

29 May 2017

Australian Pacific Coal Limited (ASX: AQC)

Dartbrook Acquisition - Completion

Australian Pacific Coal Limited (with its subsidiaries 'AQC', or 'the Company') is pleased to announce the completion of its acquisition of the Dartbrook coal mine ('Dartbrook') from Anglo American and Marubeni Coal.

AQC's Chief Executive Officer, Mr John Robinson, said:

"This is an exciting time and a new era for the Company.

The completion of the Dartbrook acquisition represents a significant milestone for AQC as we transition to an emerging coal mining company with the addition of the world class Dartbrook assets to our existing Queensland tenements.

We have assembled a strong and experienced Board and Management team to take Dartbrook forward.

Work commenced earlier this year with a comprehensive review of geological and coal quality data as part of a Pre-Feasibility Study ('PFS') into the open cut potential at Dartbrook.

The PFS is exploring the potential for part of the coal resource to be mined by modern, low impact technologies not seen in the Hunter Valley previously.

The PFS will be completed later this year.

AQC looks forward to working with the Local, State & Federal Governments, the local community and other stakeholders to explore the feasibility of the responsible development of the valuable Dartbrook coal resource."

Anglo American has agreed to provide AQC with a secured vendor loan of A\$7.7 million ('Loan'), in connection with the Company's acquisition of Anglo's 83.33% share of the Dartbrook Joint Venture.

Yours faithfully,



John Robinson
CEO, Australian Pacific Coal Limited

For further information, please contact:

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Summary Terms and Conditions of the Vendor Loan Agreement with Anglo American Metallurgical Coal Assets Pty Ltd ('Lender')

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| Total Principal Amount | A\$7.7 million |
| Purpose | 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. |
| Commencement Date | Financial Close, being the date the Loan is provided, which is to occur simultaneously with completion of the Company's acquisition of Dartbrook. |
| Interest Rate | 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. |
| Loan Maturity Date | The Date which is 36 months from the date of Financial Close, unless repayable earlier in accordance with the mandatory repayment regime below. |
| Prepayment and mandatory repayment | <p>The Company may prepay all or part of the outstanding amount 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)).</p> <p>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 existing financiers).</p> <p>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.</p> |
| Security | <p>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:</p> <ul style="list-style-type: none"> - 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. |

Impact under Existing Facilities

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 agreement. In the event the Loan is fully repaid early the maturity date of the existing facilities will revert to the current maturity dates, unless such dates have passed in which case the maturity date will be three months after repayment of the Loan.

Further details in this regard will be contained in meeting materials convening the shareholder meeting to be held in due course.