

# Rights Issue Offer Document

## Pursuant to s708AA(2) *Corporations Act 2001* (Cth)

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A non renounceable rights issue to existing shareholders of Australian Pacific Coal Limited ACN 089 206 986 of 1 fully paid ordinary share for every 1 Share held at an Issue Price of \$0.004 to raise up to approximately \$1,539,763.48 before costs of the Offer.

### **Important notice**

This document is not a prospectus. This document does not contain all of the information that an investor may require in order to make an informed investment decision regarding the New Shares offered by this document. The New Shares offered by this document should be considered speculative.

This document should be read in its entirety. If after reading this document you have any questions about the Offer or the New Shares then you should consult your stockbroker, accountant or other professional advisor.

## Important information

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### Offer statistics

Number of New Shares to be issued: ..... up to 384,940,869

Issue Price: ..... \$0.004

### Key dates for investors

Record Date for determining entitlements under the Issue: .. 1 October 2015 at 7.00pm (Brisbane time)

Offer opens: ..... 6 October 2015 at 9.00am (Brisbane time)

Offer expected to close: ..... 19 October 2015 at 5.00pm (Brisbane time)

Commencement of trading of New Shares on ASX: .....26 October 2015

Expected date for despatch of New Shareholding statements: .....26 October 2015

Further details regarding the timetable for the Offer are set out in section 1.3. All dates are subject to change and accordingly are indicative only. In particular, the Company has the right to vary the dates of the Offer, without prior notice. Investors are encouraged to submit their Entitlement and Acceptance Forms as soon as possible after the Offer opens.

### Important notice

The Offer made pursuant to this Offer Document is for a rights issue of continuously quoted securities (as defined in the *Corporations Act 2001* (Cth) (**Corporations Act**)) of the Company. This Offer Document is not a disclosure document for the purposes of chapter 6D of the *Corporations Act*. The Company is offering the securities under this Offer Document without disclosure to investors under chapter 6D of the *Corporations Act* pursuant to section 708AA of the *Corporations Act*. Accordingly, the level of disclosure contained in this Offer Document is significantly less than that required under a prospectus and Eligible Shareholders should consider all relevant facts and circumstances, including their knowledge of the Company and disclosures made to the ASX and should consult their professional advisors before deciding whether to accept the Offer.

This Offer Document is dated 25 September 2015 and was lodged with the ASX on that date. The ASX does not take any responsibility for the contents of this Offer Document.

Securities will only be issued on the basis of this Offer Document in accordance with the terms set out in this Offer Document.

As at the date of this Offer Document, the Company has complied with:

- the provisions of chapter 2M of the *Corporations Act*, as they apply to the Company; and
- section 674 of the *Corporations Act*.

The Offer is only made to those Shareholders who are Eligible Shareholders on the Record Date (being Shareholders who have a registered address in Australia, New Zealand, Hong Kong or Singapore or with a registered address in the United States (where the Company reasonably believes that the Offer to the person, and the purchase of the New Shares by the person will be in transactions

exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws).

### **No excluded information**

As at the date of this Offer Document the Company is not aware of any excluded information of the kind which would require disclosure in this Offer Document pursuant to subsections 708AA(8) and (9) of the *Corporations Act*.

### **Foreign shareholders**

This document does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

The Company has decided that it is unreasonable to make offers under the Issue to Shareholders with registered addresses outside of Australia, New Zealand, Hong Kong and Singapore and to those who have a registered address in the United States of America who the Company reasonably believes an offer to and purchase of New Shares will not be transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws having regard to the number of Shareholders in those places, the number and value of the New Shares they would be offered and the cost of complying with the legal and regulatory requirements in those places. Accordingly, the Offer is not being extended to, and does not qualify for distribution or sale by, and no New Shares will be issued to Shareholders having registered addresses outside of Australia, New Zealand, Hong Kong or Singapore or Shareholders with a registered address in the United States where the Company reasonably believes an offer to the person and the purchase of New Shares by the person will not be in transactions exempt from, or will be subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

The Company has not made any investigation as to the regulatory requirements that may prevail in the countries outside of Australia, New Zealand, Hong Kong, Singapore and the United States (for investors who purchase the New Shares in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws), in which the Company's Shareholders may reside. It is the responsibility of overseas Applicants to ensure compliance with all laws of any country relevant to their Acceptance. The Offer may only be accepted by Eligible Shareholders and does not constitute an offer in any place in which, or to any person to whom, it would be unlawful to make such an offer.

The distribution of this Offer Document in jurisdictions outside Australia, New Zealand, Hong Kong, and Singapore or in the United States other than to those who are investors in the United States who purchase the New Shares in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws may be restricted by law and persons who come into possession of this Offer Document should seek advice on and observe those restrictions. Any failure to comply with restrictions might constitute a violation of applicable securities laws.

The Company has been granted a modification by ASIC pursuant to section 655A(1)(b) of the *Corporations Act* so that Item 10(b) in section 611 of the *Corporations Act* is modified such that this item will be complied with if offers under the Rights Issue are made to Shareholders with registered addresses in Australia, New Zealand, Hong Kong, Singapore and the United States (where the Company reasonably believes that the Offer to the person is exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws as at the date of the offer and the person may accept an offer and other conditions are met.

## **New Zealand**

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand)*.

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978 (New Zealand)*. This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

## **Hong Kong**

**WARNING:** The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## **Singapore**

This document and any other materials relating to the rights and the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares may not be issued, circulated or distributed, nor may these securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the *Securities and Futures Act*, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the rights or the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## **United States**

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

## **Notice to nominees and custodians**

Nominees and custodians may not distribute any part of this offer document, and may not permit any beneficial shareholder to participate in the Offer, in any country outside Australia except (i) to beneficial shareholders of the Company resident in Singapore and (ii) with the consent of the Company, to beneficial shareholders resident in certain other countries where the Company may determine it is lawful and practical to make the Offer.

## **How to accept Entitlement to New Shares**

Entitlements to New Shares can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which is accompanying this Offer Document or making payment of Acceptance money by BPAY® in accordance with the instructions set out in this Offer Document and on the Entitlement and Acceptance Form.

This Offer Document is available in electronic form on the internet at [www.aqcltd.com](http://www.aqcltd.com). If you wish to obtain a free copy of this Offer Document, please contact the Company on +61 7 3221 0679 or at [cosec@aqcltd.com](mailto:cosec@aqcltd.com).

## **Enquiries**

If you are an Eligible Shareholder and have any questions in relation to the Offer, please contact your stockbroker or professional adviser. If you have questions in relation to the Shares upon which your Entitlement has been calculated, about how to complete the Entitlement and Acceptance Form or how to take up your Entitlement, please call the Company Secretary on +61 7 3221 0679.

## **Deciding to accept the Offer**

No person named in this Offer Document, nor any other person, guarantees the performance of Australian Pacific Coal, the repayment of capital or the payment of a return on the New Shares.

Please read this document carefully before you make a decision to invest. An investment in the Company has a number of specific risks which you should consider before making a decision to invest. Some of these risks are summarised in section 6. This Offer Document is an important document and you should read it in full before deciding whether to invest pursuant to the Offer. You should also have regard to other publicly available information about the Company, including ASX announcements, which can be found at the Company's website: [www.aqcltd.com](http://www.aqcltd.com).

## **Terms used**

A number of terms and abbreviations used in this Offer Document have defined meanings, which are explained in the definitions and glossary in section 8.

Money as expressed in this Offer Document is in Australian dollars unless otherwise indicated.

## **Forward looking statements**

Some of the information contained in this Offer Document constitutes forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements include those containing such words as 'anticipate', 'estimate', 'should', 'will', 'expects', 'plans' or similar expressions. These statements discuss future objectives or expectations concerning results of operations or financial conditions or provide other forward-looking information. The Company's actual results, performance or achievements could be significantly different from the results or objectives expressed in, or implied by, those forward-looking statements. This Offer Document details some important factors that could cause the Company's actual results to differ from the forward-looking statements made in this Offer Document.

## **No representations**

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation in connection with the Offer not contained in this Offer Document may not be relied on as having been authorised by the Company or its officers. This Offer Document does not provide investment advice or advice on the taxation consequences of accepting the Offer. The Offer and the information in this Offer Document do not take into account your investment objectives, financial situation and particular needs (including financial and tax issues) as an investor.

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## Chairman's letter

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25 September 2015

Dear Shareholder,

On behalf of the Directors I am pleased to invite you to take up your entitlement to new ordinary fully paid shares (**New Shares**) in Australian Pacific Coal Limited (**Issue**).

As announced on 29 July 2015, the Company is making a non-renounceable rights issue of 1 Share for every 1 Share held in Australian Pacific Coal Limited on the Record Date at an Issue Price of \$0.004 per Share, to raise up to approximately \$1,539,763.48 before the costs of this Issue.

In addition to undertaking the Issue, the Company has recently undertaken a placement which raised \$216,000 and has secured further placements in a total amount of \$13.2 million from two cornerstone investors Bentley Resources Pte Ltd (**Bentley**) and Trepang Services Pty Ltd (**Trepang**), subject to a number of conditions being satisfied including shareholder approval being obtained. The placement amount of \$13.2 million was placed in an escrow account with the Company's solicitors pending completion of those further placements. In early September the Company received an advance of \$100,000 from each of Bentley and Trepang by way of convertible loans from the funds in escrow (which will convert into shares subject to shareholder approval). The Company welcomes this investment as an endorsement of its projects. Further details regarding the placement to Bentley and Trepang are set out in the meeting materials and independent expert's report to be despatched to Shareholders in the near future. We welcome the confidence that the new investors have demonstrated in the value of AQC's projects.

The Issue Price is the same price at which the recent placement was undertaken on 22 July 2015 and the same price as the proposed placement to raise \$13.2 million. This Issue Price represents a 35.5% discount to the 20 day volume-weighted average price of Shares (being \$0.0062) as at 24 September 2015.

It is proposed that the funds raised from the Issue will be applied for the purposes of progressing the Company's exploration program, providing additional working capital and to cover the costs of the Issue. The Issue is being undertaken as a stand-alone capital raising and will take place regardless of the status or completion of the proposed placements to Bentley and Trepang.

Pursuant to the *Corporations Act*, Australian Pacific Coal Limited is not required to prepare a prospectus for the Issue. A summary of the key information with respect to the Issue is set out in this Offer Document. Please read the Offer Document carefully before deciding whether or not to invest. If there is any matter on which you require further information, you should consult your stockbroker, accountant or other professional advisor.

