



ASX RELEASE

29 DECEMBER 2015

Australian Pacific Coal to Acquire 83.33% interest in Dartbrook Joint Venture

Highlights

- *Rare entry opportunity into the tightly held Tier 1 thermal coal assets of the Hunter Valley.*
- *Australian Pacific Coal to shift focus to low strip ratio open cut mining with approval to be sought for a 5 million tons per annum (“mtpa”) operation.*
- *Dartbrook is a cost-effective mine development opportunity with significant infrastructure already in place, including coal handling and preparation plant (“CHPP”) as well as train load out (“TLO”).*
- *This mine development has high potential to be a lowest cost quartile producer given known coal quality from previous underground operations, a competitive services sector and highly skilled labour within the region.*
- *The open cut operations will target a minimum 20-year mine life, subject to relevant approvals, and is expected to be favourably considered due to the approvals of adjacent existing open cut mines, with the co-existence of mining and agriculture.*
- *The acquisition includes significant land ownership comprising the majority of the open cut potential.*
- *The high quality Newcastle benchmark coal is well placed in the seaborne export market.*
- *This acquisition will create significant local direct and indirect employment during the development and production phases.*
- *There are no ‘take-or-pay’ rail and port contracts currently in place that requires funding during development.*
- *The existing substantial drilling database will form the basis for a Mineral Resource Estimate in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”) for the proposed open cut operations.*

Brisbane, 29 December 2015 – Australian Pacific Coal Ltd (“AQC”, or “the Company”) (ASX ticker: AQC) is pleased to announce that it has reached a binding agreement (“Agreement”) to acquire an 83.33% interest in the Dartbrook Joint Venture (“Dartbrook” or “the Project”) through the purchase of all of the shares on issue in Anglo Coal (Dartbrook) Pty Ltd, a subsidiary of Anglo American Plc.

On the acquisition, Chief Executive Officer and Managing Director Nathan Tinkler said: “The Dartbrook JV presents a unique opportunity to acquire a tier 1 asset that is not only strategically located, but also well-equipped with existing infrastructure and facilities. We firmly believe in the resilient demand for high energy low ash thermal coal, as concerns about greenhouse emissions increase. Thermal coal will remain one of the core sources for energy production and if we can position this asset to be in the lowest cost quartile we are well placed to ride on that demand.”

