

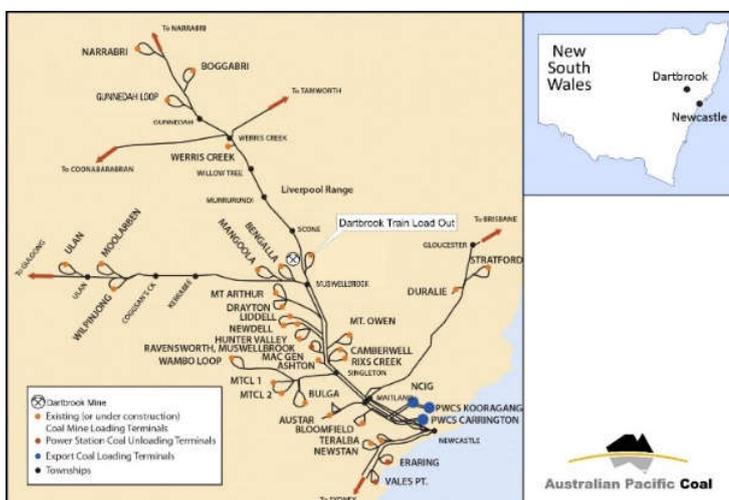
ASX RELEASE (ASX:AQC)

31 January 2017

## Quarterly Report for the period ended 31 December 2016

### Highlights

- *The Company's acquisition of 100% of the Dartbrook Joint Venture ('Dartbrook' or 'the Project') is progressing towards completion. The Company announced on 9 December 2016 that it has agreed to a request from Anglo American to extend the sunset date for the agreement to 10 February 2017.*
- *The acquisition consists of Anglo American Plc's ('Anglo') 83.33% interest in the Dartbrook Joint Venture together with Marubeni Coal Pty Ltd's ('Marubeni') 16.67% interest in Dartbrook. As announced on 18 May 2016, Marubeni has executed formal documentation in relation to their tag-along sale of their 16.67% interest in the Dartbrook Joint Venture to the Company.*
- *Previously reported, the Company raised \$20 million in connection with its funding needs pertaining to the Dartbrook acquisition. The \$20 million raised, together with a further \$4.5 million of cash reserves from AQC, has been placed in escrow pending completion of the acquisition. (See further below). In addition, the Company has secured the funding necessary to purchase Marubeni Coal Pty Ltd's 16.67% interest in the Dartbrook Joint Venture.*
- *The Company has commenced arrangements to enable a smooth transition of the Project from Anglo to the Company. The Company is currently in the final stages of a business case analysis to assess the potential of re-commencing underground mining operations at the site.*



## **Funding**

On 2nd February 2016 the Company announced that it had raised a total of \$20 million, through the issue of convertible loans to Messrs John Robinson and Nick Paspaley, the owners and controllers of cornerstone investor, Trepang Services Pty Ltd, for the purpose of funding the acquisition of its 83.33% interest in the Dartbrook Joint Venture. The \$20 million raised, together with a further \$4.5 million of cash reserves from AQC, has been placed in escrow pending completion of the Dartbrook acquisition.

On 16 June 2016 the Company announced that it had negotiated a variation of the terms and conditions of these convertible loans. While the total principal amount of \$20 million remained unchanged, the interest rate on these convertible loans was reduced to 10% per annum (*previously 15% per annum*) with these loans now being secured against the Company's assets. Subject to shareholder approval, the principal and interest is able to be converted by the convertible loan holders into ordinary shares in AQC at \$0.015 per share. The Summary Terms and Conditions of the Amended Convertible Loan Deeds are set out in the Company's 16 June 2016 ASX Release. On 10 October 2016 the Company announced that it has received and accepted the First Extension Notice from each of Mr Robinson and Paspaley extending the maturity date on these convertible loans to 1 February 2018.

On 27 April 2016 the Company announced that it has secured the funding necessary to purchase Marubeni Coal Pty Ltd's 16.67% interest in the Dartbrook Joint Venture. Trepang Services Pty Ltd has undertaken to provide the necessary purchase consideration of \$5 million by way of a secured, interest bearing, loan to the Company for this purpose ('the Loan'). The Loan has a three-year term and an interest rate of 10% per annum. The provision of the Loan is subject to the execution of a general security deed over all property of the Company.

On 10 October 2016, the Company announced that it has negotiated variations to the terms of the Convertible Loan Deeds entered into by the Company with each of Mr Nicholas Paspaley and Mr John Robinson that were announced to the ASX on 2 February 2016, and 16 June 2016, together with variations to the Secured Loan Deed that the Company entered into with Trepang Services Pty Ltd that was announced on 27 April 2016 and 16 June 2016 to provide A\$5 million in funding for the purchase of Marubeni Coal's 16.67% interest in Dartbrook. As at 31 January 2017, Trepang Services Pty Ltd has agreed to immediately advance an additional \$1 million cash to the Company under this Loan facility with a final repayment term of three years if not earlier repaid on its preceding anniversary dates. The additional funds will be used to meet short term working capital requirements.

