

**ASX RELEASE**

**29 JANUARY 2016**

**Quarterly Report for the period ending 31 December 2015**

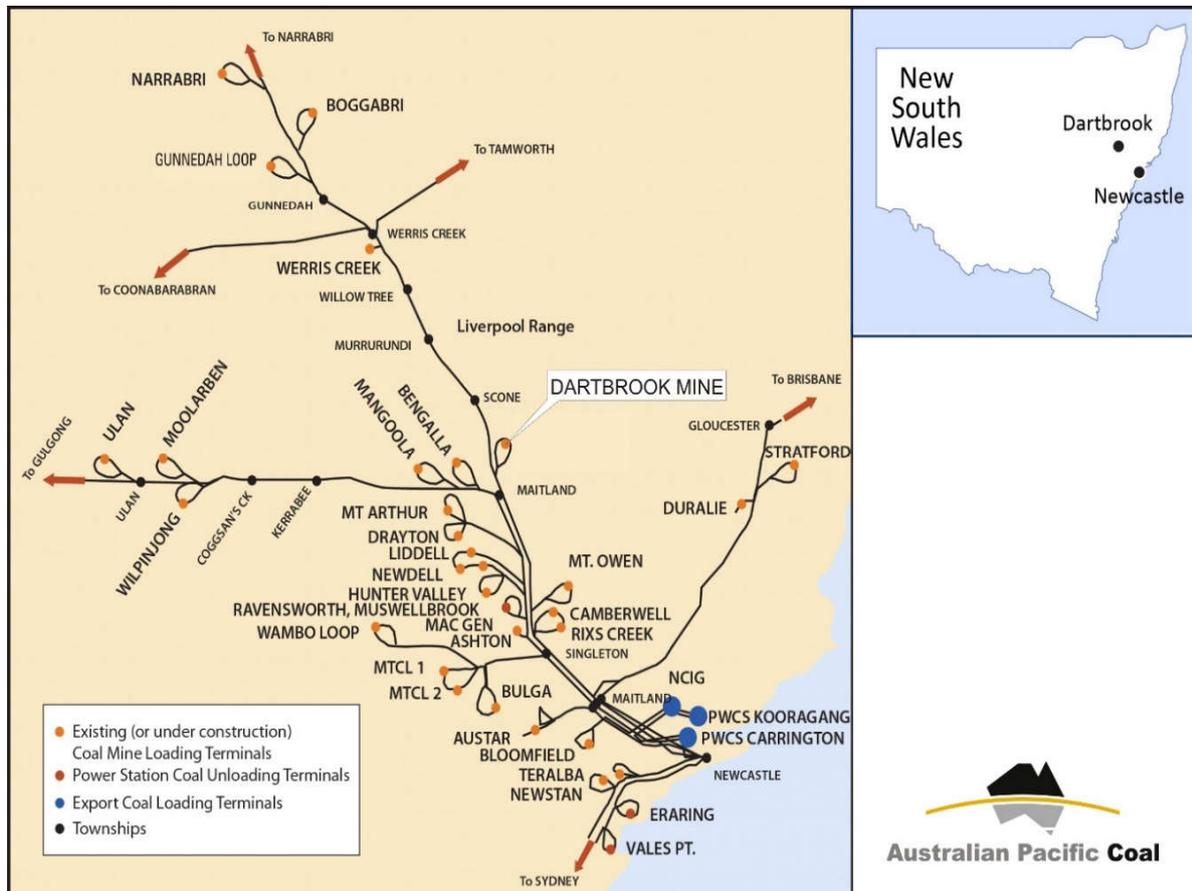
**Highlights**

- *The Company has entered into a binding agreement to acquire an 83.33% interest in the Dartbrook Joint Venture (“Dartbrook” or “the Project”) from Anglo American Plc.*
- *Dartbrook provides a unique entry opportunity into the tightly held Tier 1 thermal coal assets of the Hunter Valley, with significant infrastructure already in place, including coal handling and preparation plant (“CHPP”) as well as train load out (“TLO”).*
- *This mine development has high potential to be a lowest cost quartile producer given known coal quality from previous underground operations and will create significant local direct and indirect employment during the development and production phases.*
- *The existing substantial drilling database will form the basis for a Mineral Resource Estimate in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”) for the proposed open cut operations.*
- *Following shareholder approval, completion of a placement with two cornerstone investors, Bentley Resources Pte Ltd (and associates) (“Bentley”) and Trepang Services Pty Ltd (“Trepang”), to place 3,300,000,000 fully paid ordinary shares at \$0.004 per share to raise a total of A\$13.2m before costs.*
- *Issue of a total of 263,443,395 fully paid ordinary shares under a 1:1 Non-Renounceable Rights Issue to shareholders at \$0.004 cents per share raising gross proceeds of \$1,053,773.58. This issue was in respect of both entitlements and applications for additional shares by eligible shareholders.*
- *Upon completion of the placement to Bentley and Trepang, Mr Nathan Tinkler was appointed to the board of AQC as Managing Director and Chief Executive Officer and Mr John Robinson Jnr was appointed as a Non-Executive Director. Mr Shane Cranswick also joined the Company as Chief Financial Officer and Company Secretary at completion.*
- *Mr Paul Byrne resigned as Managing Director and remains on the Board as an executive director. Mr Paul Ryan and Mr Paul Ingram retired from the Board and Mr Kevin Mischewski resigned as Company Secretary.*

## Dartbrook Acquisition

### Project

The Project is located in the renowned coal region of the Hunter Valley, NSW, approximately 4km west of Aberdeen and 10km north-west of Muswellbrook. The location ideally places Dartbrook near world-class infrastructure, workforce and support industries used by major mining companies in the region to serve key customers in Asia.