A personalised Entitlement and Acceptance Form is attached to this Offer Document and sets out the number of New Shares you are entitled to subscribe for as an Eligible Shareholder (**Entitlement**). There is the option for all Eligible Shareholders to apply for additional shares (**Additional Shares**). Entitlements to New Shares can be accepted in full or in part and applications for Additional Shares can be made by completing and returning the Entitlement and Acceptance Form or making payment of Acceptance money by BPAY in accordance with the instructions set out below and on the Entitlement and Acceptance Form. Subscription money for the New Shares must be received by the Company at its Share Registry by the Closing Date. Please refer to the timetable for the important dates of the Offer.

The Offer is non-renounceable and therefore your Entitlements will not be tradeable on the ASX or otherwise transferable. The offer is not underwritten.

We look forward to continuing the process towards the exploration and development of our projects and thank our existing shareholders for their continued support. On behalf of the Directors, I invite you to consider this investment opportunity.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. A. Ziegler', with a stylized flourish extending to the right.

Peter Alexander Ziegler  
Non-Executive Chairman  
Australian Pacific Coal Limited

## 1. Offer details

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### 1.1 The Offer

This Offer Document is for the non-renounceable rights issue of approximately 384,940,869 New Shares at an Issue Price of \$0.004 per New Share, on the basis of 1 New Share for every 1 Share held by Eligible Shareholders as at the Record Date.

The Offer is an offer to Eligible Shareholders only.

The Offer is not underwritten.

The Issue Price of \$0.004 per New Share is the same price at which the recent placement was undertaken on 22 July 2015 and the same price as the proposed placement to Bentley and Trepang and the Convertible Loans which will raise \$13.2 million in total. The Issue Price represents a 35.5% discount to the 20 day volume-weighted average price for Shares (being \$0.0062) as at 24 September 2015.

On the same date as announcing the Issue, the Company applied to the ASX for the New Shares to be granted official quotation on the ASX. Official quotation of the New Shares is expected to occur on or about 26 October 2015.

The Issue is being undertaken as a stand-alone capital raising and will take place regardless of the status or completion of the Proposed Placements. However, the Directors may at any time decide to withdraw this Offer Document and the offer of New Shares made under this Offer Document, in which case the Company will return all Application Money (without interest) within 28 days of giving notice of such withdrawal.

There are currently no options or other convertible securities on issue in the Company.

### 1.2 Minimum subscription

There is no minimum subscription to the Issue.

### 1.3 Important dates

<b>Lodge Offer Document, application for official quotation of New Shares and Section 708AA notice with ASX</b>	25 September 2015
<b>Letter to shareholders</b>	28 September 2015
<b>Ex Date</b>	29 September 2015
<b>Record Date for the Issue</b>	1 October 2015 at 7.00pm (Brisbane time)
<b>Despatch of Offer Document and Acceptance Form</b>	6 October 2015
<b>Opening Date of Offer</b>	6 October 2015 at 9.00am (Brisbane time)
<b>Closing Date of Offer</b>	19 October 2015 at 5.00pm (Brisbane time)
<b>Issue of New Shares</b>	23 October 2015
<b>Commencement of trading of New Shares on ASX</b>	26 October 2015
<b>Despatch of New Shares holding statements</b>	26 October 2015

The dates set out in this table are subject to change and are indicative only. The Company reserves the right to alter this timetable at any time, subject to the *Corporations Act* and the Listing Rules, without notice.

The Directors, subject to the requirements of the Listing Rules and the *Corporations Act*, reserve the right to:

- (a) withdraw the Offer without prior notice; or
- (b) vary any of the important dates set out in this Offer Document, including extending the Offer.

#### 1.4 Purpose of the Issue

The Directors intend to apply the proceeds from the Issue to provide funds for the purposes of:

- (a) progressing the Company's exploration program;
- (b) the costs of the Issue; and
- (c) working capital.

The proceeds from the Issue (assuming it is fully subscribed) are proposed to be allocated in the following manner:

Proposed use of funds	
Progressing the Company's exploration program	\$894,763.48
Estimated costs of the Issue (including legal fees, Share Registry fees, ASX fees and other miscellaneous costs associated with the Offer)*	\$45,000.00
Working capital	\$600,000.00
<b>Total (maximum raising)</b>	<b>\$1,539,763.48</b>

\* Assumes that the Offer is fully subscribed, and does not take account of brokerage (if any) discussed at section 7.3

However, in the event that circumstances change or other better opportunities arise the Directors reserve the right to vary the proposed uses to maximise the benefit to Shareholders.

Should the conditions precedent to the Proposed Placements be satisfied (as detailed in section 3.2), then the additional \$13,000,000 raised will be applied to progress and expedite the exploration programmes planned for the Company's existing suite of coal assets in Queensland, provide working capital to the Company and cover the costs of the Proposed Placements. The \$200,000 raised by way of the Convertible Loans, will be used to provide working capital and to meet the costs associated with the Shareholders Meeting and the Rights Issue.

In particular, the Company's first priority upon the completion of the Proposed Placements and the Issue is to investigate the potential for a stand-alone open cut metallurgical mine at the Hillalong Project area (comprising tenements Mount Hillalong, Mount Hess and Mount Hess West) formerly subject to an option agreement with Rio Tinto. The Company will also conduct detailed exploration and drilling programmes on the Company's key target areas, including Cooroorah, South Clermont and Dingo tenements. Subject to exploration results, the Company will commence a scoping study to investigate the Cooroorah Project as a low cost underground development to produce hard coking coal.

## 1.5 Investment highlights

Australian Pacific Coal is focused on acquiring and developing coking, PCI and thermal coal deposits in Queensland, Australia. The Company holds interests in ten coal exploration permits (**EPC**) (one of which is under application) and one mineral development licence (**MDL**) in the Bowen Basin, three EPC's in the Surat basin and one EPC in the Galilee Basin.

Having identified prospective areas for further exploration, the Company is now focused on working towards further exploring the commercial value of the coal projects. Further information in relation to the Company's projects can be found on the Company's website [www.aqcltd.com](http://www.aqcltd.com) or at [www.asx.com.au](http://www.asx.com.au).

The Issue provides Eligible Shareholders with an opportunity to gain a further interest in the Company prior to the Proposed Placements being undertaken. This will provide Eligible Shareholders with greater exposure to the advancement of projects the Company will undertake following the completion of the Proposed Placements.

The funds raised from the Issue together with the funds to be raised pursuant to the Proposed Placements will be used to investigate the potential for a stand-alone open cut metallurgical mine at the Hillalong Project area (comprising tenements Mount Hillalong, Mount Hess and Mount Hess West) formerly subject to an option agreement with Rio Tinto. The Company will also conduct detailed exploration and drilling programmes on the Company's key target areas, including Cooroorah, South Clermont and Dingo tenements. Subject to exploration results, the Company will commence a scoping study to investigate the Cooroorah Project as an underground development to produce hard coking coal.

## 1.6 Risk factors

Eligible Shareholders should be aware that an investment in the Company is subject to investment and other known and unknown risks, including possible loss of income and the principal invested. Investors should carefully read the section on risk factors outlined in section 6. An investment of this kind involves a number of risks, a number of which are specific to the Company and the industry in which it operates.

The following sets out a summary of some of the key risks relevant to the Company and its operations (further detail is contained in Section 6):

<b>Risk</b>	<b>Details</b>
Operational risks	The operations of Australian Pacific Coal may be disrupted by a variety of risks and hazards which are beyond the control of the Company.
Land Access risks	Land access is critical for exploration and evaluation to succeed. Access to land for exploration purposes can be affected by factors such as land ownership and Native Title claims.
Environmental risks	The Tenements are subject to laws and regulations regarding environmental matters, which mean there are potential liability risks.
Government policy and taxation	Changes in relevant taxation, interest rates, other legal, legislative and administrative regimes, and Government policies in Australia (at Federal and State level), may have an adverse effect on the assets, operations and ultimately the financial performance of Australian Pacific Coal.
Future funding	The Company will require funds from various sources in order to allow it to continue as a going concern and finance its exploration activities and develop its projects. There can be no assurance that the Company will be able to receive such funds on acceptable terms or in a timely manner or at all. There can also be no assurance that the Proposed Placements will complete or that Shareholders will approve the conversion of the

<b>Risk</b>	<b>Details</b>
	Convertible Loans into Shares (in which case the Convertible Loans must be repaid within 5 business days of 30 November 2015).  Shareholders will not know the outcome of the Shareholders Meeting or whether or not the Proposed Placements will complete when deciding whether or not to participate in the Offer.
Potential for significant dilution	Shareholders should be aware that to the extent that they do not accept their Entitlements in full, a Shortfall will arise and all or part of any Shortfall may be placed by the Company to other parties in which case their interest in the Company may be significantly diluted (by up to 50%).
Cornerstone investors	In the event that the Proposed Placements complete, the Convertible Loans are converted into Shares and assuming the Issue is fully subscribed, each of Bentley and Trepang will hold a 41.87% interest in the Shares of the Company. Further, Trepang is presently regarded as an Associate of Bentley, and Bentley is presently regarded as an Associate of Trepang. The Company notes however that this does not necessarily mean that Trepang and Bentley will always be regarded as Associates. Assuming full subscription under the Offer, that each of the Proposed Placements complete and that Convertible Loans are fully converted into Shares, the combined relevant interest in the Shares of the Company of each of Trepang and Bentley would be 83.74%. In such case, each of Bentley and Trepang will have a significant influence on all matters requiring Shareholder approval.
Tenement risks	All mining licences and exploration permits in which Australian Pacific Coal has an interest will require renewal from time to time. Additionally, Australian Pacific Coal has also applied for the grant of an EPC. If for any reason a licence or permit is not renewed or granted then Australian Pacific Coal may suffer damage and as a result may be denied the opportunity to develop certain mineral resources.
Exploration and production	Tenements in which Australian Pacific Coal has an interest are at various stages of exploration. There can be no assurance that exploration of the project areas will result in the discovery of an economic reserve.
Counterparty Contractual Compliance	Australian Pacific Coal's success is dependent on the extent of contractual compliance by its partners, particularly with respect to joint venture arrangements.
Coal Price	The ability of Australian Pacific Coal to successfully monetise its projects will depend upon the market for coal and the price for coal.

Further details regarding risks which may affect the Company in the future are set out in Section 6.

The Company has implemented strategies, actions, systems and safeguards for known risks. However, some risks are beyond its control. Consequently, the prevailing price or value of New Shares issued under the Offer may be more or less than the Issue Price.

The New Shares offered under this Offer carry no guarantee of profitability, dividends, return of capital or the price at which they may trade on ASX. The past performance of the Company should not necessarily be considered a guide to their future performance.

## 1.7 Directors Intentions in respect of Entitlements

As at the date of this Offer Document, some of the Directors have either a direct or indirect interest in Shares. Set out below is a table summarising the Entitlement of each Director (based on their current holding) and how they intend to treat their Entitlement.

