



27 September 2018

Australian Pacific Coal Limited (ASX: AQC)

Proposed amendment to financing terms with Existing Financiers

Subject to shareholder approval in accordance with ASX Listing Rule requirements and the *Corporations Act 2001* (Cwth), Australian Pacific Coal Limited (**Company** or **AQC**) has agreed revised terms with Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd (**Trepang**) (collectively, the **Existing Financiers**) in relation to their existing financing arrangements with AQC. If approved by shareholders, the amendments provide for both a successful or unsuccessful completion of the Dartbrook Joint Venture (**DJV**) transaction¹.

The key terms of the revised financing arrangements are outlined in **Appendix A**.

In summary, on receipt of shareholder approval:

- All loan maturity dates to be extended and aligned to 1 February 2021;
- The conversion price of the existing convertible loan deeds will be varied such that all existing loans will be convertible at a price of \$0.80 per ordinary share; and
- The existing \$5 million face value Trepang Secured Loan and \$2 million face value Trepang Unsecured Loan will be converted into a new convertible note, on the same terms as the other convertible loans held by the Existing Financiers.

If the DJV transaction is successfully completed:

- The Company must repay the existing \$15 million convertible note (plus capitalised interest) held by Trepang in full;
- All loans held by Existing Financiers must be converted into ordinary shares of the Company at Completion. The conversion price for all convertible notes is (as set out above) \$0.80 per ordinary share;
- Each Mr Nicholas Paspaley and Mr John Robinson (Snr) to be granted a \$1.00 per product tonne royalty (\$2.00 in aggregate) for coal produced and sold by the DJV. The royalty will be based on the Company's interest in the DJV (being 50% on completion of the DJV transaction).

As a result, the Company will no longer hold any debt to the Existing Financiers and the DJV would be free of encumbrances.

In the event that the DJV transaction does not complete:

¹ Refer ASX announcement titled "*Strategic Partner for Development of Dartbrook Mine*" dated 6 August 2018

- All loans will continue to accrue interest at 10% per annum with security arrangements over all existing and future assets of the Company;
- If the Company requests that the Existing Financiers release all security held over the Company's existing and future assets, and the Existing Financiers accept the request (at their election), the Existing Financiers would be granted a production royalty of \$2.50 per sold tonne of Dartbrook coal consistent with the proposed variation previously announced by the Company².

Details of the revised financing arrangements will be provided to shareholders in a notice of meeting to be issued in conjunction with the resolutions to be put to shareholders for their approval in a general meeting of the Company.

Yours faithfully,



Andrew Roach
Company Secretary
Australian Pacific Coal Limited

² Refer ASX announcement titled 'Proposed amendment to financing terms with Existing Financiers' dated 17 October 2017

Appendix A – Summary of Proposed Amendments

Current Agreements	Amendments if DJV transaction completes	Amendments if DJV transaction does not complete
<p>Robinson Convertible Note</p> <p>Face value: \$10m Interest rate: 10% Conversion price \$1.50 Maturity 1 Feb 2019 Security arrangement: Full security over existing and future assets including Dartbrook Mine</p>	<p>Maturity extended to 1 Feb 2021 Conversion price: Amended to \$0.80 Mandatory conversion: Convertible Note plus capitalised interest is converted to ordinary shares of the Company on completion of the DJV transaction. The ordinary shares rank equally with all other holders of ordinary shares. Robinson Royalty - \$1/product tonne on the Company's ownership share of the DJV (50% upon completion of the DJV transaction)</p>	<p>Maturity extended to 1 Feb 2021 Conversion price: Amended to \$0.80 Group Royalty: Robinson, Paspaley and Trepang are party to the Group Royalty. The Group Royalty commences upon the Group Royalty holders releasing all security held over the existing and future assets of the Company. The Company may request the Group Royalty holders to release security at any time, but it is solely at their election whether to do so. The Group Royalty Rate is \$2.50/product tonne for all product tonnes sold.</p>
<p>Paspaley Convertible Note</p> <p>Face value: \$10m Interest rate: 10% Conversion price \$1.50 Maturity 1 Feb 2019 Security arrangement: Full security over existing and future assets including Dartbrook Mine</p>	<p>Maturity extended to 1 Feb 2021 Conversion price: Amended to \$0.80 Mandatory conversion: Convertible Note plus capitalised interest is converted to ordinary shares of the Company on completion of the DJV transaction. The ordinary shares rank equally with all other holders of ordinary shares. Paspaley Royalty - \$1/product tonne on the Company's ownership share of the DJV (50% upon completion of the DJV transaction)</p>	<p>Maturity extended to 1 Feb 2021 Conversion price: Amended to \$0.80 Group Royalty: Party to Group Royalty - refer above</p>
<p>Trepang Convertible Note</p> <p>Face value: \$15m Interest rate: 10% Conversion price \$1.38 Maturity: 1 Feb 2020 Security arrangement: Full security over existing and future assets including Dartbrook Mine</p>	<p>Maturity extended to 1 Feb 2021 Mandatory repayment: The full value, including capitalised interest, is repaid using proceeds from completion of the DJV transaction</p>	<p>Maturity extended to 1 Feb 2021 Conversion price: Amended to \$0.80 Group Royalty: Party to Group Royalty - refer above</p>

Current Agreements	Amendments if DJV transaction completes	Amendments if DJV transaction does not complete
<p>Trepang Secured Loan Face value: \$5m Interest rate: 10% Security arrangement: Full security over existing and future assets including Dartbrook Mine Maturity: 29 May 2021</p>	<p>Converted to a convertible loan on similar terms to other notes Conversion price: \$0.80 Mandatory conversion: Convertible Note plus capitalised interest is converted to ordinary shares of the Company on completion of the DJV transaction. The ordinary shares rank equally with all other holders of ordinary shares.</p>	<p>Converted to a convertible loan on similar terms to other notes Maturity amended to 1 Feb 2021 Conversion price: \$0.80 Group Royalty: Party to Group Royalty - refer above</p>
<p>Trepang Unsecured Loan Face value: \$2m Interest rate: 10% Maturity: 27 April 2019</p>	<p>Converted to a convertible loan on similar terms to other notes Conversion price: \$0.80 Mandatory conversion: Convertible Note plus capitalised interest is converted to ordinary shares of the Company on completion of the DJV transaction. The ordinary shares rank equally with all other holders of ordinary shares.</p>	<p>Converted to a convertible loan on similar terms to other notes Maturity amended to 1 Feb 2021 Security: Full security on same terms as other secured convertible notes Conversion price: \$0.80 Group Royalty: Party to Group Royalty - refer above</p>
	<p>Total convertible notes subject to mandatory conversion \$27 million (plus capitalised interest), converting at \$0.80 per ordinary share</p> <p>Total convertible notes subject to repayment \$15 million (plus capitalised interest)</p>	<p>Total convertible notes outstanding \$42 million (plus capitalised interest), convertible at \$0.80 per ordinary share</p>