



ASX RELEASE

29 March 2017

## Share Subscription Agreement and EGM Supplementary Materials

Australian Pacific Coal Limited ('AQC', or 'the Company') (ASX Code: AQC) is pleased to announce that it has agreed to issue 500,000,000 fully paid Ordinary Shares at an issue price of \$0.010 per share to an unrelated sophisticated investor to raise a total of \$5,000,000 in accordance with approval granted by shareholders under Resolution 7 of the Company's Annual General Meeting held on 13 January 2017. The funds raised will be used by the Company for working capital, with additional working capital being required prior to the completion of the Dartbrook acquisition.

The Company anticipates that the share issue will be completed on or before Friday 31 March 2017 with further announcements to be lodged on completion of the share issue.

For completeness, the Company provides the attached Supplementary Materials to the Notice of Extraordinary General Meeting and Explanatory Memorandum dated 13 March 2017 which is being despatched to all Shareholders.

*For further information, please contact:*

Australian Pacific Coal Limited  
Tel: +61 7 3221 0679

Email: [info@aqcltd.com](mailto:info@aqcltd.com)

Australian Pacific Coal Limited ABN 49 089 206 986

## **Supplementary Materials**

to the Notice of Extraordinary General Meeting and Explanatory Memorandum dated 13 March 2017

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Date of Meeting: Thursday, 13 April 2017

Time of Meeting: 9.00am Brisbane time

Place of Meeting: Level 7, Waterfront Place,  
1 Eagle Street, Brisbane Qld 4000 Australia

These Supplementary Materials dated 29 March 2017 and addendum to the Independent Expert's Report are supplementary to, and should be read in conjunction with, the Notice of Extraordinary General Meeting, Explanatory Memorandum and Independent Expert's Report dated 13 March 2017. All materials should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

The Independent Expert, BDO Corporate Finance (Qld) Ltd, has concluded that the Relevant Interest Acquisition, including having regard to the matters set out in these supplementary materials, is not fair but reasonable to the Non-Associated Shareholders.

The Independent Expert, BDO Corporate Finance (Qld) Ltd, has concluded that the granting of the Security, including having regard to the matters set out in these supplementary materials, is fair and reasonable to the Non-Associated Shareholders.

If you have already submitted a proxy form, that proxy form will remain valid unless revoked or a replacement proxy form is lodged in accordance with the details set out below.

# Supplementary Materials

## 1. Background

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These materials (**Supplementary Materials**) relate to and provide supplementary disclosure in respect of the Notice of Extraordinary General Meeting and Explanatory Memorandum for the Extraordinary General Meeting of Australian Pacific Coal Limited ABN 49 089 206 986 (the **Company**) to be held at 9:00am Brisbane time on Thursday, 13 April 2017.

The Supplementary Materials are supplementary to, and do not affect the validity of, the original Notice of Extraordinary General Meeting and Explanatory Memorandum (**Original Notice**). Unless otherwise specified, terms defined in the Original Notice have the same meaning in the Supplementary Materials.

## 2. Placement and exercise of options

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On 29 March 2017 the Company announced it successfully secured an unconditional placement of 500,000,000 Shares to an unrelated sophisticated investor at an issue price of \$0.010 per Share (**Placement**), which raised \$5,000,000. These funds will be used by the Company for working capital, with additional working capital being required prior to the completion of the Dartbrook acquisition, at which point working capital under the Trepang Convertible Loan Deed may be available.

The Shares to be issued pursuant to the Placement (**Placement Shares**) are expected to be issued on or about 31 March 2017. On issue of the Placement Shares, along with an exercise of existing options announced on 22 March 2017, there will be a change to the number of shares on issue in the Company from the number disclosed in the Original Notice. This will also change the calculations of Voting Power set out in the Original Notice if those calculations were to be undertaken as at the date of these Supplementary Materials (assuming the Placement Shares have been issued). Upon issue of the Placement Shares there will be 4,893,434,264 Shares on issue. There are currently 25,000,000 existing options on issue expiring on 31 March 2017.