Director	Shares	New Share Entitlement	Intentions
Mr. Peter Zeigler	3,284,167	3,284,167	Take up Entitlement in full
Mr. Paul Byrne	22,667,804	22,667,804	May take up part of Entitlement, however amount unknown
Mr. Paul Ingram	1,150,000	1,150,000	No take up of Entitlement
Mr. Paul Ryan	Nil	Nil	Not applicable

### 1.8 New Share terms

Each New Share will rank equally with all existing Shares then on issue. Full details of the rights and liabilities attaching to the Shares are set out in the Company's constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

### 1.9 No rights trading

Entitlements to New Shares pursuant to the Issue are non-renounceable and accordingly will not be traded on the ASX.

### 1.10 Acceptance of Entitlement to New Shares

The number of New Shares to which each Eligible Shareholder is entitled is calculated as at the Record Date and is shown on the personalised Entitlement and Acceptance Form accompanying this Offer Document. This Offer Document is for the information of Eligible Shareholders who are entitled and may wish to apply for the New Shares. Fractional entitlements will be rounded up to the nearest whole number.

Entitlements to New Shares can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which is attached to this Offer Document in accordance with the instructions set out below and on the Entitlement and Acceptance Form.

### 1.11 Additional Shares

Eligible Shareholders are entitled to apply for Additional Shares over and above their Entitlement at the Offer Price.

Any Entitlements not taken up may become available as Additional Shares. Eligible Shareholders wishing to apply for Additional Shares in addition to the Entitlement as shown on the Entitlement and Acceptance Form may indicate on their Entitlement and Acceptance Form the Additional Shares they wish to apply for. Please refer to section 2.1 for details on how to apply for Additional Shares.

Eligible Shareholders may, in addition to their Entitlement, apply for Additional Securities regardless of the size of their present holding. It is possible that there may be few or no Additional Securities available for issue, depending on the level of take up of Entitlements by Shareholders. There is also no guarantee that in the event Additional Shares are available for issue, they will be allocated to all or any of the Eligible Shareholders who have applied for them. The Company reserves the right to scale back any applications for Additional Shares in its absolute discretion and it is an express term of the Offer that applicants for Additional Shares will be bound to accept a lesser number of Additional Shares allocated to them than

applied for. If a lesser number is allocated to them, excess application money will be refunded without interest as soon as practicable after all Additional Shares have been issued.

The Company will not allocate or issue Additional Shares where it is aware that to do so would result in a breach of the *Corporations Act*, the Listing Rules or any other relevant legislation or law. Eligible Shareholders wishing to apply for Additional Shares must consider whether or not the issue of the Additional New Shares applied for would breach the *Corporations Act* or the Listing Rules having regard to their own circumstances.

#### 1.12 Placement of Shortfall

The Offer is not underwritten. Eligible Shareholders can apply for additional New Shares in addition to their Entitlement.

Shareholders should be aware that to the extent that they do not accept their Entitlements in full, a Shortfall will arise and all or part of any Shortfall may be placed by the Company to other parties in which case their interest in the Company may be diluted (see section 4 for further details). Further, the Offer is not being extended to Shareholders with registered addresses outside of Australia, New Zealand, Hong Kong, Singapore and the United States and the holdings of those Shareholders in the Company will be diluted by the Offer. Given the terms of the Offer, the interests of a Shareholder in the Company may be diluted by up to 50% in the event that they are not eligible to participate or elect not to accept their Entitlement in full if the Offer is fully subscribed or alternatively, any Shortfall is fully placed (this does not take into consideration any dilution which may arise as a result of the issue of Shares pursuant to the Proposed Placements details of which are set out in section 4).

In the event that there is a Shortfall in subscriptions under the Issue, the Directors reserve the right, as contemplated within the Listing Rules, to allocate any Shortfall of New Shares in their discretion and to conduct a placement of the remaining Shortfall so as to ensure a maximum amount of funds are raised.

Any Shortfall will be issued within three months after the Closing Date at an Issue Price being not less than the Offer Price.

Acceptance of Entitlements or the placement of any Shortfall may also result in existing Shareholders or new investors significantly increasing their interest in the Company or obtaining a substantial interest in the Company. However, the Shortfall will only be placed in a manner which will ensure that no Shareholder or other investor will, as a consequence of taking up their Entitlement and being issued any Shortfall, breach the takeover prohibitions in Chapter 6 of the *Corporations Act* (including as modified by ASIC) which generally prohibits a person holding a relevant interest of more than 20% of all of the Shares in the Company, subject to certain exceptions.

The Company has been granted a modification by ASIC pursuant to section 655A(1)(b) of the *Corporations Act* so that Item 10(b) in section 611 of the *Corporations Act* is modified such that this item will be complied with if offers under the Rights Issue are made to Shareholders with registered addresses in Australia, New Zealand, Hong Kong, Singapore and the United States (where the Company reasonably believes that the Offer to the person is exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws as at the date of the Offer and the person may accept an offer and other conditions are met. On the basis that the Company complies with all conditions of the relevant instrument issued by ASIC, the Rights Issue will meet the requirements of Item 10 of section 611 of the *Corporations Act* and as such, if a person acquires securities pursuant to their Entitlement and this has the effect of increasing a person's relevant interest in Shares to more than 20%, such acquisition will be exempt from the takeover prohibitions contained in chapter 6 of the *Corporations Act*.

### 1.13 Allotment and allocation policy

The Company will proceed to allocate New Shares as soon as possible after the Closing Date and receiving ASX permission for official quotation of the New Shares.

Successful Applicants will be notified in writing of the number of New Shares allocated to them as soon as possible following the allocation being made.

It is the responsibility of Applicants to confirm the number of New Shares allocated to them prior to trading in New Shares. Applicants who sell New Shares before they receive notice of the number of New Shares allocated to them do so at their own risk.

### 1.14 ASX listing

On the same date as lodging this Offer Document with the ASX, the Company applied to the ASX for the New Shares to be issued pursuant to this Offer Document to be listed for official quotation by the ASX. If granted, quotation of the New Shares will commence as soon as practicable after allotment of the New Shares to Applicants. It is the responsibility of the Applicants to determine their allocation of New Shares prior to trading.

### 1.15 CHESS

The Company will apply for the New Shares to participate in CHESS, in accordance with the ASX Listing Rules and ASX Settlement Operating Rules.

The Company will not issue certificates to Shareholders with respect to the New Shares. After allotment of the New Shares, Shareholders who are issuer sponsored will be provided with an issuer sponsored statement and those who are CHESS holders will receive an allotment advice.

The CHESS statements, which are similar in style to bank account statements, will set out the number of New Shares allotted to each successful applicant pursuant to this Offer Document. The statement will also advise holders of their holder identification number. Further statements will be provided to holders which reflect any changes in their holding in the Company during a particular month.

### 1.16 Overseas Shareholders

The Company has not made investigations as to the regulatory requirements that may prevail in the countries outside of Australia, New Zealand, Hong Kong, Singapore and the United States in which the Company's Shareholders reside.

This Offer Document and accompanying forms do not, and are not intended to, constitute an offer of New Shares in any place outside of Australia, New Zealand, Hong Kong, Singapore or the United States in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer or that form.

The distribution of this Offer Document and the accompanying form in jurisdictions outside of Australia, New Zealand, Hong Kong, Singapore and the United States may be restricted by law and persons who come into possession of this Offer Document and the accompanying form should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws.

The Company has decided that it is unreasonable to make offers under the Issue to Shareholders with registered addresses outside of Australia, New Zealand, Hong Kong, Singapore and the United States of America (where the Company reasonably believes that the Offer to the person, and the purchase of the New Shares, will be in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US

state securities laws) (**Ineligible Shareholders**) having regard to the number of Shareholders in those places, the number and value of the New Shares they would be offered and the cost of complying with the legal and regulatory requirements in those places. Accordingly, the Offer is not being extended to, and does not qualify for distribution or sale by, Ineligible Shareholders and no New Shares will be issued to Ineligible Shareholders.

In particular, this Offer is not made to any person who is ineligible under applicable securities laws in any country to receive an offer under the Offer Document without any requirement for a prospectus to be lodged or registered.

See the Important Information section at the beginning of this Offer Document for further information on Offer restrictions with respect to Shareholders who do not have registered addresses in Australia.

#### 1.17 **Notice to nominees and custodians**

Nominees and custodians may not distribute any part of this Offer Document, and may not permit any beneficial shareholder to participate in the Offer, in any country outside Australia except to beneficial shareholders of the Company resident in Singapore or with the consent of the Company, to beneficial shareholders resident in certain other countries where the Company may determine it is lawful and practical to make the Offer.

#### 1.18 **Electronic Offer Document**

An electronic version of this Offer Document is available on the Internet at [www.aqcltd.com](http://www.aqcltd.com).

The Entitlement and Acceptance Form may only be distributed together with a complete and unaltered copy of the Offer Document. The Company will not accept a completed Entitlement and Acceptance Form if it has reason to believe that the investor has not received a complete paper copy or electronic copy of the Offer Document or if it has reason to believe that the Entitlement and Acceptance Form or electronic copy of the Offer Document has been altered or tampered with in any way.

While the Company believes that it is extremely unlikely that in the Offer period the electronic version of the Offer Document will be tampered with or altered in any way, the Company cannot give any absolute assurance that it will not be the case. Any investor in doubt concerning the validity or integrity of an electronic copy of the Offer Document should immediately request a paper copy of the Offer Document directly from the Company or the Share Registry.

## 2. How to apply

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### 2.1 How to accept your entitlement

Eligible Shareholders may accept their Entitlement either in whole, in part or in excess of your Entitlement. The number of New Shares which Eligible Shareholders are entitled to is shown on the Entitlement and Acceptance Form which accompanies this Offer Document.

Eligible Shareholders may participate in the Entitlement Offer as follows:

#### (a) Take up your Entitlement in full and apply for Additional Shares

If you are an Eligible Shareholder and you wish to take up all of your Entitlement and apply for Additional Shares in excess of your Entitlement, please:

- complete the Entitlement and Acceptance Form, which accompanies this Offer Document, by inserting the number of New Shares for which you wish to accept the Entitlement Offer under this Offer Document plus the number of Additional Shares (being more than your Entitlement as specified on the Entitlement and Acceptance Form); and
- forward the completed Entitlement and Acceptance Form together with your cheque or bank draft for the total amount payable (including the amount payable for the Additional Securities) to reach the Company's Share Registry,

so that it is received by no later than 5.00pm (AEST) on the Closing Date or such later date as the Directors determine.

Cheques and bank drafts, in **Australian currency**, should be made payable to Australian Pacific Coal Limited and crossed "not negotiable".

