

ASX RELEASE (ASX:AQC)



## Quarterly Activities Report for the period ended 31 December 2018

### *Highlights*

- *Progress on material conditions precedent for Dartbrook Joint Venture transaction*
- *Modification 7 reviewed by NSW Department of Planning and Environment and positive recommendation submitted to Independent Planning Commission*
- *Shareholder approval for key amendments to financing arrangements agreed with cornerstone funders*

### Dartbrook Project

#### Strategic Partner Agreement

Australian Pacific Coal Limited (AQC or the **Company**) announced<sup>1</sup> on 6 August 2018 that it had executed binding transaction documents with a subsidiary of Stella Natural Resources (**SNR**) to form the Dartbrook Joint Venture (**DJV**). SNR has already engaged and mobilised key members of the SNR management team to Dartbrook in anticipation of the pending transaction close.

#### *Status of Conditions Precedent*

The parties have received a notice of no objection from FIRB in relation to the transaction. The parties have also completed and submitted necessary documentation for the NSW Ministerial Consent to the transaction and await confirmation.

SNR is in discussion with various financiers to provide development funding through to steady state operations. Development funding is derived from the Dartbrook development plan, which includes detailed planning aspects for recommissioning, mine engineering, logistics, marketing and industrial relations workstreams. The development plan considers mining options to optimise returns within the full 6Mtpa current approval envelope and potential future approvals for life of mine planning. The procurement of binding financing arrangements to achieve the development funding, Purchase Price and Loan amounts is necessary to complete the transaction<sup>1</sup>.

The parties anticipate transaction completion by March 2019.

#### *Funding Obligation*

In accordance with the transaction documents, on and from 1 December 2018 until transaction close, SNR is responsible for all holding costs associated with the Dartbrook Mine. The Company confirms that SNR has to date met its obligations by providing funding to cover these holding costs, including \$0.3 million received in the month of December.

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<sup>1</sup> Refer ASX announcement titled *Dartbrook Strategic Development Partner*, 6 August 2018

## Modification 7 Update

As previously disclosed, the Modification 7 (**MOD 7**) environmental assessment, along with other supporting documentation, was submitted and accepted for adequacy in June 2018. Public exhibition of the application closed in the last week of July 2018.

The NSW Department of Planning and Environment has finalised its report and provided its positive submission to the Independent Planning Commission (**IPC**). A copy of the submission is located on the department website at <http://majorprojects.planning.nsw.gov.au/>. There is no prescribed timeline for the IPC to determine the application.

## Corporate and Funding

At quarter end the Company held \$1.0 million in cash reserves, representing an increase of \$0.5 million over the prior quarter. Funds during the quarter were primarily used to complete the modification submission and environmental drilling program (\$1.0 million), care & maintenance holding costs (\$1.3 million) and corporate administration (\$0.5 million).

On 29 October 2018, the Company issued 1,250,000 fully paid ordinary shares at an issue price of \$0.80 per share to raise a total of \$1.0 million for general working capital purposes.

During the quarter, further funding was provided by Trepang Services Pty Ltd (**Trepang**) in the form of an unsecured loan accruing capitalised interest at 10% per annum. At quarter end a total of \$2.0 million had been provided by Trepang as an unsecured loan for general working capital.

The Board continues to evaluate the short term cash flow requirements of the Company with respect to general corporate costs and anticipated completion of the transaction with SNR.

## *Approved amendments to financing terms with Existing Financiers*

At the Annual General Meeting of the Company held 29 November 2018, shareholders of the Company approved the revised terms with Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang (collectively, the **Existing Financiers**) in relation to their existing financing arrangements with AQC. The amendments provide for both a successful or unsuccessful completion of the Dartbrook Joint Venture (**DJV**) transaction.

In summary, on receipt of shareholder approval:

- All loan maturity dates were extended and aligned to 1 February 2021;
- The conversion price of the existing convertible loan deeds was varied such that all existing loans are 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 have been 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:

- 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 Company<sup>2</sup>.

### ***Small Holding Sale Facility Update***

The Company announced on 9 November 2018 that it was conducting a small holding share sale facility (**Facility**) pursuant to its constitution and the ASX Listing Rules, which provides eligible shareholders with the opportunity to sell their shareholding without incurring brokerage or handling costs. The Company also considers the Facility to be an appropriate way to reduce the costs associated with managing the Company's register given the significant proportion of low value holdings.

The Facility was offered to persons registered as the holders of ordinary shares in AQC (**Shares**) at 7:00pm (AEDT) on 5 November 2018 (**Record Date**) who, on the Record Date, held Shares valued at less than \$500 (**Small Holding**) and continue to have a Small Holding as at 21 December 2018.