## 3. Change to potential Voting Power

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Upon completion of the Placement, the overall effect of these changes will be to reduce the maximum Voting Power of Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd (and their Associates) pursuant to the Convertible Loan Deeds and the Secured Loan Deed to that which was disclosed in the Original Notice from a maximum of 84.90% down to a maximum of 82.18%.

As at the date of these Supplementary Materials, Trepang, together with its Associates (which include Mr Robinson (Snr) and Mr Paspaley), are the registered holder of 1,806,166,667 Shares. This will represent 36.91% of the issued Shares in the Company upon issue of the Placement Shares. Accordingly, upon completion of the Placement Trepang, together with its Associates, will have Voting Power of 36.91% in the Company.

While this change in circumstances will not result in a variation to Resolution 1, to ensure Shareholders are fully informed in respect of Resolution 1, the Company provides these Supplementary Materials.

Set out in Schedules 1, 2 and 3 below are updated tables which show the following based on the number of Shares on issue upon completion of the Placement (assuming none of the existing options on issue are exercised):

1. Schedule 1 - Substantial Shareholder's Interest
2. Schedule 2 - Directors' interest in Shares in the Company
3. Schedule 3 - Dilutionary effect of the issue of the Conversion Shares and the Interest Shares

Upon issue of the Placement Shares, the maximum direct and indirect holdings of each of Trepang, Mr Robinson (Snr) and Mr Paspaley would be as follows if the maximum number of Conversion

## Supplementary Materials

Shares, and Interest Shares (as noted in the Notice and Explanatory Memorandum) were issued, based on the number of Shares on issue at completion of the Placement (assuming none of the existing options on issue are exercised):

Issue price <sup>1</sup>	Trepang	John Robinson Snr	Nicholas Paspaley	Total - Direct	Escrow Shares <sup>2</sup>	Total – Direct and Indirect <sup>2</sup>
<b>\$0.015</b>	3,056,310,773 37.97%	888,309,382 11.04%	1,017,476,049 12.64%	4,962,096,203 61.65%	196,713,334 2.44%	5,158,809,537 64.09%
<b>\$0.013</b>	3,268,512,431 39.38%	907,960,897 10.94%	1,037,127,564 12.49%	5,213,600,891 62.81%	196,713,334 2.37%	5,410,314,225 65.18%
<b>\$0.011</b>	3,557,878,328 41.16%	934,758,417 10.81%	1,063,925,084 12.31%	5,556,561,828 64.28%	196,713,334 2.28%	5,753,275,162 66.56%
<b>\$0.009</b>	3,975,851,288 43.50%	973,465,947 10.65%	1,102,632,614 12.06%	6,051,949,848 66.22%	196,713,334 2.15%	6,248,663,182 68.37%
<b>\$0.0025</b>	9,952,864,632 61.35%	1,526,983,615 9.41%	1,656,150,282 10.21%	13,135,998,528 80.97%	196,713,334 1.21%	13,332,711,862 82.18%

Note:

1. *It is noted that the conversion price for the Robinson and Paspaley Convertible Notes is fixed at \$0.015. However, the conversion price for the Trepang Convertible Note and the issue price for the Interest Shares is not fixed and this table assumes the price set out above is used as the conversion price or the issue price. The conversion price for the Trepang Convertible Note will be a minimum of \$0.0025 per Share. The issue price for the Interest Shares may well be significantly different to that set out above, however, Resolution 1 only seeks approval for a maximum of 3,808,682,792 Interest Shares (which assumes the issue price is \$0.0025 per Share). Mr John Robinson (Jnr) is an Associate of Trepang, Mr Robinson (Snr) and Mr Paspaley. Trepang, Mr Robinson (Snr) and Mr Paspaley have advised that they have no associates other than as specified in the Notice and the Explanatory Memorandum.*
2. *It is noted that the number of Shares the subject of the Escrow Deeds is not yet known as the Escrow Deeds apply to the number of Shares held by relevant parties at the commencement date of the Trepang Convertible Loan Deed and as may be issued under future incentive arrangements with the Company. For the purposes of this table, it is assumed that the number of Shares the subject of the Escrow Deeds is the same number as those currently held by the parties to the Escrow Deeds, however, this may well significantly change in the future.*

Upon issue of the Placement Shares and assuming Resolution 1 is passed, Trepang, Mr Paspaley and Mr Robinson (Snr) will move to a Share holding at least 75% in circumstances where the Conversion Price for the Trepang Convertible Note and all Interest Shares is \$0.0036 or less and they will hold less than 75% of the issued Shares in the Company if the Conversion Price for the Trepang Convertible Note and all Interest Shares is \$0.09, \$0.011, \$0.013, \$0.015 or higher.