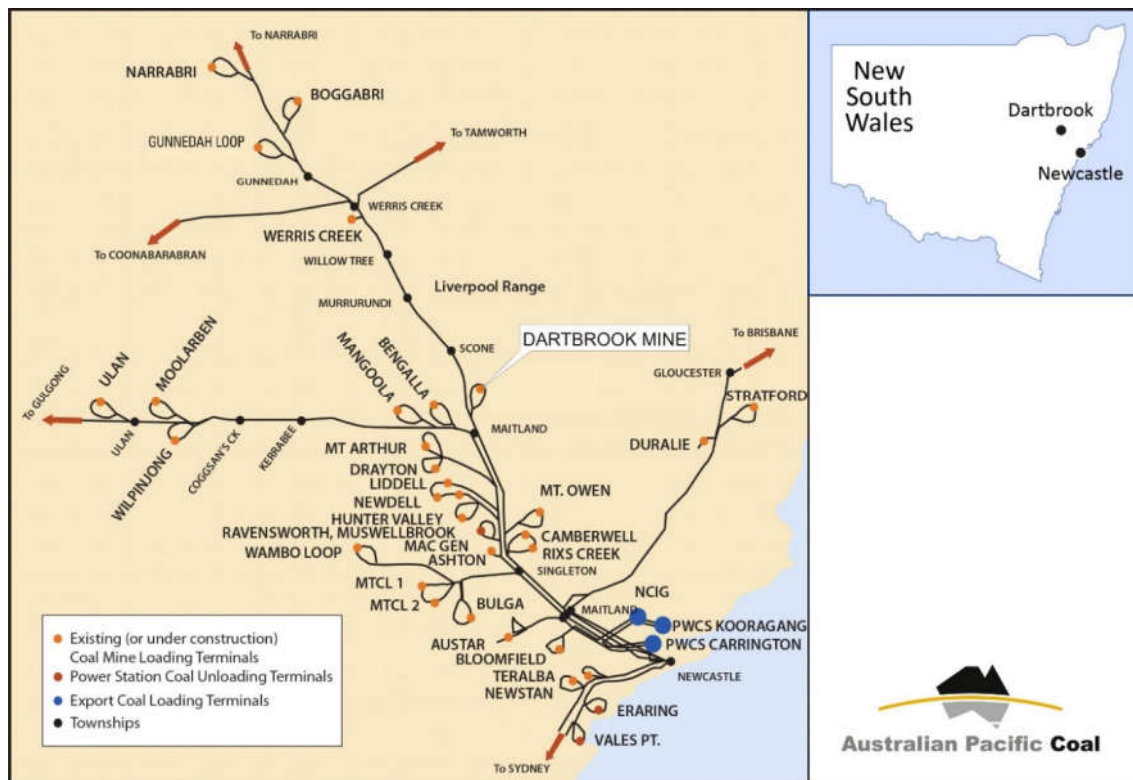


Figure 1: Project Location

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Strategic Location

The Project is located in the renowned coal region of the Hunter Valley, NSW, approximately 4km west of Aberdeen and 10km north-west of Muswellbrook. The location ideally places Dartbrook near world-class infrastructure, workforce and support industries used by major mining companies in the region to serve key customers in Asia.

Access to the Project is via sealed road directly off the New England Highway, with the mine connected to the existing Hunter Valley Rail Network for the transportation of coal to the port of Newcastle for export, approximately 147km to the south-east.

Mining operations in the immediate area surrounding the Project include the Bengalla JV (Rio Tinto and Wesfarmers), Mount Arthur (BHP Billiton) and the adjacent approved development project Mount Pleasant (Rio Tinto).