If you intend to pay for the New Shares by BPAY, there is no need to return the Entitlement and Acceptance Form but you must ensure that your payment is received by no later than 5:00pm (AEST) on the Closing Date or such later date as the Directors' determine (keeping in mind that payments made by BPAY may take one or more Business Days to clear). Please refer to the information below regarding payment by BPAY.

#### (b) Take up your Entitlement in full

If you are an Eligible Shareholder and wish to take up all of your Entitlement, please:

- complete the Entitlement and Acceptance Form, which accompanies this Offer Document, in accordance with the instructions set out on the form; and
- forward your completed Entitlement and Acceptance Form, together with your cheque or bank draft for the amount shown on your Entitlement and Acceptance Form, in the reply paid envelope to reach the Company's Share Registry,

so that it is received by no later than 5:00pm (AEST) on the Closing Date or such later date as the Directors' determine.

Cheques and bank drafts, in **Australian currency** should be made payable to Australian Pacific Coal Limited and crossed "not negotiable".

If you intend to pay for the New Shares by BPAY, there is no need to return the Entitlement and Acceptance Form but you must ensure that your payment is received by no later than 5:00pm (AEST) on the Closing Date or such later date as the Directors' determine (keeping in

mind that payments made by BPAY may take one or more Business Days to clear). Please refer to the information below regarding payment by BPAY.

**(c) Take up some of your Entitlement**

If you are an Eligible Shareholder and wish to take up only some of your Entitlement, please:

- complete the Entitlement and Acceptance Form, which accompanies this Offer Document, by inserting the number of New Shares for which you wish to accept the Entitlement Offer under this Offer Document (being less than your Entitlement as specified on the Entitlement and Acceptance Form); and
- forward the completed Entitlement and Acceptance Form together with your cheque or bank draft for the total amount payable to reach the Company's Share Registry,

so that it is received by no later than 5.00pm (AEST) on the Closing Date or such later date as the Directors determine.

Cheques and bank drafts, in **Australian currency**, should be made payable to Australian Pacific Coal Limited and crossed "not negotiable".

If you intend to pay for the New Shares by BPAY, there is no need to return the Entitlement and Acceptance Form but you must ensure that your payment is received by no later than 5:00pm (AEST) on the Closing Date or such later date as the Directors' determine (keeping in mind that payments made by BPAY may take one or more Business Days to clear). Please refer to the information below regarding payment by BPAY.

**(d) Do nothing**

You may do nothing, in which case you will have no right to subscribe for New Shares and no New Shares will be issued to you. However, if you are an Eligible Shareholder and you do nothing, then New Shares representing your Entitlement may be sold to an Eligible Shareholder who applies for Additional Shares or other third parties procured by the Directors in exercising their discretion in placing any Shortfall.

You should also note that, if you do not take up your Entitlement, then although you will continue to own the same number of Shares, your percentage shareholding in the Company will decrease.

**(e) General**

If you have any queries concerning your Entitlement, please contact the Company Secretary on +61 7 3221 0679 or contact your stockbroker or professional adviser.

Entitlement and Acceptance Forms and accompanying cheques or bank drafts may be lodged at any time before the Closing Date. Applications received after the Closing Date may not be accepted. The Company will not be responsible for postal or delivery delays.

You should ensure that sufficient funds are held in the relevant account(s) to cover the Acceptance Monies. If the amount of your cheque for Acceptance Monies is insufficient to pay in full for the number of whole New Shares you have applied for in your Entitlement and Acceptance Form, you will be taken to have applied for such lower number of New Shares as your cleared Acceptance Monies will pay for (and to have that number of New Shares on your Entitlement and Acceptance Form). Alternatively, your Application will be rejected. If your cheque does not clear due to insufficient funds in your account, your Application will be rejected. Further, if you provide a cheque or money order for the incorrect amount, the Company may treat you as applying for as many New Shares and Additional New Shares as your cheque, bank draft or money order will pay for.

The Offer Price of \$0.004 per New Share is payable in full on acceptance of part or all of your Entitlement.

If an Eligible Shareholder elects to make payment using BPAY, they must contact their bank, credit union or building society to make payment of the Acceptance Monies from their cheque or savings account. Refer to the Entitlement and Acceptance Form for the Biller Code and Customer Reference Number. Eligible Shareholders who have multiple holdings will have multiple Customer Reference Numbers.

Payment will only be accepted in Australian currency and cheques, bank drafts, money orders and BPAY payments must be drawn on an Australian bank.

No stamp duty, brokerage or handling fees are payable by the Applicant for the New Shares offered by this Offer Document. Completed Entitlement and Acceptance Forms and accompanying cheques should be forwarded to the following address:

Australian Pacific Coal Limited  
c/- Link Market Services Limited  
GPO Box 3560, Sydney NSW 2001

The amount payable on acceptance will not vary during the period of the Offer and no further amount is payable on allotment. Acceptance Monies will be held in trust in a subscription account until allotment of the New Shares. The subscription account will be established and kept by the Company on behalf of the Applicants. Any interest earned on the Acceptance Monies will be retained by the Company irrespective of whether allotment takes place.

## 2.2 **Binding effect of Entitlement and Acceptance Form**

A completed and lodged Entitlement and Acceptance Form, or a payment made through BPAY, constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Offer Document and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- (a) you are an Eligible Shareholder and are not in the United States (including nominees or custodians acting for the account or benefit of a person in the United States) and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Offer, other than if you are or are acting for an investor who purchases the New Shares in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws;
- (b) you acknowledge that the New Shares have not been, and will not be, registered under the US Securities Act or under the laws of any other jurisdiction outside of Australia; and
- (c) you have not and will not send any materials relating to the Offer to any person in the United States or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States unless such person is an investor who purchases the New Shares in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

### 3. Company information

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#### 3.1 Company overview

Australian Pacific Coal is an Australian public company focusing on acquiring and developing coking, PCI and thermal coal deposits in Queensland, Australia. The Company holds interests in ten coal exploration permits (**EPC**) (one of which is under application) and one mineral development licence (**MDL**) in the Bowen Basin, three EPC's in the Surat basin and one EPC in the Galilee Basin.

The focus of the Company's operations is to add value to its coal projects through evaluation of resource potential followed up with drilling as required to prove up the resource. The Company has a strategic holding of coal exploration tenements located in Queensland's Bowen, Galilee and Surat basins. The philosophy of the Company's management has been to secure strategic tenure by identifying available tenements close to operating mines or in areas with proven or potential in-ground resources in regions suitable for short term development.

Having identified prospective areas for further exploration, the Company is now focused on working towards further exploring the commercial value of the coal projects. Further information in relation to the Company's projects can be found on the Company's website [www.aqcltd.com](http://www.aqcltd.com) or at [www.asx.com.au](http://www.asx.com.au).

#### 3.2 Company fundraising update

On 22 July 2015 the Company placed a total of 27,000,000 Shares at an issue price of A\$0.004 per Share to Bentley and its nominees, being the VG Superannuation Fund, L&Z Tinkler Family Superannuation Fund and the RJ Tinkler Family Trust, raising \$108,000. On 22 July 2015 the Company, through a separate placement, placed 27,000,000 Shares at an issue price of A\$0.004 per Share to Trepang, raising \$108,000.

On 28 July 2015, the Company entered into a binding term sheet (**Term Sheet**) with Trepang and Bentley. Under the Term Sheet, Trepang and Bentley agreed to invest an additional total amount of A\$13.2 million, by subscribing for a total of 3.3 billion fully paid ordinary Shares in the Company at an issue price of A\$0.004 per Share, subject to the approval of the Company's Shareholders required by the Company or otherwise required pursuant to the *Corporations Act* and the Listing Rules and other conditions.

Following the execution of the Term Sheet, on 26 August 2015, the Company entered into separate subscriptions agreements with both Trepang and Bentley on the terms outlined in the Term Sheet (see ASX announcement of 27 August 2015). Following execution, A\$13.2m funds to be raised pursuant to the Proposed Placements was deposited into an escrow account with the Company's solicitors for settlement of the Proposed Placement in accordance with the terms of the subscription agreements. In early September 2015 each of Bentley and Trepang agreed to advance \$100,000 (\$200,000 in total) of the funds placed in escrow to the Company pursuant to the Convertible Loans. The conversion of the Convertible Loans into Shares is subject to Shareholder approval. If Shareholder approval is not obtained, the Company will be required to repay the \$200,000 within five business days of 30 November 2015. As a consequence, the total amount of the Proposed Placements was reduced to \$13 million, however, in aggregate the overall investment of Bentley and Trepang pursuant to the Proposed Placements and the Convertible Loans remains in the amount of \$13.2 million.

The subscription agreement with Trepang provides for Trepang to subscribe for 1,625,000,000 Shares (**Trepang Subscription Agreement**) (which will rank *pari passu* with all of the other fully paid ordinary Shares on issue in the Company) at an issue price of A\$0.004 to raise A\$6,500,000.

The separate subscription agreement with Bentley provides for Bentley to subscribe for 1,625,000,000 Shares (**Bentley Subscription Agreement**) (which will rank *pari passu* with all of the other fully paid ordinary Shares on issue in the Company at an issue price of \$0.004 to raise A\$6,500,000.

Completion of each of the Proposed Placements are subject to a number of conditions including:

- (a) all regulatory and shareholder approvals being obtained (the Company has convened the Shareholders Meeting for this purpose);
- (b) the Company undertaking this Issue;
- (c) agreements being entered with Peter Ziegler, Nathan Tinkler, Paul Byrne, John Robinson Jnr, Shane Cranswick and Kevin Mischewski for their roles post completion. Paul Ryan and Paul Ingram will resign on completion of the Agreements;
- (d) agreements with the current directors in respect of payments due and owed to them at the time of completion of the Agreements for directors' fees to be paid by the issue of shares at \$0.004 per share, consulting fees and expenses up to 31 July 2015 to be paid by the issue of shares at \$0.004 per share and consulting fees and expenses subsequent to 31 July 2015 to be paid in cash at completion. All such share issues will be subject to shareholder approval to be sought at the upcoming Shareholders Meeting; and
- (e) compliance with warranties regarding the tenement interests of the Company.

Further details regarding the terms and conditions of the Trepang Subscription Agreement, the Bentley Subscription Agreement and the Convertible Loans were set out in the Company's ASX announcements of 29 July 2015, 27 August 2015 and 9 September 2015 and contained in the Shareholders Meeting materials and independent expert's report to be despatched to Shareholders in the near future.

## 4. Control issues arising from the Offer on the Company

### 4.1 Present position

At the date of this Offer Document the Company is of the view that there is no one entity who controls the Company.