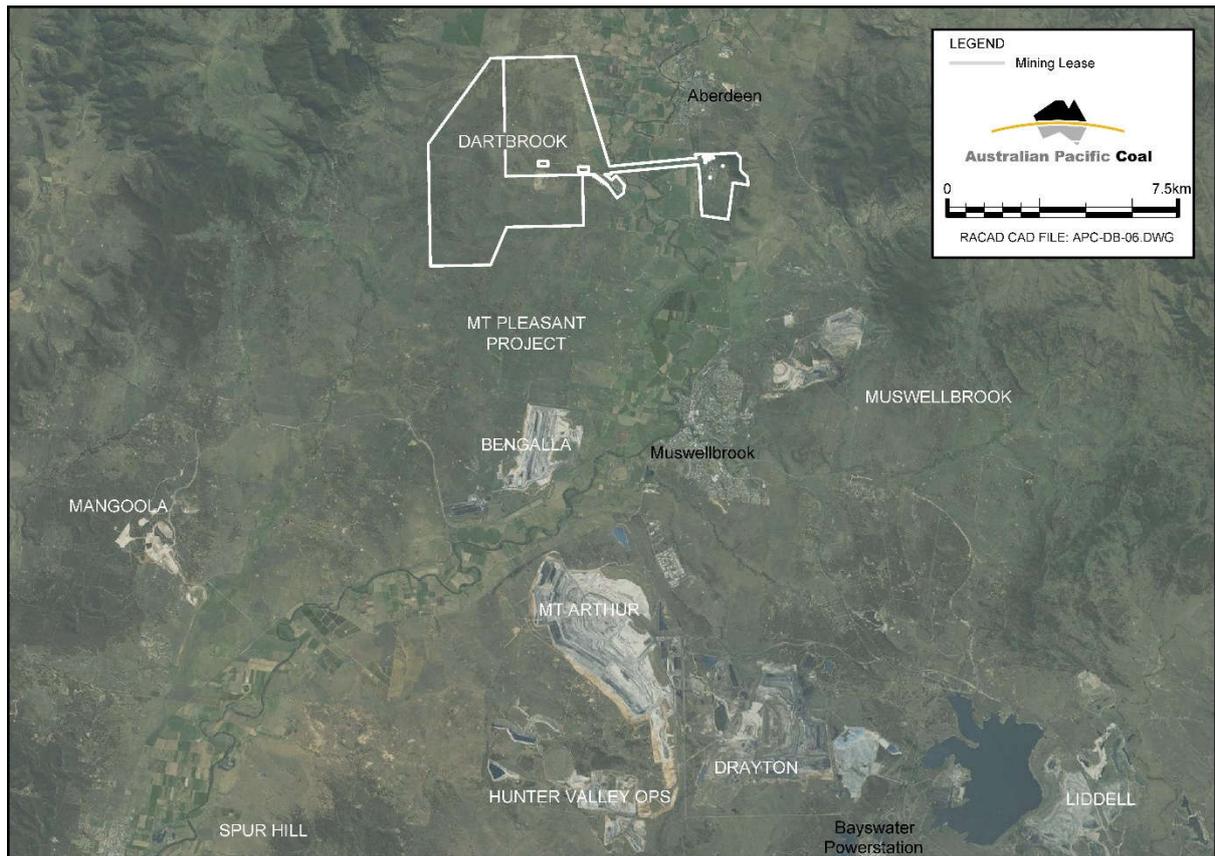


**Figure 1: Project Location**

Access to the Project is via sealed road directly off the New England Highway, with the mine connected to the existing Hunter Valley Rail Network for the transportation of coal to the port of Newcastle for export, approximately 147km to the south-east.

The acquisition represents a rare opportunity to acquire a large scale, underexploited thermal coal asset, with extensive site facilities and significant infrastructure in place to access the export seaborne market.

Mining operations in the immediate area surrounding the Project include the Bengalla JV (Rio Tinto and Wesfarmers), Mount Arthur (BHP Billiton) and the adjacent approved development project Mount Pleasant (Rio Tinto).



**Figure 2: Aerial view of adjacent open cut operations**

### Existing infrastructure and conducive operating environment

Key mining and processing infrastructures have been maintained in good condition since Dartbrook was placed on a care and maintenance basis in 2006. Surface infrastructure, including power, waste and office facilities as well as the CHPP and TLO, remain ready for recommencement of operations with minimal capital outlay.