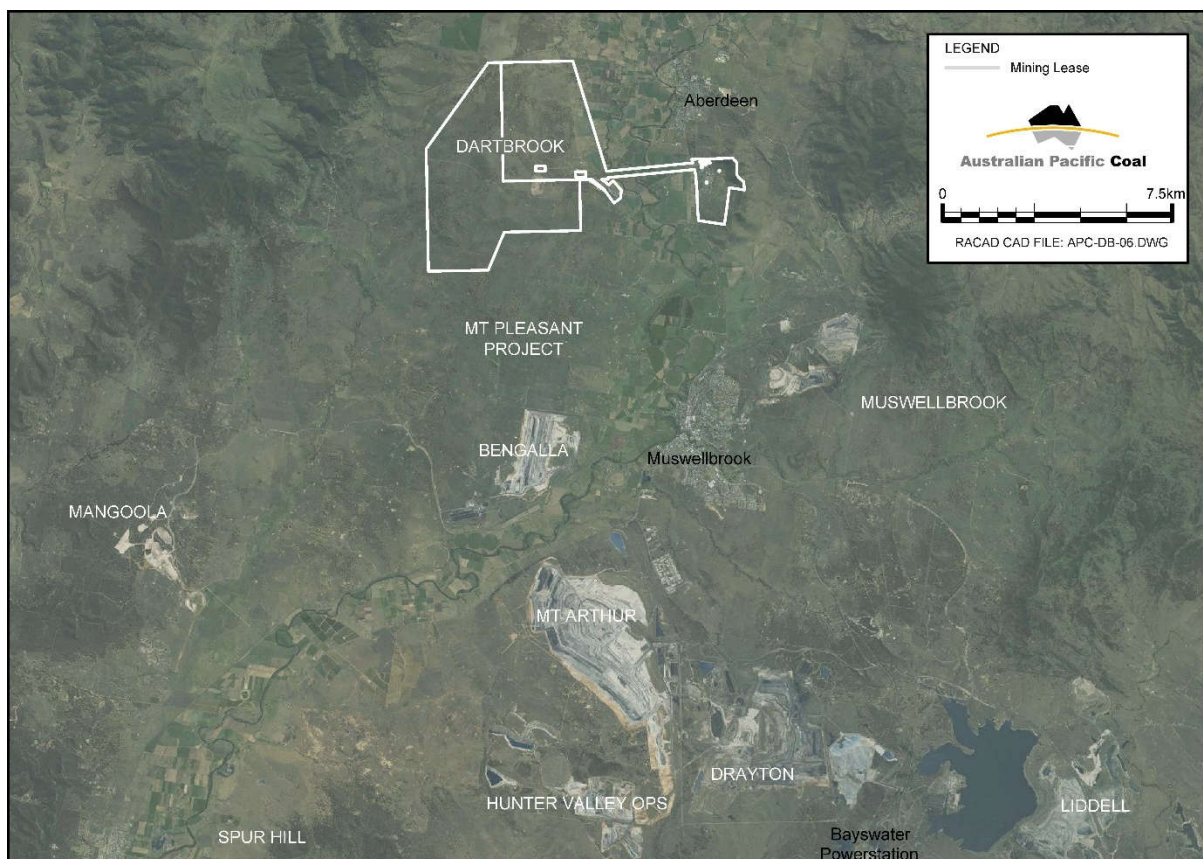


Figure 2: Aerial view of adjacent open cut operations

The Acquisition represents a rare opportunity to acquire a large scale, underexploited thermal coal asset, with extensive site facilities and significant infrastructure in place to access the export seaborne market.

High quality thermal coal product

Dartbrook JV's historical end product is low in ash (9-10%) and sulphur (~0.3%) on an as-received basis, with a relatively high calorific value (6,200-6,300 kcal/kg gross as-received), a high quality thermal coal product comparing favourably with adjacent thermal coal operations and the Newcastle benchmark. The low sulphur content also enhances the

marketability of the product through blending with other less desirable higher sulphur Hunter Valley coals.

The Project's primary coal product is expected to be priced competitively in line with the Newcastle Thermal Coal benchmark and coal of such high quality is expected to become an increasing rarity, given the projected decline in the energy content of thermal coal production globally driven predominantly by the low quality thermal coal product being exported from Indonesia.

Existing infrastructure and conducive operating environment

Key mining and processing infrastructures have been maintained in good condition since Dartbrook was placed on a care and maintenance basis in 2006. Surface infrastructure, including power, waste and office facilities as well as the CHPP and TLO, remain ready for recommencement of operations with minimal capital outlay.

The Project's existing on-site TLO and rail loop connect it to the Hunter Valley Coal Rail Network for transportation of coal to the port of Newcastle, which contains two world-class coal handling terminals. One of these is the Port Waratah Coal Services, the largest coal export terminal in the world, owned and operated by Hunter Valley coal producers and customers. The Hunter Valley network has undergone considerable capital investments and throughput improvements in the last 10 years, making it the largest coal export operation in the world.

Furthermore, a long history of mining in the Hunter Valley has created a large pool of highly skilled workers and lasting partnerships with suppliers as well as stakeholders.

Development strategy

Upon completion of the acquisition, the Company intends to seek the relevant approvals for the development of a 5 mtpa open cut mining operation. The Company expects this proposal to be favourably considered by both the local community and regulatory authorities, due to the approvals of adjacent existing open cut mines and Dartbrook's less obtrusive impact on the local community.

The presence of existing well-maintained surface infrastructure, including CHPP and TLO, from the previous underground operations will significantly reduce development costs. The substantial existing drilling database will form the basis for a Mineral Resource Estimate in accordance with the JORC Code for the proposed open cut operations. The Company will then focus on the relevant mine planning and environmental processes required to commence operations.

Upon commencement of the open cut operations, it is expected Dartbrook will create approximately 250 direct full-time positions for the local community as well as significantly more indirect positions through local support services and consultancy/advisory roles.

Tenure summary

Dartbrook's mining leases ("ML") and coal leases ("CL") cover a total of 3,268 hectares, whilst the exploration leases ("EL") and authorisation permits ("AUTH" or "A") cover 3,800 hectares (which include areas also within the ML and CL).

Dartbrook also has a large, freehold land package of over 3,400 hectares covering the majority of the potential open cut mining area.