The Shareholders who hold more than 5% of the Shares prior to the date of this Offer Document are as follows:

Name	Shares	%
The Australian Special Opportunity Fund	59,054,377	15.34%
Trepang Services Pty Ltd as trustee for the Trepang Services Unit Trust <sup>1</sup>	27,000,000	7.01%
Nathan Tinkler <sup>1</sup>	27,000,000	7.01%
Mr Paul Byrne and Moray Holdings (Qld) Pty Ltd	22,667,804	5.89%

Notes:

- Trepang is presently regarded as an Associate of Bentley, and Bentley is presently regarded as an Associate of Trepang. As such, the present combined relevant interest of each of Trepang and Bentley is 14.02%. The Company notes however that this does not necessarily mean that Trepang and Bentley will always be regarded as Associates.*

Assuming that the only Shareholders who subscribed for their Entitlements were the Shareholders set out above, the interests of the current substantial Shareholders of the Company immediately following the Issue (disregarding the effect of the Proposed Placements and any other Share issues) will be as follows:

Name	Shares	%
The Australian Special Opportunity Fund	118,108,754	22.68%
Trepang Services Pty Ltd as trustee for the Trepang Services Unit Trust <sup>1</sup>	54,000,000	10.37%
Nathan Tinkler <sup>1</sup>	54,000,000	10.37%
Mr Paul Byrne and Moray Holdings (Qld) Pty Ltd <sup>2</sup>	45,335,608	8.71%

Notes:

- As noted above, Trepang is presently regarded as an Associate of Bentley, and Bentley is presently regarded as an Associate of Trepang. The Company notes however that this does not necessarily mean that Trepang and Bentley will always be regarded as Associates. Assuming only those current substantial Shareholders as noted above subscribe for their Entitlements, the combined relevant interest of each of Trepang and Bentley, in the Shares of the Company would be 20.74%.*
- Mr Paul Byrne has indicated that he may take up some of his Entitlement, however, the amount has not as yet been determined (see section 1.7).*

Assuming full subscription under the Offer and that each of the Proposed Placements complete and the Convertible Loans are fully converted into Shares, the interests of the

current substantial Shareholders of the Company immediately following the Issue and the Proposed Placements will be as follows:

Name	Shares	%
The Australian Special Opportunity Fund	118,108,754	2.90%
Trepang Services Pty Ltd as trustee for the Trepang Services Unit Trust <sup>1, 4</sup>	1,704,000,000	41.87%
Nathan Tinkler <sup>2, 4</sup>	1,704,000,000	41.87%
Mr Paul Byrne and Moray Holdings (Qld) Pty Ltd <sup>3</sup>	45,335,608	1.11%

Notes:

- In the event that Trepang was the only Shareholder to take up its entitlements under the Rights Issue, the Proposed Placements completed and the Convertible Loans were converted into Shares, the maximum holding of Trepang would be approximately 45.91% (in which case the maximum holding of Nathan Tinkler would be 45.18%).*
- In the event that Nathan Tinkler and his associates were the only Shareholders to take up their entitlements under the Rights Issue, the Proposed Placements completed and the Convertible Loans were converted into Shares, the maximum holding of Nathan Tinkler would be approximately 45.91% (in which case the maximum holding of Trepang would be 45.18%).*
- This table does not include Shares which may be issued to Mr Paul Byrne and Moray Holdings (Qld) Pty Ltd and other Directors which are the subject of Resolutions 4 to 9 of the Shareholders Meeting. If Resolutions 4 to 9 of the Shareholders Meeting are approved by Shareholders, Mr Paul Byrne and Moray Holdings (Qld) Pty Ltd will hold 217,716,912 Shares, being an interest of 4.90% of the issued Share capital of the Company.*
- As noted above, Trepang is presently regarded as an Associate of Bentley, and Bentley is presently regarded as an Associate of Trepang. The Company notes however that this does not necessarily mean that Trepang and Bentley will always be regarded as Associates. Assuming full subscription under the Offer, that each of the Proposed Placements complete and that Convertible Loans are fully converted into Shares, the combined relevant interest of each of Trepang and Bentley in the Shares of the Company would be 83.74%.*

#### 4.2 Capital structure

Assuming full subscription under the Offer, the share capital structure of the Company immediately following the Issue will be as follows:

	Shares	
	Number	%
Ordinary Shares on issue at the date of the Offer Document	384,940,869	50%
Maximum number of New Shares under the Offer Document	384,940,869	50%
<b>Total:</b>	<b>769,881,738</b>	<b>100%</b>

Assuming full subscription under the Offer and that each of the Proposed Placements complete and the Convertible Loans are fully converted into Shares, the share capital structure of the Company immediately following the Issue and the Proposed Placements will be as follows:

	Shares	
	Number	%
Ordinary Shares on issue at the date of the Offer Document	384,940,869	9.46%
Maximum number of New Shares under the Offer Document	384,940,869	9.46%
Maximum number of new Shares under the Proposed Placements and Convertible Loans	3,300,000,000	81.08%
<b>Total:</b> <sup>1</sup>	4,069,881,738	100%

*Note 1: This table does not include Shares which may be issued to Directors which are the subject of Resolutions 4 to 9 of the Shareholders Meeting. If Resolutions 4 to 9 of the Shareholders Meeting are approved by Shareholders, Directors will be issued with a further 370,050,000 Shares which would represent 8.33% of the expanded issued Share capital of the Company.*

#### 4.3 Potential effect of the Offer

The Offer is a pro-rata offer so that if all Eligible Shareholders take up their Entitlements the voting power of all Eligible Shareholders will remain the same. In that event, there will be no actual or potential effect or consequences arising from the Offer on the control of the Company.

However, Shareholders who do not take up all of their Entitlements will have their interest in the Company diluted. Given the terms of the Offer, the maximum possible dilution to an Eligible Shareholder's interest in the Company would be 50%.

In addition, the proportional shareholdings of Shareholders who do not have a registered address in Australia, New Zealand, Hong Kong and Singapore or who are not investors in the United States who purchase the New Shares in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws, may be diluted (by a maximum of 50% in the event that the Offer is fully subscribed) as those Shareholders are not entitled to participate in the Offer.

In the event of a Shortfall, the Directors reserve the right to place the Shortfall at their sole discretion subject to the provisions of the *Corporations Act* and the Listing Rules.

The comments regarding possible dilution above do not take into consideration any dilution which may arise as a result of the issue of Shares pursuant to the Proposed Placements details of which are set out in sections 3.2 and 4.2.

## 5. Financial effect of the Offer on the Company

### 5.1 Financial position

To illustrate the effect of the Issue on the Company, the pro-forma consolidated statement of financial position has been prepared based on the unaudited statement of financial position as at 30 June 2015.

#### Pro Forma Consolidated Statement of Financial Position

	Statement of Financial Position as at 31 December 2014	Unaudited Statement of Financial Position as at 30 June 2015	Initial Placement, Conversion of Convertible Security and Convertible Loans (Unaudited)	Proposed Offer and Pro-Forma Adjustments (Unaudited)	Unaudited Pro forma Statement of Financial Position as at 30 June 2015
	\$	\$	\$	\$	\$
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	336,969	101,201	411,763	1,494,763	2,007,727
Trade and other receivables	38,066	17,389	-	-	17,389
Other	46,306	28,180	-	-	28,180
Total current assets	<u>421,341</u>	<u>146,770</u>	<u>411,763</u>	<u>1,494,763</u>	<u>2,053,296</u>
<b>Non-current assets</b>					
Receivables	154,896	70,773	-	-	70,773
Available-for-sale financial assets	-	-	-	-	-
Property, plant and equipment	174,122	137,169	-	-	137,169
Exploration and evaluation	2,726,484	2,440,667	-	-	2,440,667
Other	-	67,083	-	-	67,083
Total non-current assets	<u>3,476,843</u>	<u>2,862,462</u>	<u>411,763</u>	<u>1,494,763</u>	<u>4,768,988</u>
<b>Total assets</b>	<u>3,476,843</u>	<u>2,862,462</u>	<u>411,763</u>	<u>1,494,763</u>	<u>4,768,988</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	1,504,200	1,672,936	-	-	1,672,936
Borrowings	250,000	60,000	140,000	-	200,000
Total current liabilities	<u>1,754,200</u>	<u>1,732,936</u>	<u>140,000</u>	<u>-</u>	<u>1,872,936</u>
<b>Total liabilities</b>	<u>1,754,200</u>	<u>1,732,936</u>	<u>140,000</u>	<u>-</u>	<u>1,872,936</u>

<b>Net assets</b>	1,722,643	1,129,526	271,763	1,494,763	2,896,052
<b>Equity</b>					
Issued capital	37,461,347	37,695,544	271,763	1,494,763	39,462,070
Retained profits	-35,738,704	-36,566,018	-	-	-36,566,018
Equity attributable to the owners of Australian Pacific Coal Limited	1,722,643	1,129,526	271,763	1,494,763	2,896,052
Non-controlling interest	-	-	-	-	-
<b>Total equity</b>	1,722,643	1,129,526	271,763	1,494,763	2,896,052

### Basis for Calculation

The unaudited consolidated statement of financial position as at 30 June 2015 has then been adjusted to reflect:

- (a) the initial Share placement on 22 July 2015 raising \$211,763 (after costs), the conversion of the existing \$60,000 convertible security held by The Australian Special Opportunity Fund LP into 30,000,000 Shares on 3 August 2015 and the advance of \$200,000 pursuant to the Convertible Loans; and
- (b) the completion of the Offer on a fully subscribed basis to raise approximately \$1,494,763 (after costs).

Details of the Company's reviewed balance sheet as at 31 December 2014 are also included for reference.

The pro-forma statement of financial position shows the effect of the matters set out in (a) above (**Initial Adjustment Matters**) and the Offer as a non underwritten offer and as if the matters set out in (a) above and the Offer had occurred on 30 June 2015. The pro-forma statement of financial position assumes that the Offer is fully subscribed.

The accounting policies adopted in preparation of the pro-forma consolidated statement of financial position are consistent with the policies adopted and as described in the Company's financial statements for the full year ended 30 June 2014. The statement of financial position for the half year ended 31 December 2014 was prepared in accordance with the same policies.

The unaudited pro-forma consolidated statement of financial position has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The significant effects of the Initial Adjustment Matters were to:

- (a) increase cash reserves by approximately \$411,763 (after cash expenses of the initial placement of \$4,237);
- (b) increase borrowings by \$140,000 (representing the \$200,000 Convertible Loans less \$60,000 in respect of the convertible security converted on 3 August 2015); and
- (c) increase the number of issued Shares by 30,000,000.

The significant effects of the Offer (assuming the Offer is fully subscribed) will be to:

- (a) increase cash reserves by approximately \$1,494,763 (after cash expenses of the Offer which are estimated to be \$45,000); and
- (b) increase the number of issued ordinary Shares by 384,940,869 to 769,881,738.