Shareholders are referred to Schedule 3 below for detailed information on the potential Voting Power of Trepang, Mr Robinson (Snr) and Mr Paspaley (and their Associates) under various scenarios based on the number of Shares on issue upon completion of the Placement (assuming none of the existing options on issue are exercised).

# Supplementary Materials

## 4. Independent Experts' Report

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As a result of the changes above, BDO, the Independent Expert, has provided an addendum dated 29 March 2017 to the Independent Expert's Report dated 13 March 2017 (**IER**) which appears at Attachment 1 of the Original Notice.

BDO's conclusions in the IER are that:

- the Relevant Interest Acquisition is not fair but reasonable to the Non-Associated Shareholders; and
- the granting of the Security is fair and reasonable to the Non-Associated Shareholders.

In BDO's opinion (as expressed in the addendum), there has not been a material change in circumstances since preparing the IER and BDO's conclusions in the IER have not changed as a result of the information set out in the Supplementary Materials.

The full addendum is attached. You should read the IER in its entirety (together with the addendum attached) as part of your assessment of the Proposed Transaction and before casting your vote in relation to Resolution 1.

## 5. Director's Recommendation

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The recommendation of the Non-Interested Directors of the Company that you vote in favour of Resolution 1 has not changed and remains the same.

The reasons for the Non-Interest Directors' recommendation in favour of Resolution 1 have not changed following the changes detailed in the Supplementary Materials. These reasons and other relevant considerations are set out in the Original Notice.

Mr Robinson Jnr continues to make no recommendation with respect to Resolution 1.

After considering the information set out in the Supplementary Materials in conjunction with the addendum provided by the Independent Expert, the Directors are of the view that there has not been a change in circumstance that would be material to a member in deciding how to vote on Resolution 1. However, for completeness, the Company provides these Supplementary Materials to Shareholders.

## 6. Voting by proxy

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If you have already submitted a proxy form, that proxy form will remain valid unless revoked or a replacement proxy form is **deposited at, posted to, or sent by facsimile transmission to the address listed below, or by hand to the Share Registry, Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138** not less than 48 hours before the time for holding the meeting.

Australian Pacific Coal Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia  
Telephone Phone: 1300 554 474 (Overseas: +61 1300 554 474)  
Facsimile No: +61 2 9287 0309