On 31 January 2017 the Company has received notice from each of Mr Nicholas Paspaley, Mr John Robinson and Trepang Services Pty Ltd that the approval dates for the Approval Meeting has been further extended to 31 May 2017.

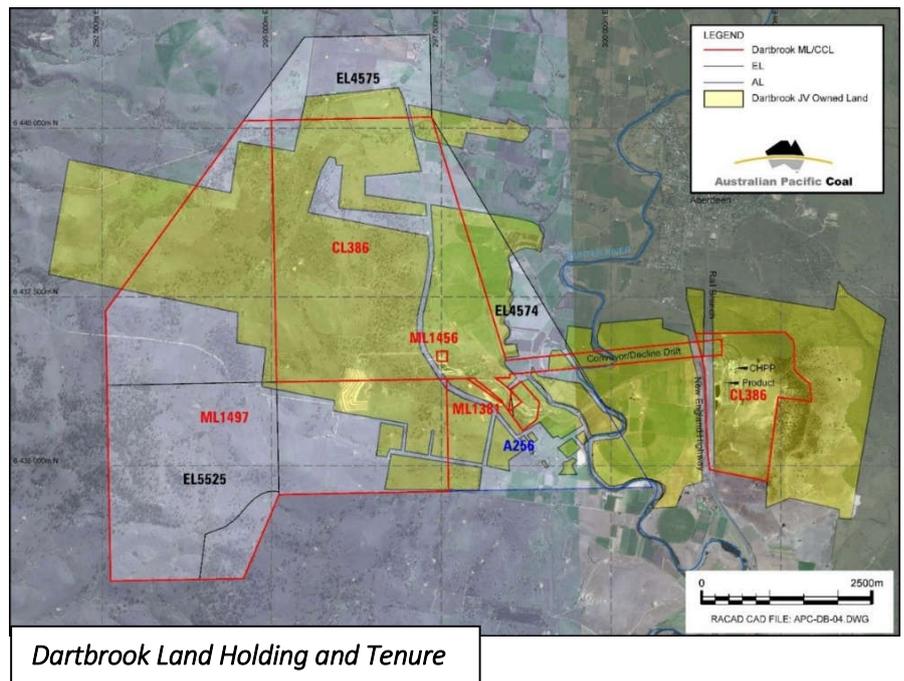
Trepang Services Pty Ltd has also provided a non-binding indication that it intends to arrange for the provision of the balance of AQC's funding requirements in connection with the acquisition of Dartbrook. This funding is subject to AQC and Trepang (or other parties) agreeing the commercial terms and conditions of this funding, formal transactions documents being entered into and any required shareholder approvals being obtained. The Company is actively working with Trepang to seek to formally secure the required funding as quickly as possible. However, due to the nature of this non-binding indication, there is no assurance that such funding will be secured from Trepang (or other parties).

## **Dartbrook Project**

The Company will be able to move to completion of the Dartbrook acquisition as soon as the remaining conditions precedent under the 'Sale and Purchase Agreement – Dartbrook' are either waived or satisfied.

On 9 December 2016 the Company announced that has agreed to a request from Anglo American to vary the Share Purchase Agreement ('Agreement') for the Company's acquisition of the Dartbrook coal mine. The sunset date for the Agreement has been extended to 10 February 2017.

The Company is conducting its activities so as to be in a position to ensure the smooth handover of the mine from the Anglo American Plc group. Consideration is currently being given to the potential for recommencement of the Dartbrook underground mining operations and this analysis is well advanced.



In the coming months the Company anticipates conducting a series of community briefings setting out its proposals for the Dartbrook mine.

Dartbrook is a tier 1 asset, strategically located and well equipped with existing infrastructure and facilities. On 24 May 2016, the Company announced its Coal Resource Estimate of 1.2 billion tonnes at Dartbrook (466 million tonnes measured, 449 million tonnes indicated and 294 million tonnes inferred). As concerns about greenhouse gas emissions increase, the Company believes that high quality thermal coal will remain one of the core sources for energy production.

## **Extraordinary General Meeting – Approval of Convertible Loan Deeds and Security**

The Company expects to hold an Extraordinary General Meeting of shareholders on or before 31 May 2017.

Resolutions proposed to be put at the meeting include:

- to seek shareholder approval for the conversion of the Convertible Loan Deeds entered into by the Company with each of Mr Nicholas Paspaley and Mr John Robinson, and
- to seek shareholder approval for the granting of security against the Company's assets for each of the Convertible Loan Deeds and for the Trepang Services Pty Ltd Loan.

*For further information, please contact:*

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## **Compliance Statement**

### *Dartbrook Coal Resource Estimate:*

The information is extracted from the report entitled '*Australian Pacific Coal Commissioned Coal Resource Estimate at Dartbrook of 1.2 billion tonnes*' created on 24 May 2016 and is available to view on [www.aqcltd.com](http://www.aqcltd.com).

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.