The increase of cash reserves of the Company as a result of the Offer (assuming it is fully subscribed but disregarding any funds raised from the Proposed Placements) should provide the Company with sufficient working capital to proceed with its objectives outlined in this Offer Document for an estimated period of approximately six months. If funds are raised from the Proposed Placements, this will provide the Company with additional significant working capital to further proceed with its objectives as outlined in this Offer Document.

The Company had \$101,201 in cash as at 30 June 2015 and raised a further \$216,000 on 22 July 2015 and \$200,000 on 9 September 2015, with estimated net cash outflows of \$355,000 projected over the quarter ending 30 September 2015.

The fundraising which is the subject of this Offer Document is not underwritten. Accordingly, it is possible that the Company only raises a portion of the funds it seeks to raise pursuant to this Offer Document. Additionally, there can be no guarantee that the Proposed Placements will complete given they are subject to various conditions which remain to be satisfied or that Shareholder approval will be given for the conversion of the Convertible Loans into Shares.

If this fundraising is undersubscribed and the Proposed Placements do not complete or Shareholder approval is not given for the conversion of the Convertible Loans into Shares, it may be necessary for the Company to seek to obtain funds from other sources in order to continue its operations and repay the Convertible Loans. There are a limited number of other funding sources that are potentially available to the Company to raise the funds it requires for the commercial operations it proposes to undertake in the following months. Amongst other things, it may be able to fund its operations from alternative equity raisings or debt raisings. If these were not successful, it may be able to raise funds from the sale of assets of the Company.

The Company is unable to know with certainty what funds it is able to receive from these sources (if any) and the timing as to when such monies will be received. Nor can it determine, in advance, how much it will receive from subscribers (if any) pursuant to this fundraising and whether (and how much) it will need to obtain from other sources in order to continue to fund its operations in the coming months.

The failure to raise sufficient monies from this fundraising in a situation where the Proposed Placements did not complete, could potentially result in the inability of the Company to continue to operate as a going concern. That would depend on the extent of the under-subscription, the ability of the Company to raise sufficient funds from alternative sources and the timing of the receipt of those funds.

## 5.2 Subsequent Events

The following material events have occurred in respect of the Company after 30 June 2015:

- (a) received formal notice from Rio Tinto Exploration Pty Ltd advising of their withdrawal from the Exploration, Option and Joint Venture Agreement with the Company and Area Coal Pty Ltd and that they would transfer Rio Tinto's interests in the tenements back to Area Coal Pty Ltd;
- (b) undertook a placement with Bentley and Trempang on 22 July 2015 at \$0.004 per Share which raised a total of \$216,000;

- (c) the existing convertible security (\$60,000) held by The Australian Special Opportunity Fund, LP was converted into 30,000,000 Shares on 3 August 2015;
- (d) executed a subscription agreement with Bentley for a \$6,500,000 private placement subject to various conditions set out in section 3.2;
- (e) executed a subscription agreement with Trepang for a \$6,500,000 private placement subject to various conditions set out in section 3.2; and
- (f) received funds in the amount of \$200,000 pursuant to the Convertible Loans.

For further information regarding these matters, refer to the Company's ASX announcements available at the Company's website [www.aqcltd.com](http://www.aqcltd.com) or [www.asx.com.au](http://www.asx.com.au).

## **6. Risk factors**

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### **6.1 Introduction**

The activities of the Company, as in any business, are subject to risks which may impact on its future performance. The Company has appropriate actions, systems and safeguards for known risks, however, some are outside its control.

Prior to making any decision to accept the Offer, Eligible Shareholders should carefully consider the risk factors which the Company has previously disclosed (many of which are listed below), as well as those risks of which the Eligible Shareholder is aware, or should be aware of through their own knowledge and enquiries.

Some of the risks may be mitigated by the Company using safeguards and appropriate systems and taking certain actions. However, as noted above and previously, some of the risks are outside the control of the Company and are not capable of mitigation. There are also general risks associated with any investment in shares.

The risks listed below (and previously disclosed by the Company) should not be taken as exhaustive of the risks faced by the Company. Factors other than those listed may in the future materially affect the financial performance of the Company and the value of the New Shares. Eligible Shareholders should read this Offer Document in its entirety and consult their stockbroker, accountant or other professional advisor without delay before deciding whether to accept the Offer.

### **6.2 General Risks**

The New Shares that are to be issued pursuant to the Offer are speculative because of the nature of the business of the Company, being the exploration and development of coal tenements. The value of shares can go up as well as down and a dividend may or may not be paid in the future, depending on the Company's operating successes.

Investing in the Company involves some risk. There are a number of factors of a general nature such as share market risk, general economic conditions, exchange rate risks, commodity price risk, government policy risks, unforeseen expenses and share price fluctuations, which may adversely affect the future operating and financial performance of the Company. Some of these factors can be mitigated by appropriate commercial action; however, many are outside the control of the Company, are dependent on the policies adopted and approaches taken by regulatory authorities, or cannot otherwise be mitigated. If you are unsure about taking up your Entitlements, you should first seek advice from your stockbroker, accountant, financial or other professional adviser.

The New Shares offered under this Offer Document carry no guarantee of profitability, dividends, return of capital or the price at which they may trade on ASX. The past performance of the Company should not necessarily be considered a guide to their future performance.

### **6.3 Specific Risks**

The New Shares that are to be issued pursuant to this Offer Document are speculative because of the nature of the business of the Company as a mineral exploration company. A summary of some of the key specific risks the Company is exposed to as a mineral exploration company are set out below. The risks listed below should not be taken as exhaustive of the risks faced by the Company.

## **Operational Risks**

The operations of the Company may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including geological conditions, environmental hazards, technical and equipment failures, flooding and extended interruptions due to inclement or hazardous weather or other physical conditions, unavailability of drilling equipment, unexpected shortages of consumables or parts and equipment, fire, explosions and other incidents beyond control of the Company.

## **Land Access Risk**

Land access is critical for exploration and evaluation to succeed. In all cases the acquisition of prospective tenements is a competitive business, in which proprietary knowledge or information is critical and the ability to negotiate satisfactory commercial arrangements with other parties is often essential.

Access to land for exploration purposes can be affected by land ownership, including private (freehold) land, pastoral lease and Native Title land or claims under the *Native Title Act 1993* (Cth) (**NTA**) (or similar legislation in the jurisdiction where the Company operates). Rights to mineral tenements carry with them various obligations in regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain title to a given area.

## **The Impact of Native Title and Land Access to Tenements**

Native title in Australia is governed by the NTA and by complementary state legislation. The NTA provides a regime that enables persons claiming to hold native title to lodge a claim to that effect for determination. The effect on each tenement will depend on the nature of the tenement, the date of its grant or proposed grant, and the nature of the underlying land tenures.

The effect of the NTA is that existing and new tenements held by the Company may be affected by native title claims and procedures. There is a potential risk that a determination could be made that native title exists in relation to land the subject of a tenement held by the Company which may affect the operation of the Company's business and development activities. In the event that it is determined that native title does exist or a native title claim has been registered, the Company may need to comply with procedures under the NTA in order to carry out its operations or to be granted any additional rights required. Such procedures may take considerable time, involve the negotiation of significant agreements, may involve access rights, and require the payment of compensation to those persons holding or claiming native title in the land the subject of a tenement. The involvement in the administration and determination of native title issues may have a material adverse impact on the position of the Company in terms of cash flows, financial performance, business development, ability to pay dividends and the share price.

## **Aboriginal Sites of Significance**

Commonwealth and State Legislation in Australia allow for the protection of sites of significance to Aboriginal custom and tradition. The Company proposes to carry out "clearance surveys", also known as "heritage surveys", prior to conducting any exploration work that would cause a disturbance to the land surface. Tenements may contain some such sites of significance which would need to be avoided when carrying out field programmes. It is possible that such areas where sacred sites exist may contain mineralisation or an economic resource which would therefore remain unexploited.

## **Environmental Regulation and Risks**

The Company's operations and projects are subject to Australian State, Federal laws and regulations, regarding environmental compliance and relevant hazards. These laws and regulations set standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards. They also establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted.

Significant liability could be imposed on the Company for damages, clean-up costs, or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property acquired by the Company, or non-compliance with environmental laws or regulations. The Company proposes to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage. There is also a risk that the environmental laws and regulations may become more onerous, making the Company's operations more expensive.

## **Tenement Risks**

The Company has applied for EPC 1645 and is currently awaiting the grant of this tenement. While the Company has no reason to believe this tenement will not be granted to it, there can be no guarantee that it is granted or if granted, that there are no adverse terms or conditions of grant. Currently the tenement is progressing through the Native Title Agreement process which must be completed prior to the grant of the tenement.

All mining licences and exploration permits in which the Company has an interest will require renewal from time to time. In particular, EPC 1773 expires on 28 October 2015 and an application for renewal of this tenement has been made. Further, EPC 1979 which is held by Blackwood Resources Pty Ltd pursuant to joint venture arrangements with the Company, expires on 11 October 2015. New legislation passed since EPC 1979 was last renewed significantly increases the Urban Restricted Areas overlapping the tenement, severely restricting further exploration on the tenement. Blackwood Resources Pty Ltd intend to surrender 100% of EPC 1979 on its expiry. Given that the terms on which the Company permits are granted or renewed (if at all) are generally at the discretion of the relevant governmental or administrative authority, there is a risk that any exploration permit held by the Company may not be renewed in the future, or that any application for grant may be refused, and that the Company may be unable to comply with legislative or regulatory requirements to retain title to its permits or applications. If for any reason a licence or permit is not renewed then the Company may suffer damage and as a result, may be denied the opportunity to develop certain mineral resources.

The Company also intends for EPCs 2035 and 2036 to be surrendered at the expiry of their term in October 2015.

Tenements carry with them various obligations in regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain a permit for a given tenement. As a means of managing its expenditure obligations on its Tenements, the Company constantly reviews its exploration portfolio, ensuring that it keeps the most prospective areas having regard to its finances and plans. Part of this review may involve reducing its landholding over time.

The introduction of new legislation or amendments to existing legislation by Governments or the application of developments in the common law of Australia could impact adversely on the assets, operations and ultimately the financial performance of the Company and its Shares.

## Overlapping tenure

Queensland legislation currently allows for the grant of coal tenements, including UCG, under the *Mineral Resources Act 1989 (MRA)* and for the grant of CSG tenements under the *Petroleum and Gas (Production and Safety) Act 2004 (P&G Act)* and with respect to the same land. To commercially produce:

- (a) CSG, a petroleum lease (**PL**) is required under the PG Act; and
- (b) coal, a mining lease (**ML**) is required under the MRA.

The Company's present intention is to explore for coal with a view to being able to commence mining operations in the future.