# Supplementary Materials

## Schedule 1 – Substantial Shareholders' Interest

Shareholder	Shares on issue on completion of Placement <sup>1</sup>	Shares upon issue of Conversion Shares and Interest Shares <sup>2</sup>				
		Issue price \$0.015	Issue price \$0.013	Issue price \$0.011	Issue price \$0.009	Issue price \$0.0025
<b>Trepang Services Pty Ltd and associates<sup>3</sup></b>	Number of Shares: 3,056,310,773 ordinary shares (Trepang Services Pty Ltd)	Number of Shares: 3,268,512,431 ordinary shares (Trepang Services Pty Ltd)	Number of Shares: 3,557,878,328 ordinary shares (Trepang Services Pty Ltd)	Number of Shares: 3,975,851,288 ordinary shares (Trepang Services Pty Ltd)	Number of Shares: 9,952, 864,632 ordinary shares (Trepang Services Pty Ltd)	Number of Shares: 9,952, 864,632 ordinary shares (Trepang Services Pty Ltd)
	1,677,000,000 ordinary shares (Trepang Services Pty Ltd) 129,166,667 ordinary shares (Nicholas Paspaley) Total:1,806,166,667	1,017,476,049 ordinary shares (Nicholas Paspaley) 888,309,382 ordinary shares (John Robinson, Snr) 196,713,334 ordinary shares (Escrow shares) Total:5,158,809,537	1,037,127,564 ordinary shares (Nicholas Paspaley) 907,960,897 ordinary shares (John Robinson, Snr) 196,713,334 ordinary shares (Escrow shares) Total: 5,410,314,225	1,063,925,084 ordinary shares (Nicholas Paspaley) 934,758,417 ordinary shares (John Robinson, Snr) 196,713,334 ordinary shares (Escrow shares) Total:5,753,275,162	1,102,632,614 ordinary shares (Nicholas Paspaley) 973,465,947 ordinary shares (John Robinson, Snr) 196,713,334 ordinary shares (Escrow shares) Total:6,248,663,182	1,656,150,282 ordinary shares (Nicholas Paspaley) 1,526,983,615 ordinary shares (John Robinson, Snr) 196,713,334 ordinary shares (Escrow shares) Total:13,332,711,862
	Relevant interest: 36.91%	Relevant interest: 64.09%	Relevant interest: 65.18%	Relevant interest: 66.56%	Relevant interest: 68.37%	Relevant interest: 82.18%
<b>Nathan Tinkler and associate<sup>4</sup></b>	Number of shares: 552,852,001 ordinary shares (Leslie Norman Tinkler and Zelda Irene Tinkler)	Number of shares: 553,852,001 ordinary shares (Leslie Norman Tinkler and Zelda Irene Tinkler)	Number of shares: 553,852,001 ordinary shares (Leslie Norman Tinkler and Zelda Irene Tinkler)	Number of shares: 553,852,001 ordinary shares (Leslie Norman Tinkler and Zelda Irene Tinkler)	Number of shares: 553,852,001 ordinary shares (Leslie Norman Tinkler and Zelda Irene Tinkler)	Number of shares: 553,852,001 ordinary shares (Leslie Norman Tinkler and Zelda Irene Tinkler)
	189,442,038 ordinary shares (JVG Aust Pty Ltd) 63,500,000 ordinary shares (Bentley)	189,442,038 ordinary shares (JVG Aust Pty Ltd) 63,500,000 ordinary shares (Bentley)	189,442,038 ordinary shares (JVG Aust Pty Ltd) 63,500,000 ordinary shares (Bentley)	189,442,038 ordinary shares (JVG Aust Pty Ltd) 63,500,000 ordinary shares (Bentley)	189,442,038 ordinary shares (JVG Aust Pty Ltd) 63,500,000 ordinary shares (Bentley)	189,442,038 ordinary shares (JVG Aust Pty Ltd) 63,500,000 ordinary shares (Bentley)

## Supplementary Materials

Shareholder	Shares on issue on completion of Placement <sup>1</sup>	Shares upon issue of Conversion Shares and Interest Shares <sup>2</sup>				
		Issue price \$0.015	Issue price \$0.013	Issue price \$0.011	Issue price \$0.009	Issue price \$0.0025
	Resources Pte Ltd) Total: 806,794,039	Resources Pte Ltd) Total: 806,794,039	Resources Pte Ltd) Total: 806,794,039	Resources Pte Ltd) Total: 806,794,039	Resources Pte Ltd) Total: 806,794,039	Resources Pte Ltd) Total: 806,794,039
	Relevant interest: 16.49%	Relevant interest: 10.02%	Relevant interest: 9.72%	Relevant interest: 9.33%	Relevant interest: 8.83%	Relevant interest: 4.97%
Placement	Number of shares: 500,000,000	Number of shares: 500,000,000	Number of shares: 500,000,000	Number of shares: 500,000,000	Number of shares: 500,000,000	Number of shares: 500,000,000
	Relevant interest: 10.22%	Relevant interest: 6.21%	Relevant interest: 6.02%	Relevant interest: 5.78%	Relevant interest: 5.47%	Relevant interest: 3.08%

