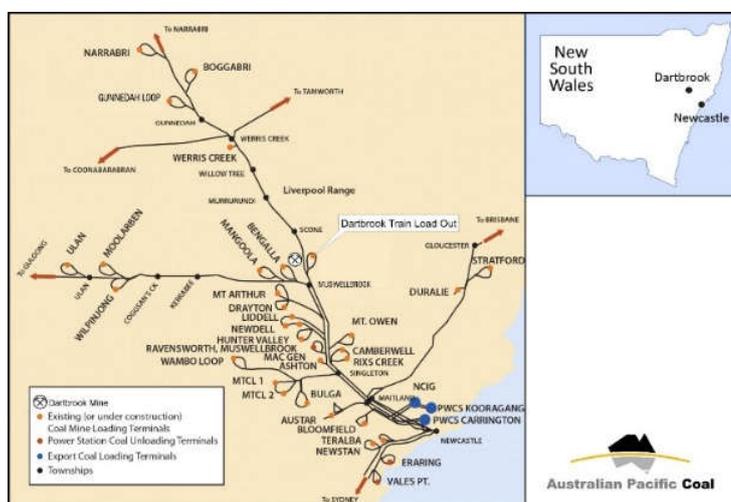


ASX RELEASE (ASX:AQC)

Quarterly Activities Report for the period ended 30 June 2017

Highlights

- The Company's acquisition of 100% of the Dartbrook Joint Venture ('Dartbrook' or 'the Project') completed on 29 May 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.
- Anglo agreed to provide AQC with a secured vendor loan of A\$7.7 million in connection with the Company's acquisition of Anglo's 83.33% share of the Dartbrook Joint Venture.
- At the Extraordinary General Meeting of the Company held on 13 April 2017, AQC's shareholders unanimously approved the Convertible Loan Deeds that were entered into with the Company's cornerstone investors together with related matters in connection with this financing as outlined in the Notice of Meeting.
- On 19 May 2017 AQC announced the appointment of Mr Bruce Munro as a Non-Executive Director of the Company.
- On 28 June 2017 the Company released its revised "Dartbrook Coal Resource Estimate 2.5 Billion Tonnes" in accordance with the JORC Code.
- AQC is working with the New South Wales government, local governments, the local community and all other stakeholders to ensure the responsible and gainful further development of the valuable world class Dartbrook coal resource.



Dartbrook Project

On 29 May 2017, AQC completed its acquisition of the Dartbrook Coal Mine from Anglo American and Marubeni.

AQC has already met with a number of key stakeholders and will continue to do so as the Company further assesses the Dartbrook Asset.

Dartbrook is a tier 1 asset, strategically located and well equipped with existing infrastructure and facilities.

On 28 June 2017 the Company released its revised “Dartbrook Coal Resource Estimate 2.5 Billion Tonnes” in accordance with the JORC Code.

A geological assessment of the entire coal resource within the Dartbrook Mining Authority boundaries has been undertaken by AQC during the lengthy acquisition process. This is currently being finalised and is expected to be released during the next couple of months.

A Pre-Feasibility Study, to be completed in September 2017, is being undertaken to explore the potential for further limited underground mining and to determine how best to manage the existing underground workings and infrastructure moving forward.

An Open-cut Pre-Feasibility Study, to be completed in November 2017, is underway to explore how part of the coal resource could potentially be mined by modern, low impact open cut mining technologies not previously seen in the Hunter Valley.

Note: The scheduled dates are for planning purposes and as such may be subject to change.

Media Enquiries

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Dartbrook Coal Resource Estimate:

The information is extracted from the report entitled ‘Dartbrook Coal Resource Estimate 2.5 billion tonnes’ created on 28 June 2017 and is available to view on 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.

Funding

Trepang Services Pty Ltd Convertible Loan Deed:

On 1 March 2017, the Company announced that it entered into a Convertible Loan Deed with Trepang Services Pty Ltd, conditionally securing \$15 million in funding to assist in completing the acquisition of 100% of the Dartbrook Joint Venture ('Dartbrook') from the Anglo American group and Marubeni Coal. The conditions to this funding were satisfied by the passing of the approval resolution at the Company's EGM held on 13 April 2017. This funding, together with earlier fundraisings, assisted the Company in satisfying the conditions precedent in order for the Dartbrook acquisition to proceed. The interest rate on the convertible loan is 10% per annum with the loan being secured against the Company's assets. The principal and any capitalised interest is able to be converted by the convertible loan holders into ordinary shares in AQC at \$0.0138 per share. The Summary Terms and Conditions of the Convertible Loan Deed are set out in the Company's EGM Notice of Meeting announced on 13 March 2017.

Anglo American Metallurgical Coal Assets Pty Ltd Vendor Loan Agreement:

Anglo American Metallurgical Coal Assets Pty Ltd ('Lender') agreed to provide AQC with a secured vendor loan of A\$7.7 million in connection with the Company's acquisition of Anglo's 83.33% share of the Dartbrook Joint Venture ('the Loan'). An amount equal to the Loan amount is to be applied by the Company towards meeting the costs of conducting a feasibility study into the potential for the open-cut development of the Mine as soon as practicable after Financial Close (29 May 2017). The interest rate on the loan is 10% per annum (increasing to 16% per annum if the Lender has not been granted the security referred to below within 90 days after Financial Close). All interest will be capitalised monthly and will be repayable at maturity. The Loan maturity date is 36 months after the date of the Financial Close, unless repayable earlier in accordance with the Loan's mandatory repayment regime.