The Company's tenements in Queensland may be overlapped by petroleum exploration permits, 'Authorities to Prospect' (**ATPs**), petroleum lease applications (**PLAs**) or PLs under the Petroleum Act. These areas of 'overlapping tenure' between the Company's tenements and the ATPs/PLAs/PLs introduce an additional layer of risks for the Company's proposed operations. Under the MRA, any Mining Lease application by the Company requires the consent of ATP holders to be granted. It is possible that the consent of such ATP holders may not be forthcoming. Where consent cannot be obtained, ultimately the Government must decide which project is best placed to proceed in the interests of the State. This overlap regime is being changed, but the legislative changes have not been settled or come into force as yet. The changes have been developed by an industry-led taskforce and have benefits for coal companies. However until these changes pass through the Parliament and become law, it is impossible to say exactly how these proposals will work in practice.

## Exploration and Production

Tenements in which the Company has an interest are at various stages of exploration and potential investors should understand that mineral exploration is a high risk undertaking. Further exploration and studies are required to determine whether any of the Company's projects contain economically mineable resources and no reliable statement as to prospectivity of the Company's projects can be made at this time.

There can be no assurance that exploration of the project areas of the Company, or any other permits that the Company may acquire an interest in, will result in the discovery of an economic mineral reserve. Even if an apparently viable reserve is identified, there is no guarantee that it can be commercially exploited.

Even if the Company recovers potentially commercial minerals, there is no guarantee that the Company will be able to successfully extract and transport the minerals to commercially viable markets or sell the minerals to customers to achieve a commercial return.

## Coal Price

The ability of the Company to successfully monetise its projects (whether by way of sale of the projects, joint venture arrangements or development and sale of coal) will depend upon the market for coal and the price for coal. The Company's possible future revenues will most likely be derived mainly from coal and/or from royalties gained from potential joint ventures or from mineral projects sold. Consequently, the Company's potential future earnings are likely to be closely related to the price of coal.

Coal prices fluctuate and are affected by numerous industry factors including demand for coal, forward selling by producers, production cost levels in major producing regions and macroeconomic factors, e.g. inflation, interest rates, currency exchange rates and global and regional demand for, and supply of, coal. If the market price of coal sold by the Company (were it to do so) were to fall below the costs of production and remain at such a level for any

sustained period, the Company would experience losses and could have to curtail or suspend some or all of its proposed mining activities. In such circumstances, the Company would also have to assess the economic impact of any sustained lower commodity prices on recoverability.

The marketability of coal production depends, in large part, upon the demand from the international marketplace which is outside of the control of the Company.

### **Resource Estimations**

Resource estimates are inherently imprecise as they are expressions of judgement at a particular time based on available information, interpreted using experience and resource modelling techniques. The estimates, while made by qualified professionals, may change over time as other information becomes available which differs from information known or predicted by past drilling, sampling and geological interpretation. Estimates remain subject to change and no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

### **Government Policy and Taxation**

Changes in relevant taxation, interest rates, other legal, legislative and administrative regimes, and Government policies in Australia (at both Federal and State level), may have an adverse effect on the assets, operations and ultimately, the financial performance of the Company. These factors may ultimately affect the financial performance of the Company and the market price of its securities.

In addition to the normal level of income tax imposed on all industries, the Company may be required to pay government royalties, indirect taxes, GST and other imposts which generally relate to revenue or cash flows. Industry profitability can be affected by changes in government taxation policies.

Investors should be aware that policies being developed by various international governments, including the Australian government, may become increasingly negative towards the development and production of fossil fuels, in particular coal. The view of the Company is that coal should and will have a growing role in the fuel mix if global prosperity is to be sustained. However, there is a risk that State and Federal Governments will take actions which will damage the economics of coal production and thus reduce the value of the Company's assets.

### **Joint Venture Parties and Contractors**

The Company's ability to efficiently conduct its operations in a number of respects depends upon third party product and service providers and contracts have, in some circumstances, been entered into by the Company and its subsidiaries in this regard. Further, the Company has entered agreements with its joint venture partners in respect of various projects that the Company holds interest in. As in any contractual relationship, the ability for the Company to ultimately receive benefits from these contracts are dependent upon the relevant third party complying with its contractual obligations. To the extent that such third party defaults in their obligations, it may be necessary for the Company to enforce its rights under any of the contracts and pursue legal action. Such legal action may be costly and no guarantee can be given by the Company that a legal remedy will ultimately be granted on appropriate terms.

The Directors are unable to predict the risk of the financial failure or default by a participant in any joint venture to which the Company may become a party or insolvency or other managerial failure by any of the contractors used by the Company in its exploration activities.

## **Reliance on Key Personnel**

Whilst the Company has a small senior management and technical team, its progress in pursuing its exploration and evaluation programmes within the timeframes and within the costs structure as currently envisaged could be dramatically influenced by the loss of key personnel. The resulting impact from such loss would be dependent upon the quality and timing of the replacement of such personnel.

Although the key personnel of the Company have a considerable amount of experience and have previously been successful in their pursuits of acquiring, exploring, evaluating and developing mineral prospects, there is no guarantee or assurance that they will be successful in their objectives pursuant to this Offer Document.

## **Future Financing**

The Company will require funds from various sources in order to allow it to continue as a going concern and thereby finance its exploration and development activities. Those funds can potentially be raised through the issue of further shares (including pursuant to this Offer Document and the Proposed Placements), the obtaining of additional debt capital and the realisation or recovery of the Company's assets (most likely a combination of some or all of these sources). There can be no assurance that the Company will be able to raise sufficient funds from any of these or other sources on acceptable terms or in a timely manner or at all. Should the Company experience an endemic shortage of funds to pay its debts as and when they fall due, it may become insolvent and this may result in it becoming subject to some form of insolvency administration (such as administration, liquidation and/or receivership and management).

There can also be no assurance that the Proposed Placements will complete or that Shareholders will approve the conversion of the Convertible Loans into Shares (in which case the Convertible Loans must be repaid within five business days of 30 November 2015).

The Shareholders Meeting convened to consider the approval of the Proposed Placements and associated transactions will not be held until after the Offer is closed and the New Shares are issued. As such, Eligible Shareholders will not know the outcome of the Shareholders Meeting or whether or not the Proposed Placements will complete when deciding whether or not to participate in the Offer.

## **Potential for significant dilution**

Shareholders should be aware that to the extent that they do not accept their Entitlements in full, a Shortfall will arise and all or part of any Shortfall may be placed by the Company to other parties in which case their interest in the Company may be significantly diluted (see section 4 for further details). Further, the Offer is not being extended to Ineligible Shareholders and the holdings of those Shareholders in the Company will be diluted by the Offer.

Further, in the event that the Proposed Placements complete there will be a significant dilution of the interests of existing Shareholders (see section 0 for further details).

## **Cornerstone Investors**

In the event that the Proposed Placements complete and the Convertible Loans are fully converted into Shares, assuming the Issue is fully subscribed, each of Bentley and Trepang will hold a 41.87% interest in the Shares of the Company. Trepang is presently regarded as an Associate of Bentley, and Bentley is presently regarded as an Associate of Trepang. The Company notes; however, that this does not necessarily mean that Trepang and Bentley will always be regarded as Associates. Assuming full subscription under the Offer, that each of the Proposed Placements complete and that Convertible Loans are fully converted into Shares, the combined relevant interest of each of Trepang and Bentley would be 83.74%. In

such case, each of Bentley and Trepang will have a significant influence on all matters requiring Shareholder approval. Additionally, such a significant influence may dissuade other potential investors from investing.

### **Speculative Nature of Investment**

The above list of risk factors should not be taken as exhaustive of the risks faced by the Company or by investors in the Company. Shareholders should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for the New Shares.

Whether or not future income will result from projects undergoing exploration, programmes are dependent on the successful results of that exploration and on the subsequent establishment of development and production operations or sale of the projects. Factors including costs, equipment availability, and mineral prices affect successful project development, as does the design and construction of efficient exploration facilities, competent operation and management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced consultants. In particular, changes in global economic conditions (including changes in interest rates, inflation, foreign exchange rates and labour costs) as well as general trends in the Australian and overseas equity markets may affect the Company's operations and particularly, the trading price of the Shares on the ASX.

## **7. Additional information**

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### **7.1 Section 708AA Corporations Act**

Australian Pacific Coal is a disclosing entity and therefore subject to regular reporting and disclosure obligations under the *Corporations Act*. Under those obligations, the Company is obliged to comply with all applicable continuous disclosure and reporting requirements in the Listing Rules.

This Offer is being undertaken pursuant to section 708AA of the *Corporations Act*. This section enables disclosing entities to undertake a rights issue in relation to securities in a class of securities which has been quoted by ASX at all times during the 12 months before the date of the Offer. Apart from formal matters, a notice under section 708AA(2)(f) need only:

- (a) contain information that is excluded information as at the date of the Offer Document pursuant to section 708AA(8) and (9); and
- (b) state:
  - (1) the potential effect the issue of the New Shares will have on the control of the Company; and
  - (2) the consequences of that effect.

A notice under section 708AA(2)(f) was lodged with the ASX on 25 September 2015.

### **7.2 Rights and liabilities attaching to New Shares**

The New Shares will have, from Issue, the same rights attaching to all existing Shares on issue. The rights attaching to ownership of the New Shares are set out in the Company's Constitution, a copy of which is available for inspection at the registered office of the Company during business hours.

This Offer Document does not contain a summary of the principal rights and liabilities of holders of the New Shares.

### **7.3 Expenses of the Offer**

All expenses connected with the Offer are being borne by the Company. Total expenses of the Offer are estimated to be in the order of \$45,000 (assuming that the Offer is fully subscribed).

In addition, the Company may, if it deems it necessary for the placement of any Shortfall, pay stockbrokers' fees which will be equal to a percentage of the Issue Price (including GST) of New Shares issued under the Shortfall.

### **7.4 Consents and disclaimers**

Written consents to the issue of this Offer Document have been given and at the time of this Offer Document have not been withdrawn by the following parties:

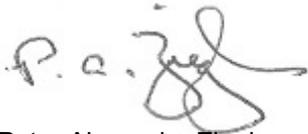
Link Market Services Limited has given and has not withdrawn its consent to be named in this Offer Document as the Share Registry of the Company in the form and context in which it is named. It has had no involvement in the preparation of any part of this Offer Document other than recording its name as share registrar to the Company and it takes no responsibility for any part of the Offer Document other than the references to its name.

HopgoodGanim Lawyers has given and has not withdrawn its consent to be named in this Offer Document as solicitors to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Offer Document other than references to its name.

**7.5 Directors' statement**

This Offer Document is issued by Australian Pacific Coal Limited. Each director has consented to the lodgement of the Offer Document with ASX.