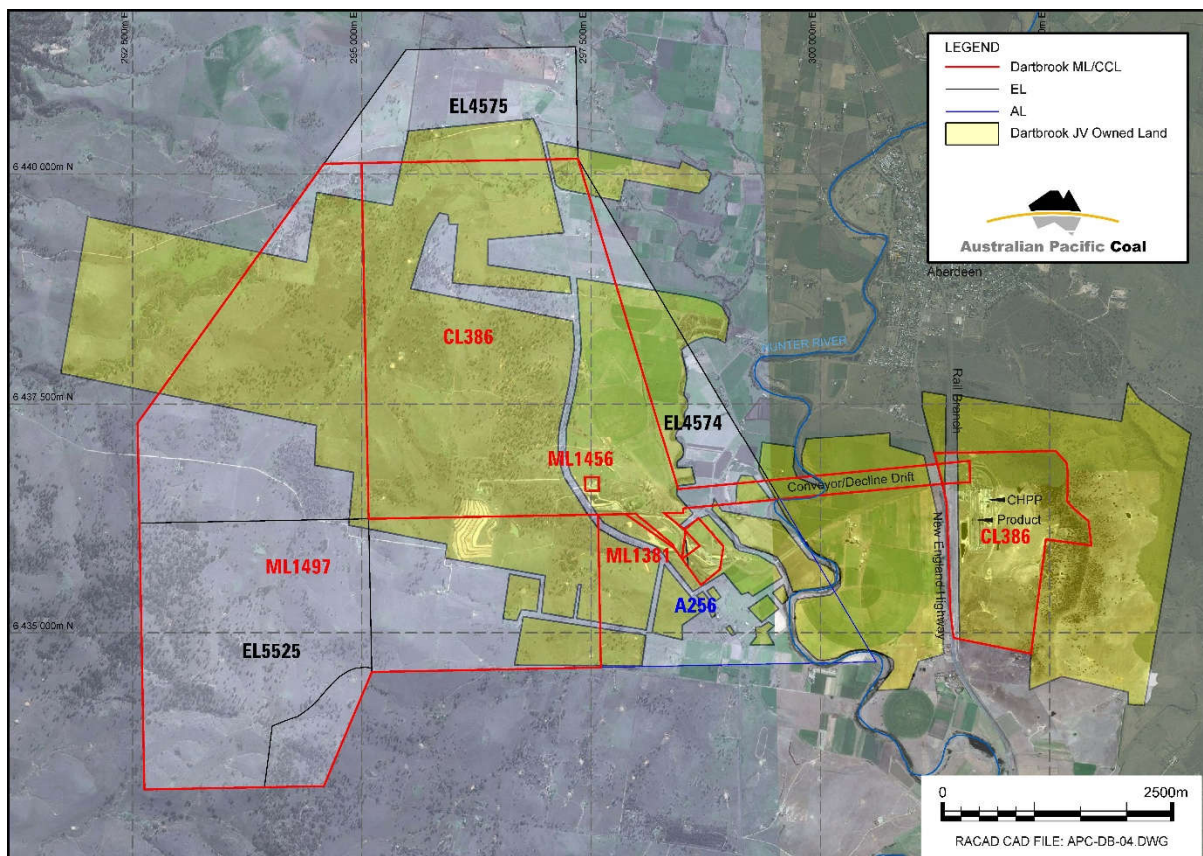


Figure 3: Freehold Land and Tenure Locations

Commercial Terms of Acquisition

The acquisition consists of:

- 83.33% interest in the Dartbrook JV;
- 100% interest in Anglo Coal (Dartbrook Management) Pty Ltd, manager of the Dartbrook JV; and
- 83.33% interest in Dartbrook Coal (Sales) Pty Ltd, marketing agent of the Dartbrook JV (together, "the Acquisition")

The consideration for the Acquisition includes:

- a A\$25 million cash payment; and
- a royalty over AQC's share of coal from the Dartbrook joint venture at a rate of A\$3.00 per tonne of coal sold or otherwise disposed of and A\$0.25 per tonne of any third party coal processed through the Dartbrook infrastructure, but capped at A\$25 million (subject to escalation in accordance with CPI).