The Company may prepay all or part of the outstanding amount of the Loan at any time. If the Company raises any new equity, obtains any new debt (other than certain permitted debt) or disposes of certain key assets, then it must first apply the proceeds to the repayment of the Loan, except where, in the case of new equity or debt, the funds have been raised for working capital purposes (provided no more than \$10 million has been raised for working capital purposes since the date of the Loan (or \$2 million until the full suite of securities set out below are granted)).

The Company is currently in the process of negotiating an extension to its existing finance facilities that were approved by shareholders at the Company's recent extraordinary general meeting on 13 April 2017 ('Existing Facilities') to align their maturity with the term of the Loan, as these facilities currently expire before the term of the Loan. If the Company is unable to extend these facilities, then the Company may have to repay the Loan as early as 1 February 2018 (when it may be required to pay out some of the Existing Facilities at the election of the Company's existing financiers). The Company may also be required to repay the Loan if the Company does not grant the full suite of securities set out below within 90 days after Financial Close.

Subject to shareholder approval being obtained, the Company is to grant (and procure its subsidiaries to grant) to the Lender the following first ranking security:

- specific and featherweight security deed in respect of the Company only;
- general security deeds over the Company and each of its subsidiaries;
- mortgages over all mining tenements or rights held by each of the subsidiaries of the Company; and
- mortgages over all real property rights held by each of the subsidiaries of the Company.

The Company's existing financiers under the Existing Facilities have consented to the Loan and have agreed to take a second ranking secured position. The Company has also agreed not to draw down the \$5 million Tranche B amount under the secured loan facility it has with Trepang before 29 November 2017.

In addition, the existing financiers have agreed, subject to obtaining all necessary shareholder approvals, for the respective maturity dates of the Existing Facilities to be extended to align with the maturity date of the Loan. In the event the Loan is fully repaid early the maturity dates of the Existing Facilities will revert to their current maturity dates, unless such dates have passed in which case the maturity dates of the Existing Facilities will be three months after repayment of the Loan.

Further details in this regard will be contained in meeting materials to be provided in connection with the Company's shareholder meeting to be held in due course.

Extraordinary General Meeting – Approval of Convertible Loan Deeds and Security

The Company held an Extraordinary General Meeting of shareholders on 13 April 2017. Shareholders unanimously approved the following resolution at the meeting:

“That in accordance with Chapter 2E and section 611 (Item 7) of the Corporations Act 2001, and under Listing Rules 10.1 and 10.11 and for all other purposes, the Company be authorised, with effect from the passing of this Resolution 1 to proceed with:

- (a) the issue of the Robinson Convertible Note, capable of being converted into Shares in the Company, to Mr John Robinson (Snr) with a face value of \$10,000,000 plus interest capitalised up to the date of completion of the Dartbrook acquisition, pursuant to the terms of the Robinson Convertible Loan Deed;*
- (b) the issue of the Paspaley Convertible Note, capable of being converted into Shares in the Company, to Mr Nicholas Paspaley with a face value of \$10,000,000 plus interest capitalised up to the date of completion of the Dartbrook acquisition, pursuant to the terms of the Paspaley Convertible Loan Deed;*
- (c) the issue of the Trepang Convertible Note, capable of being converted into Shares in the Company, to Trepang Services Pty Ltd with a face value of \$15,000,000, pursuant to the terms of the Trepang Convertible Loan Deed (collectively with the Robinson and Paspaley Convertible Notes, the Convertible Notes);*
- (d) the subsequent conversion of the Convertible Notes into up to 7,521,149,069 Conversion Shares and Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd acquiring a relevant interest in the Conversion Shares on conversion of the Convertible Notes;*
- (e) the issue of up to 3,808,682,792 Interest Shares to Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd in satisfaction of the obligation of the Company to pay interest under the Secured Loan Deed, the Convertible Loan Deeds and Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd acquiring a relevant interest in such Interest Shares;*
- (f) the granting of the Security by the Company to Mr John Robinson Snr, Mr Nicholas Paspaley and Trepang Services Pty Ltd to secure the indebtedness associated with the Convertible Loan Deeds, the Convertible Notes and the Secured Loan Deed;*
- (g) the giving of financial benefits to Trepang Services Pty Ltd, Mr John Robinson Snr and Mr Nicholas Paspaley to the extent they are related parties of the Company;*
- (h) the commencement of the Escrow Deeds and Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd acquiring a relevant interest in the Shares the subject of the Escrow Deeds;*
- (i) the Voting Power of Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd (and their Associates) increasing up to a maximum of 84.90% pursuant to the Convertible Loan Deeds, the Secured Loan Deed and the Escrow Deeds,*

pursuant to the terms and conditions of the Convertible Loan Deeds, the Convertible Notes, the Secured Loan Deed, the Security and the Escrow Deeds, the details of which are summarised in the Explanatory Memorandum.”