Signed on the date of this Offer Document on behalf of Australian Pacific Coal Limited by:

A handwritten signature in black ink, appearing to read 'P. A. Ziegler', with a stylized flourish extending to the right.

Peter Alexander Ziegler  
Non-Executive Chairman  
Australian Pacific Coal Limited

## 8. Definitions and glossary

Terms and abbreviations used in this Offer Document have the following meaning:

<b>Acceptance</b>	An acceptance of Entitlements
<b>Applicant</b>	A person who submits an Entitlement and Acceptance Form
<b>Application Money</b>	The Issue Price multiplied by the number of New Shares applied for
<b>Associate</b>	Has the meaning given to that term in the <i>Corporations Act</i>
<b>ASX</b>	ASX Limited ACN 008 624 691
<b>ASX Settlement Operating Rules</b>	The operating rules of ASX Settlement Pty Ltd
<b>Bentley</b>	Bentley Resources Pte Ltd Registration Number 210205273D
<b>Board</b>	The board of Directors of the Company
<b>CHESS</b>	means the Clearing House Electronic Sub-register System, an automated transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in paperless form.
<b>Closing Date</b>	The date by which valid acceptances must be received by the Share Registrar being 5.00pm (Brisbane time) on 19 October 2015 or such other date determined by the Board
<b>Company or Australian Pacific Coal</b>	Australian Pacific Coal Limited ACN 089 206 986
<b>Constitution</b>	The Constitution of the Company
<b>Convertible Loans</b>	The convertible loans entered by: <ul style="list-style-type: none"><li>• the Company and Bentley on or about 8 September 2015 to advance \$100,000 to the Company;</li><li>• the Company and Trepang on or about 8 September 2015 to advance \$100,000 to the Company,</li></ul> as announced on 9 September 2015.
<b><i>Corporations Act</i></b>	<i>Corporations Act 2001</i> (Cth)
<b>Directors</b>	The Directors of the Company
<b>Eligible Shareholder</b>	A shareholder of the Company that holds shares in the Company on the Record Date whose registered address is in Australia, New Zealand, Hong Kong or Singapore or with a registered address in the United States (where the Company reasonably believes that the Offer to the person, and the purchase of the New Shares, will be in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws).
<b>Entitlement and Acceptance Form or Form</b>	An entitlement and acceptance form in the form attached to this Offer Document

<b>Entitlements</b>	The entitlement to accept New Shares under this Offer Document
<b>Ineligible Shareholder</b>	A Shareholder who is not an Eligible Shareholder
<b>Issue or Offer</b>	The offer and issue of New Shares in accordance with this Offer Document
<b>Issue Price</b>	\$0.004 for each New Share applied for
<b>Listing Rules</b>	The official listing rules of the ASX
<b>New Shares</b>	Shares proposed to be issued under the Offer
<b>Opening Date</b>	The date of commencement of the Offer, expected to be 6 October 2015
<b>Offer Document</b>	This Offer Document dated 25 September 2015 as modified or varied by the Company
<b>Proposed Placements</b>	The proposed placement of Shares to each of Trepang (\$6.5 million) and Bentley (\$6.5 million) as announced on 29 July 2015, 27 August 2015 and 9 September 2015 which are subject to various conditions, including shareholder approval
<b>Record Date</b>	1 October 2015 7.00pm (Brisbane time)
<b>Register</b>	The company register of the Company
<b>Relevant Interest securities</b>	Has the meaning given to that term in the <i>Corporations Act</i>
<b>Share Registry or Link Market Services</b>	Link Market Services Limited
<b>Shares</b>	The ordinary shares on issue in the Company from time to time
<b>Shareholder or Shareholders</b>	The holders of Shares from time to time
<b>Shareholders Meeting</b>	The meeting of Shareholders convened for on or about 30 October 2015 to consider, amongst other things, the Proposed Placements and conversion of the Convertible Loans
<b>Shortfall</b>	Those New Shares for which the Entitlement lapses
<b>Trepang</b>	Trepang Services Pty Ltd ACN 149 489 065
<b>US Securities Act</b>	The <i>US Securities Act of 1933</i> , as amended.

## Corporate directory

Directors	Solicitors to the Offer
<p>Peter Alexander Ziegler (Non-Executive Chairman)</p> <p>Paul James Byrne (Managing Director and CEO)</p> <p>Paul Anthony Ingram (Non-Executive Director)</p> <p>Paul Bradley Ryan (Non-Executive Director)</p>	<p>HopgoodGanim Lawyers Level 8 Waterfront Place 1 Eagle Street Brisbane QLD 4000</p>
Administration and Registered Office	Share Registry
<p>Level 7 10 Felix Street Brisbane Qld 4000 Tel: +61 7 3221 0679 Fax: +61 7 3252 2111 www.aqcltd.com</p>	<p>Link Market Services Limited Level 15, ANZ Building 324 Queen Street, Brisbane Qld 4000 Tel: +61 1300 554 474</p>

**SRN/HIN:**

**Entitlement Number:**

**Number of Eligible Shares held as at  
the Record Date, 7:00pm (Brisbane time)  
on 1 October 2015:**

**Entitlement to New Shares  
(on a 1 New Share for 1 basis):**

**Amount payable on full acceptance  
at A\$0.004 per Share:**

<b>Offer Closes 5:00pm (Brisbane time):</b>	<b>19 October 2015</b>
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## ENTITLEMENT AND ACCEPTANCE FORM

As an Eligible Shareholder you are entitled to acquire 1 New Share for every 1 Existing Share that you hold on the Record Date, at an Offer Price of A\$0.004 per New Share. You may also apply for New Shares in excess of your Entitlement, at the Offer Price. This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser.

**IMPORTANT:** The Offer is being made under the Rights Issue Offer Document dated 25 September 2015. The Rights Issue Offer Document contains information about investing in the New Shares. Before applying for New Shares, you should carefully read the Rights Issue Offer Document. This Entitlement and Acceptance Form should be read in conjunction with the Rights Issue Offer Document.

If you do not have a paper copy of the Rights Issue Offer Document, you can obtain a paper copy at no charge, by calling Australian Pacific Coal Limited on 07 3221 0679 if calling within Australia or +61 7 3221 0679 if calling from outside of Australia.

### PAYMENT OPTIONS

If you wish to take up all or part of your Entitlement (as shown above), or take up all of your Entitlement and apply for additional New Shares, you have two payment options detailed below.

#### OPTION 1: PAYING BY BPAY®

If paying by BPAY®, refer to the instructions overleaf. **You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®.** Payment must be received via BPAY® before 5:00pm (Brisbane time) on 19 October 2015. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. By paying by BPAY® you will be deemed to have completed an Application Form for the number of Shares subject of your application payment.

#### OPTION 2: PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

If paying by cheque, bank draft or money order, complete and return the acceptance slip below with your Application Monies. No signature is required on the acceptance slip. The acceptance slip with your Application Monies must be received by the Registry before 5:00pm (Brisbane time) on 19 October 2015.



Billers Code: [XXXXXXX]

Ref:

#### Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au

© Registered to BPAY Pty Ltd ABN 69 079 137 518

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form.

**THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.**

*Please detach and enclose with payment*



**SRN/HIN:**

**Entitlement Number:**

**A** Number of New Shares accepted (being not more than your Entitlement shown above)

**B** Number of additional New Shares

**C** Total number of New Shares accepted (add Boxes A and B)

**D** PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS – Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to “Australian Pacific Coal Limited” and crossed “Not Negotiable”.

**Work out the total amount payable by you. To calculate the total amount, multiply the number of New Shares you wish to apply for by A\$0.004.**

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

**E** CONTACT DETAILS – Telephone Number

Telephone Number – After Hours

Contact Name

# AUSTRALIAN PACIFIC COAL LIMITED

The Entitlement Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia, New Zealand, Hong Kong, Singapore and the United States (for institutional investors who purchase the New Shares in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws). The Rights Issue Offer Document and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire Shares in any place in which or to any person to whom, it would be unlawful to make such an offer or invitation.

## ACCEPTANCE OF ENTITLEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to the Registry, or making payment received by BPAY®:

- you represent and warrant that you have read and understood the Rights Issue Offer Document and that you acknowledge the matters and make the warranties and representations set out in the Rights Issue Offer Document;
- you provide authorisation to be registered as the holder of New Shares acquired by you and agree to be bound by the Constitution of Australian Pacific Coal Limited.

## HOW TO APPLY FOR NEW SHARES

### 1. IF PAYING BY BPAY® (AVAILABLE TO SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: [www.bpay.com.au](http://www.bpay.com.au)

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Shares you wish to apply for by A\$0.004.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to apply for in respect of that holding.

### 2. IF PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

Complete all relevant sections of the Entitlement and Acceptance Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Entitlement and Acceptance Form.

#### A. Acceptance of New Shares

Enter into section A the number of New Shares you wish to apply for. The number of New Shares must be equal to or less than your Entitlement, which is set out overleaf.

#### B. Application for Additional New Shares

You can apply for more New Shares than your Entitlement. Please enter the number of **additional** New Shares above your Entitlement for which you wish to apply into Box B. Your Application for additional New Shares may not be successful (wholly or partially). The decision of Australian Pacific Coal Limited on the number of New Shares to be allocated to you will be final. No interest will be paid on any Application Monies received or returned.

#### C. Total Number of New Shares Subscribed for

To calculate total number of New Shares subscribed for, add Box A and Box B and enter this in Box C.

#### D. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section D. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Australian Pacific Coal Limited" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque or money order for the incorrect amount, Australian Pacific Coal Limited may treat you as applying for as many New Shares and Additional New Shares as your cheque, bank draft or money order will pay for.

#### E. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of New Shares, if necessary.

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## 3. HOW TO LODGE YOUR ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Rights Issue Offer Document electronically, your completed Entitlement and Acceptance Form with the payment for New Shares may be mailed to the postal address, or delivered by hand to the delivery address, set out below. **If paying by BPAY® you do not need to complete or return the Entitlement and Acceptance Form.** You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

### Mailing Address

Australian Pacific Coal Limited  
C/- Link Market Services Limited  
GPO Box 3560  
Sydney NSW 2001

### Hand Delivery

Australian Pacific Coal Limited  
C/- Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138 **(Please do not use this address for mailing purposes)**

Make sure you send your Acceptance Slip and application payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than 5:00pm (Brisbane time) on 19 October 2015. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Australian Pacific Coal Limited reserves the right not to process any Acceptance Slips and cheques received after the Closing Date.

**If you require further information on how to complete this Entitlement and Acceptance Form, please contact Australian Pacific Coal Limited on 07 3221 0679 if calling within Australia or +61 7 3221 0679 if calling from outside of Australia.**