### Notes:

1. Based on the number of Shares on issue upon completion of the Placement assuming no Shares are issued on exercise of existing options (there are presently 25,000,000 \$0.008 unlisted options to subscribe for Shares expiring on 31 March 2017).
2. Assumes that no new Shares in the Company are issued other than pursuant to the Placement and as contemplated by Resolution 1, including that no Shares are issued on exercise of existing options (there are presently 25,000,000 \$0.008 unlisted options to subscribe for Shares expiring on 31 March 2017).
3. The number of Shares assumes that all Placement Shares are issue and the maximum number of Conversion Shares and Interest Shares as are subject to Resolution 1 are issued to Nicholas Paspaley, John Robinson (Snr) and Trepang Services Pty Ltd (as set out in the tables in section 2.12(b) of the Explanatory Memorandum). This also includes the Shares which are currently the subject of the Escrow Deeds.
4. Mr Nathan Tinkler lodged a substantial holder notice with the Company on 2 November 2015 which identified Leslie Norman Tinkler and Zelda Irene Tinkler, JVG Aust Pty Ltd, Bentley Resources Pte Ltd and RJ Tinkler Investments Pty Ltd as the relevant holders of Shares. A subsequent substantial holder notice has not been lodged, however, the Company's share register presently shows that Leslie Norman Tinkler and Zelda Irene Tinkler, JVG Aust Pty Ltd and Bentley Resources Pte Ltd remain shareholders of the Company, however RJ Tinkler Investments Pty Ltd is no longer a Shareholder, and that their total Share holding has reduced to 806,794,039 Shares. As such, the Company is unable to confirm the present Relevant Interest of Mr Nathan Tinkler and his associates and the above information only shows those Shares directly registered in the names of Leslie Norman Tinkler and Zelda Irene Tinkler, JVG Aust Pty Ltd and Bentley Resources Pte Ltd.

# Supplementary Materials

## Schedule 2 – Directors' interest in Shares of the Company

Director	Shares on completion of the Placement(Direct and Indirect) <sup>1</sup>	Shares upon issue of Conversion Shares and Interest Shares <sup>2</sup>				
		Issue price \$0.015	Issue price \$0.013	Issue price \$0.011	Issue price \$0.009	Issue price \$0.0025
<b>Mr Peter Ziegler</b>	189,903,334 Shares (3.88%)	189,903,334 Shares (2.36%)	189,903,334 Shares (2.29%)	189,903,334 Shares (2.20%)	189,903,334 Shares (2.08%)	189,903,334 Shares (1.17%)
<b>Mr John Robinson (Jnr)</b> <sup>3</sup>	1,806,166,667 Shares (36.91%)	5,158,809,537 Shares (64.09%)	5,410,314,225 Shares (65.18%)	5,753,275,162 Shares (66.56%)	6,248,663,182 Shares (68.37%)	13,332,711,862 Shares (82.18%)
<b>Mr Shane Stone</b>	6,500,000 Shares (0.13%)	6,500,000 Shares (0.08%)	6,500,000 Shares (0.08%)	6,500,000 Shares (0.08%)	6,500,000 Shares (0.07%)	6,500,000 Shares (0.04%)

### Notes:

1. Based on the number of Shares on issue upon completion of the Placement assuming no Shares are issued on exercise of existing options (there are presently 25,000,000 \$0.008 unlisted options to subscribe for Shares expiring on 31 March 2017).
2. Assumes that no Director (either directly or indirectly) acquires any further Shares in the Company other than as contemplated by Resolution 1 and no new Shares in the Company are issued other than the Placement Shares and as contemplated by Resolution 1 including that no Shares are issued on exercise of existing options (there are presently 25,000,000 \$0.008 unlisted options to subscribe for Shares expiring on 31 March 2017).
3. Mr John Robinson (Jnr) does not presently hold any Shares directly. For completeness, disclosure is made of these Shares as held by Nicholas Paspaley, John Robinson (Snr) and Trepang Services Pty Ltd (the nominating shareholder of Mr John Robinson (Jnr)) as outlined elsewhere in the Explanatory Memorandum. Mr John Robinson (Jnr) does not own or control these entities. The number of Shares assumes the maximum number of Conversion Shares and Interest Shares as are subject to Resolution 1 are issued to Nicholas Paspaley, John Robinson (Snr) and Trepang Services Pty Ltd (as set out in the tables in section 2.12(b) of the Explanatory Memorandum). This also includes the Shares which are currently the subject of the Escrow Deeds.