The Project's existing on-site TLO and rail loop connect it to the Hunter Valley Coal Rail Network for transportation of coal to the port of Newcastle, which contains two world-class coal handling terminals. One of these is the Port Waratah Coal Services, the largest coal export terminal in the world, owned and operated by Hunter Valley coal producers and customers. The Hunter Valley network has undergone considerable capital investments and throughput improvements in the last 10 years, making it the largest coal export operation in the world.

Furthermore, a long history of mining in the Hunter Valley has created a large pool of highly skilled workers and lasting partnerships with suppliers as well as stakeholders.

### Development strategy

Upon completion of the acquisition, the Company intends to seek the relevant approvals for the development of a 5 mtpa open cut mining operation. The Company expects this proposal to be favourably considered by both the local community and regulatory authorities, due to the approvals of adjacent existing open cut mines and Dartbrook's less obtrusive impact on the local community.

The presence of existing well-maintained surface infrastructure, including CHPP and TLO, from the previous underground operations will significantly reduce development costs. The substantial existing drilling database will form the basis for a Mineral Resource Estimate in accordance with the JORC Code for the proposed open cut operations. The Company will then focus on the relevant mine planning and environmental processes required to commence operations.

Upon commencement of the open cut operations, it is expected Dartbrook will create approximately 250 direct full-time positions for the local community as well as significantly more indirect positions through local support services and consultancy/advisory roles.

### Commercial Terms of Acquisition

The acquisition consists of:

- 83.33% interest in the Dartbrook JV;
- 100% interest in Anglo Coal (Dartbrook Management) Pty Ltd, manager of the Dartbrook JV; and
- 83.33% interest in Dartbrook Coal (Sales) Pty Ltd, marketing agent of the Dartbrook JV (together, "the Acquisition")

The consideration for the Acquisition includes:

- a A\$25 million cash payment; and
- a royalty over AQC's share of coal from the Dartbrook joint venture at a rate of A\$3.00 per tonne of coal sold or otherwise disposed of and A\$0.25 per tonne of any third party coal processed through the Dartbrook infrastructure, but capped at A\$25 million (subject to escalation in accordance with CPI).

Subject to satisfaction of the conditions precedent, the Board expects the Acquisition to be completed by mid-2016.

## **Completion: Cornerstone Investors Bentley & Trepang**

Following Shareholder approval at the Company's Extraordinary General Meeting held on 30 October 2015, AQC announced the completion of each of the Share Subscription Agreements between the Company and two cornerstone investors, Bentley Resources Pte Ltd and Trepang Services Pty Ltd, the subject of previous announcements on 29 July 2015 and 27 August 2015.

The Company issued and allotted 1,650,000,000 fully paid ordinary shares at an issue price of \$0.04 per share (Subscription Shares) to each of Bentley and Trepang to raise a total of \$13,200,000 pursuant to the Share Subscription Agreements and Converting Loan Deeds entered into with each.

Resolutions put to the Company shareholders at the Extraordinary General Meeting of the Company also contemplated the issue of shares to directors of the company for deferred fees and expenses and outstanding director fees. Following approval of those resolutions by shareholders the Company issued and allotted the following:

- 125,460,000 ordinary shares to Peter Ziegler in lieu of deferred fees and expenses;
- 122,490,000 ordinary shares to Paul Byrne in lieu of deferred fees and expenses, (collectively the Deferred Fees Shares); and
- 45,375,000 ordinary shares to Peter Ziegler in lieu of outstanding director fees;
- 27,225,000 ordinary shares to Paul Byrne in lieu of outstanding director fees;
- 24,750,000 ordinary shares to Paul Ingram in lieu of outstanding director fees; and
- 24,750,000 ordinary shares to Paul Ryan in lieu of outstanding director fees,(collectively the Outstanding Director Fee Shares).

## **Management Changes**

The following changes to the board and senior management of the Company following completion of the share subscription agreements with Trepang and Bentley on 30 October 2015:

- Mr Nathan Tinkler has been appointed as Managing Director and Chief Executive Officer;
- Mr Peter Ziegler remains on the Board as non-executive Chairman;
- Mr Paul Byrne resigned as Managing Director and has been appointed as an executive Director of Projects;
- Mr John Robinson Jnr has been appointed as a non-executive Director;
- Mr Paul Ingram resigned as a non-executive Director;
- Mr Paul Ryan resigned as a non-executive Director.
- Mr Shane Cranswick has been appointed as Chief Financial Officer and Company Secretary; and
- Mr Kevin Mischewski resigned as Company Secretary and has been appointed as Financial Controller.

## **Non-renounceable Rights Issue**

On 29 July 2015 AQC announced a non-renounceable rights issue to eligible shareholders, on the basis of 1 new fully paid ordinary share for every 1 share held at an issue price of \$0.004 per share (Rights Issue or Offer). The Rights Issue closed on 19 October 2015.

The Company issued a total of 263,443,395 fully paid ordinary shares under the rights issue raising gross proceeds of \$1,053,773.58. This issue was in respect of both entitlements, applications for additional by eligible shareholders and the placement of shortfall shares.

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