

Australian Pacific Coal Limited (ASX: AQC)

Strategic Partner for development of the Dartbrook Mine

Highlights:

- AQC to partner with SNR as equal-share participants in the Dartbrook Joint Venture to recommence sustainable underground operations
- SNR possesses the development and operational execution capability through its highly experienced management team with significant coal mining expertise
- SNR, as Manager of the Dartbrook Joint Venture, will be responsible for all aspects of development and operations, including the procurement of all required funding for the life of the operation
- AQC will not be required to directly contribute to any holding, development or operational costs at Dartbrook
- The intent of the Dartbrook Joint Venture is to optimise the return to shareholders through the successful recommencement of operations at Dartbrook

Australian Pacific Coal Limited (**Company** or **AQC**) is pleased to announce it has entered into a binding agreement with SNR Minerals Assets Ltd, a wholly owned subsidiary of Stella Natural Resources (**SNR**), to form the Dartbrook Joint Venture (**DJV**).

SNR, an integrated mining business with operations in the United States, is founded and managed by senior mining executives with expertise spanning multiple commodities and jurisdictions. SNR is a coal mining business possessing senior industry executives with significant experience managing underground coal operations in Australia and globally for Xstrata Coal (now Glencore). Further information on SNR is contained on page 3 of this announcement.

AQC and SNR intend to finalise a robust, bankable development plan to recommence underground mining with planned coal production during calendar year 2019. Key information on the development plan will be provided when the plan is finalised. Dartbrook is currently permitted as a 6 Mtpa underground longwall mine with substantial infrastructure in place. This infrastructure includes a coal handling and processing plant, train load out facilities, water and power infrastructure, administrative buildings and other facilities that were utilised during operations under former ownership.

Transaction Overview

SNR will pay AUD 20 million to AQC (**Purchase Price**) for a 50% interest in AQC Investments 2 Pty Ltd, the entity which holds AQC's interest in the Dartbrook Mine, including freehold land, infrastructure and mining tenements. The DJV will provide an AUD 10 million loan to AQC (**Loan**) to pay out the existing Anglo American secured loan. The Company intends to use the Purchase Price proceeds to repay a significant portion of outstanding convertible notes held collectively by Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd (**Financiers**), and to obtain their agreement to the conversion of all remaining convertible notes to ordinary shares of the Company in accordance with the terms of the convertible notes held at the time.

The transaction is subject to certain conditions precedent, including SNR securing funding for the Purchase Price and Loan, FIRB, NSW State Government and other third party consents and approvals (including the Financiers releasing their security over the Dartbrook Mine assets), limited confirmatory financial diligence, and agreement on a fully funded development plan to recommence underground mining. The Company has received preliminary

confirmation from ASX that the transaction will not require shareholder approval under ASX Listing Rule 11. Additional information for the purpose of ASX Listing Rule 11 is appended to this announcement.

SNR will be appointed as exclusive manager and marketer for the DJV at completion, with completion anticipated in the March 2019 quarter.

The transaction agreements contain warranties, indemnities, termination rights and other protections usual for agreements of this type. AQC has also agreed to reimburse SNR for its costs in preparing the development plan in circumstances where SNR has arranged funding and obtained FIRB approval, but the transaction does not proceed.

John Robinson Jnr, Chairman of Australian Pacific Coal, said "AQC welcomes the involvement of our new JV partner Stella Natural Resources with the depth of experience and resources that will be committed to the successful recommencement of mining at the Dartbrook coal mine. The transaction is anticipated to deliver substantial shareholder value through the recommencement of mining activities at Dartbrook. The DJV will provide substantial employment opportunities and actively engage with the local community throughout the mine life. The local community will once again greatly benefit from mining at Dartbrook given the substantial capital investment in critical mining infrastructure . The Dartbrook coal brand is already established in the energy markets throughout Asia with the mine exporting 25 million tonnes of Newcastle benchmark coal under former ownership. The recommencement of mining at Dartbrook is aligned with positive market demand signals, coupled with limited supply response, and at a time when demand for cost efficient energy continues to be resilient together with a strengthening demand for high quality, low emission coal. Dartbrook, through the DJV, is well positioned to capitalise on the strong market fundamentals and outlook for the Australian thermal coal export industry."

David Stone, CEO at Stella Natural Resources, said. "SNR is excited to partner with AQC in the Dartbrook Joint Venture to deliver sustainable long-term results from the Dartbrook operation. Dartbrook provides the infrastructure and resource to deliver a sustained, reliable high-quality, low emission product to our potential customers. We see this as a tremendous opportunity for the local community and look forward to working with stakeholders as the operation progresses. For SNR, Dartbrook is the entry operation into the Australian coal sector after the successful integration of our US assets and we look forward to expanding our footprint as we successfully implement."



Yours faithfully,

Andrew Roach
Company Secretary
Australian Pacific Coal Limited

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About Stella Natural Resources (*from corporate website*)

<https://www.snresources.com/>

Stella Natural Resources (SNR) is a diversified mining & trading company committed to providing investors with sustainable, high yield returns through the acquisition & management of cash positive assets.

SNR combines a management team with extensive global experience and a shared passion for delivery in business while modelling positive health, safety, environmental and community behaviours.

SNR is headquartered in Canada with wholly owned subsidiaries in USA, Canada and Australia. The current asset suite is in the United States and the team is currently assessing opportunities in alternate jurisdictions.

Mr David Stone, BE, GAICD (Managing Director)

David is a highly successful leader with more than 25 years' experience in global corporations including Xstrata, BHP, Anglo American, MIM, Cline Mining Corp, WCL & TerraCom. He has operated businesses in Australia, North America, Asia and South Africa in executive, senior management, project development, technical and operations roles.

David has repeatedly demonstrated transformational ability with a focus of creating shareholder & investor value.

David has a Bachelor of Mining Engineering, Diploma of Risk Management and a Diploma with the Australian Institute of Company Directors on Board Governance. He also holds Mine Manager, Senior Site Executive and Statutory qualifications.

Additional information for the purpose of ASX Listing Rule 11

The following table sets out AQC's current estimates of the potential effects of the transaction on its total assets, total equity, annual expenditure¹ and annual loss before tax.

	A	B	
	AQC pre-transaction ²	AQC post-transaction	Percentage change
Total assets	\$70,690,558	\$77,197,392	9.2%
Total equity³	\$79,983	\$5,021,328	6,178.0%
Annualised expenditure⁴	\$16,905,742	\$10,628,761	(37.1%)
Annualised profit (loss) before tax²	(\$15,816,746)	(\$9,539,765)	(39.7%)

¹ AQC is not yet earning material revenue from operations.

² Based on AQC's published half year financial statements for the period 1 July 2017 to 31 December 2017

³ Total equity increases from a small positive value as a result of the proposed joint venture sale consideration being greater than current accounting base (on a proportional basis). The high % increase is due to the relatively small positive denominator from the 31 December 2017 financials

⁴ Based on AQC's published half year financial statements for the period 1 July 2017 to 31 December 2017 and forecast Dartbrook expenditure. AQC's share of forecast Dartbrook expenditure will reduce under the DJV