## Supplementary Materials

### Schedule 3 – Dilutionary effect of the issue of the Conversion Shares and the Interest Shares

Ordinary Shares	Shares on completion of the Placement		Issue price \$0.015		Issue price \$0.013		Issue price \$0.011		Issue price \$0.009		Issue price \$0.0025	
	Securities directly held	% directly held	Securities directly held	% directly held	Securities directly held	% directly held	Securities directly held	% directly held	Securities directly held	% directly held	Securities directly held	% directly held
<b>Current Shareholders<sup>1, 2</sup></b>	3,087,267,597	63.09%	2,890,554,263	35.91%	2,890,554,263	34.82%	2,890,554,263	33.44%	2,890,554,263	31.63%	2,890,554,263	17.82%
<b>Trepang, John Robinson (Snr) and Nicholas Paspaley<sup>3</sup></b>	1,806,166,667	36.91%	5,158,809,537	64.09%	5,410,314,225	65.18%	5,753,275,162	66.56%	6,248,663,182	68.37%	13,332,711,862	82.18%
<b>Total ordinary shares</b>	4,893,434,264	100.00%	8,049,363,800	100.00%	8,300,868,488	100.00%	8,643,829,425	100.00%	9,139,217,445	100.00%	16,223,266,125	100.00%

#### Notes:

1. Based on the number of Shares on issue upon completion of the Placement assuming no Shares are issued on exercise of existing options (there are presently 25,000,000 \$0.008 unlisted options to subscribe for Shares expiring on 31 March 2017). Excluding Shares held by Trepang, John Robinson (Snr) and Nicholas Paspaley.
2. Assumes that no Shares are issued other than the Placement Shares and as contemplated by Resolution 1, including that no Shares are issued on exercise of existing options (there are presently 25,000,000 \$0.008 unlisted options to subscribe for Shares expiring on 31 March 2017).
3. The number of Shares assumes that all Placement Shares are issued and the maximum number of Conversion Shares and Interest Shares as are subject to Resolution 1 are issued to Nicholas Paspaley, John Robinson (Snr) and Trepang Services Pty Ltd (as set out in the tables in section 2.12(b) of the Explanatory Memorandum). This also includes the Shares which are currently the subject of the Escrow Deeds.
4. In the event that the applicable Share price for the conversion of the Trepang Convertible Note and the Interest Shares was \$0.0025 per Share, it may be the case that Nicholas Paspaley and John Robinson (Snr) do not elect to convert the Robinson and Paspaley Convertible Notes which have a Conversion Price of \$0.015 per Share. If only the Proposed Trepang Convertible Shares and the Interest Shares were issued at \$0.0025 per Share, this would result in a total Relevant Interest of Trepang, John Robinson (Snr) and Nicholas Paspaley in 11,614,849,459 Shares, being a Relevant Interest in 79.00% of the issued Share capital.

**Attachment 1- Independent Expert's Report**

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The Non-Associated Shareholders  
C/- The Non-Associated Directors  
Australian Pacific Coal Limited  
Level 7, 10 Felix Street  
BRISBANE QLD 4000

29 March 2017

Dear Non-Associated Shareholders,

## **ADDENDUM TO INDEPENDENT EXPERT'S REPORT SHARE PLACEMENT AND EXERCISE OF OPTIONS**

### **Background**

BDO Corporate Finance (QLD) Ltd ('BDO CFQ') was engaged and prepared an independent expert's report dated 13 March 2017 ('the IER'), addressed to the Non-Associated Shareholders of Australian Pacific Coal Limited ('AQC' or 'the Company') in relation to the following:

- The proposal to allow Mr John Robinson, Mr Nicholas Paspaley and Trepang Services Pty Ltd (who are associates) to increase their relevant interest in AQC ordinary shares from 41.29% to an amount up to 84.90% depending on certain assumptions ('the Relevant Interest Acquisition') as set out in Section 3.4 of the IER; and
- The proposal to grant security over all AQC's assets to Mr John Robinson, Mr Nicholas Paspaley and Trepang Services Pty Ltd ('the Security Transaction').