In addition, the Company will be replacing approximately A\$7.7 million in financial assurances in respect of the Dartbrook mining tenements.

Completion of the Acquisition is subject to certain conditions precedent, including:

- AQC securing sufficient funding for the Acquisition and having those funds in cash by 31 January 2016. Further details on AQC's proposed funding arrangements are set out below. AQC has agreed to pay a break fee of \$1 million if it is unable to satisfy this condition;
- the remaining participant in the Dartbrook coal mine joint venture, Marubeni Coal Pty Ltd ("Marubeni"), not exercising its pre-emptive or tag-along rights under the Dartbrook coal mine joint venture agreement;
- Marubeni releasing Anglo American from any further liability in respect of the Dartbrook coal mine joint venture;
- receipt of standard regulatory consents relating to tenement change of control conditions;
- AQC providing reasonable evidence to Anglo American of AQC's ability to replace the financial assurances of approximately A\$7.7 million referred to above. AQC has agreed to pay a break fee of \$0.5 million if it is unable to satisfy this condition (subject to all other conditions having been satisfied); and
- AQC obtaining Foreign Investment Review Board approval for the acquisition, if applicable

Subject to satisfaction of the conditions precedent, the Board expects the Acquisition to be completed by mid-2016.

Additional financing to raise up to A\$30 million

To assist in the funding of the Acquisition and provide additional working capital, the Company will consider a number of financing alternatives including undertaking a non-renounceable entitlements issue ("Entitlements Issue") in conjunction with a placement to institutional and sophisticated investors ("Placement") to raise up to A\$30 million before costs (together, "the Finance Raising").

The two major shareholders of the Company have indicated they fully support the Acquisition and will vote in favour of any shareholder approvals (to the extent required) and will support any Entitlements Issue that may be undertaken.

Any Placement will be made to institutional and sophisticated investors under the Company's existing capacity to issue shares pursuant to ASX Listing Rules 7.1 and 7.1A.

The Board is currently considering an appropriate structure for the Finance Raising and will make an announcement on all details including the timing of the Finance Raising in due course.

The funds raised will place the Company in a strong financial position to complete the Acquisition and fund the required programme of works to seek approval for the open cut operations at Dartbrook. The funds raised will also cover the costs of arranging any financing including any Placement and Entitlements Issue as well as provide general working capital to the Company.

AQC has obtained in-principle advice from ASX that ASX Listing Rules 11.1.2 and 11.1.3 will not apply to the Acquisition. Under those rules, ASX has discretion to require an entity to obtain shareholder approval and re-satisfy the admission and quotation requirements in

Chapters 1 and 2 of the ASX Listing Rules in connection with a significant change to the nature or scale of an entity's activities.

The following table sets out AQC's current estimates of the potential effects of the Acquisition on its total assets, total equity, annual expenditure and annual loss before tax. The 'Total equity' calculation assumes that the proposed A\$20-A\$30 million in funding occurs by way of an AQC equity issue.

	AQC pre-acquisition ¹	AQC post-acquisition ³
Total assets	\$16,206,480	\$36,206,480- \$46,206,480
Total equity	\$15,638,348	\$35,638,348- \$45,638,348
Annualised expenditure²	\$6,577,570	\$8,770,885
Annualised profit (loss) before tax²	(\$6,403,369)	\$(8,596,684)

¹ Based on AQC's unaudited financial statements for the period 1 July 2015 to 30 November 2015.

² Based on Dartbrook JV budgeted expenditure for the year ending 31 December 2015 and AQC budgeted expenditure for the year ended 30 June 2016.

³ Based on a range of financing (assuming all equity) of \$20m-\$30m. Actual split of debt/equity funding yet to be finalised.

Forward Looking Statements

This release may include forward looking statements. These forward looking statements are based on AQC's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of AQC, which could cause actual results to differ materially from such statements. AQC makes no undertaking to subsequently update or revise the forward looking statements made in this release, to reflect the circumstances or events after the date of that release.