices such as 5 day operations
- Limited new production forecast due to tight capital markets and prices still declining
- Need to use this time of decreased investment to lay a platform for better policy to regain Australia's reputation as a preferred destination for foreign investment in the coal sector
- Better policy will provide stronger outcomes for communities and mining investment



- Approval process to move back to a more traditional program of being more procedural rather than discretionary
- Fixed timeframes for assessment of approvals
- Loopholes closed to reduce activism by outside interests with a single/global biased agenda
- Mining approvals are now the most stringent they have ever been. New mines are setting higher levels of environmental excellence compared to older existing mines, but are being compared against the older mining conditions and the cumulative effects they have
- Environment Protection and Biodiversity Conservation (“EPBC”) Act needs to be streamlined. Has moved from endangered species which should rightly be assessed to a general habitat which adds significant complexity and ambiguity to approvals process

Metallurgical Coal Overview



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- Queensland continues to maintain its position as the worlds premier exporter of metallurgical coal
- Markets remain soft with no current near term catalyst for price increases
- Strong balance sheets of Tier 1 producers sustaining losses of many operations at todays prices
- Sustainability of FIFO arrangements and 7 day roster salaries under review across the sector
- High cost of new infrastructure built through the boom such as northern missing link and WICET place any new entrants or mining developments at a major cost disadvantage to existing producers
- On top of the offsite costs barriers to entry remain high for new producers
 - Timeline of greenfield project assessment and approvals
 - Green tape and stalling tactics of anti-mining groups
 - Tight financial markets, both equity and debt
 - Access to infrastructure under take-or-pay regimes and onerous environmental bonding conditions

Metallurgical Coal Overview (cont.)



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Thermal Coal Overview



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- Demand at historic highs but market remains oversupplied
- Australian thermal coal will forever have a role to play in the world's power generation needs because of its quality
- China becoming a swing importer, its import needs will be driven by weather and the production of its domestic producers who can largely meet demand
- Significant Indonesia tonnage under threat at these prices
- Australia contains the best quality thermal coal in the world - its major advantage over its seaborne competitor Indonesia
- Australia's thermal coal quality has a major role to play in reducing the world's carbon emissions - major coal using regions such as China and India do not possess this quality
- Reputation for Foreign Investment has been battered in NSW in recent times:
 - Maules Creek Approval 5 years
 - Nucoal Decision (shareholders not to blame)
 - Moratorium on Exploration Licences has brought exploration and development spending to a standstill
 - PAC decision unreliable. Decisions need to be based on facts, not social media or biased media commentary
- NSW needs a clearer direction on approvals and timeline to regain its reputation as an attractive province for foreign investment

Thermal Coal Overview (cont.)



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Strong Future for Australian Coal



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- Australia's rich and abundant Metallurgical and Thermal Coals are the highest quality in the Seaborne market
- Australia's has Tier 1 assets and first class infrastructure to hold its position as the premier seaborne coal province globally
- Whilst Australia has the assets and infrastructure we need better policy to manage these resources and maximize their value
- Climate Change conscious countries and consumers in South East Asia should be favoring Australian thermal coal for their baseline power
- Industry needs to be more proactive in highlighting its substantive role in Australia's mining history and the efforts of its work force
- Australia has some of the highest productivity mines in the world
- Let's use the considerable skills and expertise of our people to progress innovation in better ways to mine and to use and mine the products

Positioning AQC in Today's Market



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- Continuing to assess the current portfolio of assets. Decisions to be made upon further review of other projects in the portfolio
- The industry is at a point in the cycle where many Tier 1 producers are under balance sheet stress or looking to exit the sector due to low prices
- Unprecedented opportunity to acquire Tier 1 assets either in production or greenfield
- Having no debt and a tight capital structure positions AQC well to make acquisitions
- Production assets much harder to acquire than exploration or greenfield as evidenced by the recent acquisition of a 40% interest in Bengalla by New Hope for US\$606m.
- Clean Coal Technology and Innovation in the mining process are other area's attractive for investment that have the ability to improve our business