Based on a share price of \$0.75 per Share, being the closing price of AQC ordinary shares on the Australian Securities Exchange on the Closing Date, the Facility was available to those Shareholders holding less than 667 Shares. A total of 156,646 Shares held by 971 shareholders were consolidated as a result of the Facility and the Company's broker is in the process of selling the Shares. The Directors retain discretion over the sale process to seek to obtain an optimal average price outcome for holders of Shares. All participants who have their AQC Shares sold under this Facility will receive the same average price per Share.

The Company will provide an update to shareholders on completion of the sale of the Shares.

Yours faithfully,



Andrew Roach  
Company Secretary  
Australian Pacific Coal Limited

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

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

Australian Pacific Coal Limited

### ABN

49 089 206 986

### Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A	Year to date (6 months) \$A
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	21,256	48,750
1.2 Payments for		
(a) exploration & evaluation	(704,282)	(1,521,401)
(b) development	(283,310)	(963,236)
(c) production	-	-
(d) staff costs	(215,124)	(525,593)
(e) administration and corporate costs	(293,172)	(647,519)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3,245	4,356
1.5 Interest and other costs of finance paid	(8,499)	(16,980)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (mine care and maintenance)	(1,292,193)	(3,658,545)
1.8 Other (business development)	(145,931)	(145,931)
1.8 Other (GST refunds received)	107,456	567,213
1.8 Other (transaction and financing costs)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,810,555)</b>	<b>(6,858,886)</b>

Consolidated statement of cash flows	Current quarter \$A	Year to date (6 months) \$A
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(100,027)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (Dartbrook completion adjustment)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(100,027)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	989,976	989,976
3.2 Proceeds from loan drawdown	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	9,988
3.5 Proceeds from borrowings	2,000,000	4,000,000
3.6 Repayment of borrowings	(4,545)	(7,685)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Holding Cost Payments)*	289,000	289,000
<b>3.10 Net cash from / (used in) financing activities</b>	<b>3,274,431</b>	<b>5,281,279</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	520,523	2,662,033
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,810,555)	(6,858,886)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A</b>	<b>Year to date (6 months) \$A</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(100,027)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,274,431	5,281,279
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>984,399</b>	<b>984,399</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A</b>	<b>Prior quarter \$A</b>
5.1	Bank balances	693,772	203,666
5.2	Call deposits	5,185	31,415
5.3	Bank overdrafts	-	-
5.4	Other (short term deposits)	285,442	285,442
5.4	Other (funds held in escrow)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>984,399</b>	<b>520,523</b>

\* Other (Holding Cost Payments) relate to the funding obligation of Stella Natural Resources (SNR) to fund care and maintenance holding costs of the Dartbrook Mine on and from 1 December 2018 in accordance with the terms of the transaction announced to the ASX 6 August 2018.

**6. Payments to directors of the entity and their associates**

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A</b>
117,727
-

Director fees paid in the quarter.

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	25,000	10,117
8.3 Other (please specify)	51,700,000	51,700,000
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

8.1

8.2 NAB Business Visa. Interest 15.50%. Unsecured

8.3 Mr N Paspaley Convertible Loan Deed. Interest 10.0%. Secured. \$10,000,000 fully drawn

8.3 Mr J Robinson Convertible Loan Deed. Interest 10.0%. Secured. \$10,000,000 fully drawn

8.3 Trepang Services Pty Ltd Secured Loan Deed. Interest 10.0%. Secured. \$7,000,000 fully drawn

8.3 Trepang Services Pty Ltd Convertible Loan Deed. Interest 10.0%. Secured. \$15,000,000 fully drawn

8.3 Trepang Services Pty Ltd Unsecured Loan. Interest 10.0%. \$2,000,000

8.3 Anglo American Metallurgical Coal Assets Pty Ltd Secured Loan. Interest 10.0%. \$7,700,000 fully drawn

9. <b>Estimated cash outflows for next quarter</b>	\$A
9.1 Exploration and evaluation	50,000
9.2 Development	25,000
9.3 Production	-
9.4 Staff costs	225,000
9.5 Administration and corporate costs	300,000
9.6 Other (Mine care and maintenance)**	1,500,000
<b>9.7 Total estimated cash outflows</b>	<b>2,100,000</b>

\*\* Mine care and maintenance outflows represent costs which will be funded by SNR in accordance with the terms of the transaction announced to the ASX 6 August 2018. Therefore, the net Mine care and maintenance cash outflows for Australian Pacific Coal Limited for the quarter ending 31 March 2019 are anticipated to be nominal.


## Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/a			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	N/a			

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



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Company secretary

Date: 31 January 2019

Print name: Andrew Roach

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.