The above elements form part of Resolution 1 in the Notice of Extraordinary General Meeting provided to shareholders and the supplementary materials provided by the Company dated 29 March 2017 ('Supplementary Materials').

This addendum report ('Addendum Report') is to be read in conjunction with the IER, the Notice of Meeting and the Supplementary Materials.

Terms used in the Addendum Report have the same meaning as defined in the IER.

### **Updated Financial Information and Number of Ordinary Shares**

Subsequent to the issue of the IER we note the following events have happened:

- On 29 March 2017, AQC announced it had secured an unconditional share placement whereby 500,000,000 ordinary AQC shares will be issued at a share price of \$0.01 ('the Share Placement') to raise a total of \$5 million (\$4,986,750 net of costs). The share placement is expected to complete on 30 March 2017. The acquirer of the shares has not previously held an interest in the Company; and

- 18,750,000 options in AQC has been exercised at an exercise price of \$0.008 since the IER. As a result, AQC has received cash of approximately \$150,000 and issued an additional 18,750,000 AQC shares. The number of options in AQC has reduced from 43.75 million to 25 million.

In total, since the date of the IER, AQC will issue 518,750,000 new AQC shares and will receive additional cash of approximately \$5.14 million. Total shares in AQC outstanding following completion of the Share Placement is expected to be 4,893,434,264.

#### **Impact on the Relevant Interest Acquisition**

The issue of additional AQC shares will impact the relevant interest that can be obtained by the Financiers. In particular we note the following:

- The issue of the AQC shares to entities unrelated to the Financiers will result in a reduction to the maximum interest that can be obtained by the Financiers. Specifically, the maximum relevant interest shown in Table 3.4 is now 82.18% (previously 84.90%); and
- The assessment of the reasonableness refers to the maximum relevant interest in a number of places. The revised relevant interest of 82.18% can be substituted in the place of 84.90% and the balance of wording will not be materially affected.

#### **Impact on our Valuation**

We have considered the impact of the issue of 518,750,000 AQC shares and \$5.14 million extra cash on the valuation work set out in the IER and note the following:

- Our value per AQC share prior to the Relevant Interest Acquisition changes as follows:
  - Dartbrook Acquisition: Increase to \$0.0002 to \$0.0088 (previously \$Nominal to \$0.0088);
  - No Dartbrook Acquisition: Increase to \$0.0021 to \$0.0028 (previously \$0.0014 to \$0.0021);
- Our value per AQC share prior to the Relevant Interest Acquisition remains below recent share trading data of AQC and the share placement price of \$0.01. For completeness, we note that the AQC share price has fallen subsequent to the issue of the IER, with the AQC share price trading in the range of \$0.0090 to \$0.0145 over the period 14 March 2017 to 29 March 2017;
- Our ABV of AQC assuming that Resolution 1 is approved changes as follows:
  - The calculation in Table D.4 increases to \$0.0002 to \$0.0060 (previously \$Nominal to \$0.0059). This calculation assumes an exercise price on the Trepang Convertible Notes of \$0.015.
  - Adopting an exercise price of \$0.01 for the Trepang Convertible Notes (to allow for recent weakness in AQC share trading data) would result in a value per share in the range of \$0.0002 to \$0.0057; and
  - The sensitivity set out in Table D.5 increases to \$0.0002 to \$0.0041 (previously \$Nominal to \$0.0036).

### Conclusion

After considering the updated information provided and summarised above, it is our view that there has not been a material change in circumstances which would necessitate us updating the analysis and opinions set out in the IER.

Our conclusion remains as follows:

- In the absence of a superior offer or any other information, the Relevant Interest Acquisition is Not Fair but Reasonable to the Non-Associated Shareholders; and
- In the absence of any other information, the Security Transaction is Fair and Reasonable to Non-Associated Shareholders.

BDO Corporate Finance (QLD) Ltd



Mark Whittaker  
Director



Scott Birkett  
Director