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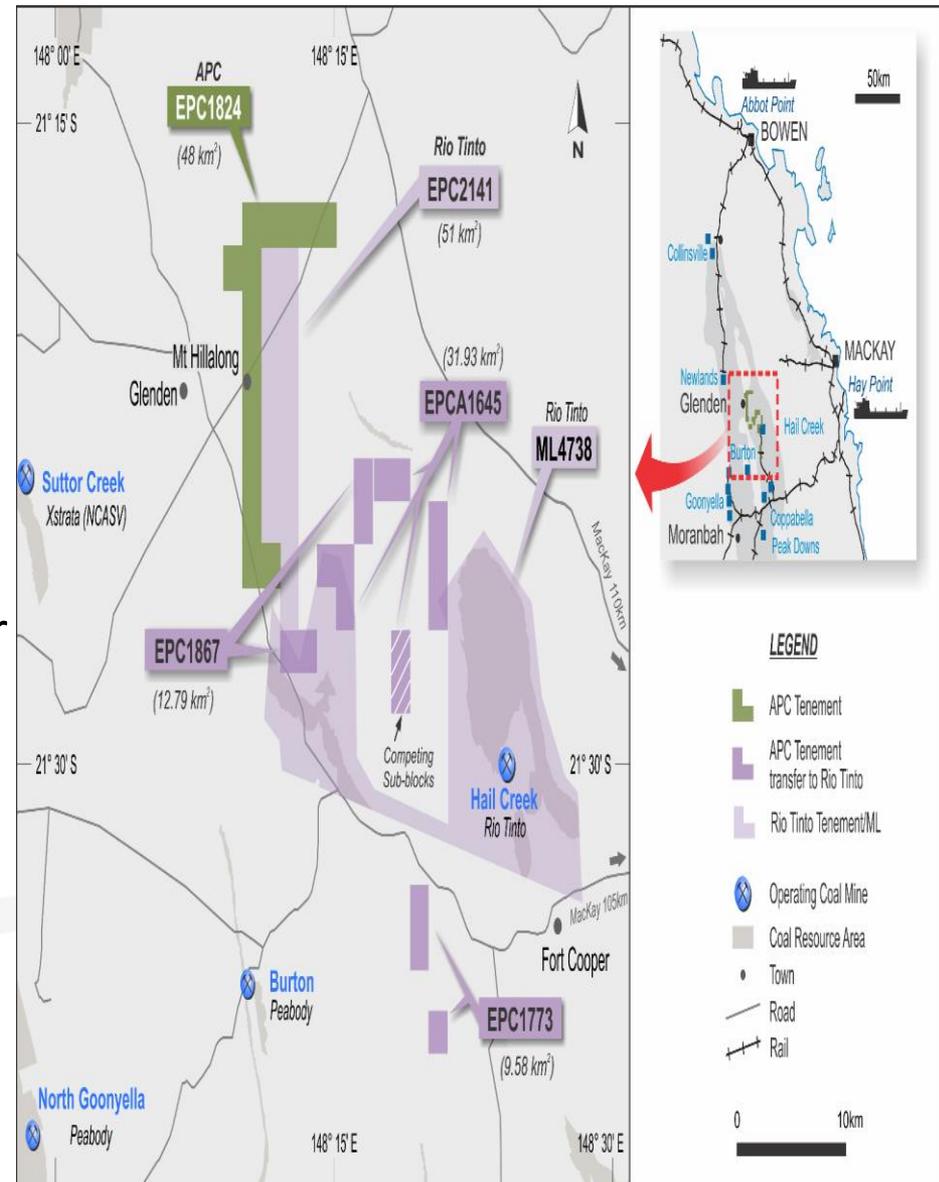
Exploration Update

Mt Hillalong



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- EPC 1824 is north west of the Hail Creek mine and west of the QCE MDL324 Mt Hillalong deposit. The exploration target is the Rangal Coal Measure (RCM) seams at depth.
- As part of a JV agreement with AQC, Rio drilled several drill holes in EPC 2141 and conducted mapping as well as seismic, and magnetic surveys over the area.
- Two drill holes are planned in the undrilled north of the EPC targeting seams in the Rangal Coal Measures.
- These holes are to be chipped drilled to approximately 400m.



Where To Now



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- Commence drilling on South Clermont and Mt Hillalong 1st Quarter 2016
- Currently assessing several opportunities in the market from exploration to producing assets
- Will be hard for any vendor to get enhanced value with so many assets on the market
- 2016 will remain a tight market for pricing and hold down values of assets, many miners to be capital constrained limiting the competition for assets
- Market remains tight for capital both equity and debt which will limit's competition for assets – Vendors still realigning the value of their assets against todays coal price or their own share price remain the major impediment to transactions
- Many assets to buy but only the best assets will sell – buyers can be selective



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