



ASX RELEASE

09 November 2016

## ENGAGEMENT OF FINANCIAL ADVISOR

Australian Pacific Coal Limited ('AQC', or 'the Company') (ASX Code: AQC) is exploring options in respect of financing the development of the Dartbrook coal mine. AQC has engaged Clarksons Platou Securites as its financial advisor in this regard.

AQC will be conducting an investor roadshow in conjunction with Clarksons Platou Securites. Attached is the Investor Presentation for the investor roadshow which is beginning this week.

A handwritten signature in black ink, appearing to read "K. Mischewski".

Kevin Mischewski  
Company Secretary



**Australian Pacific Coal**

Developing a world class thermal coal resource

# Investor Presentation

November 2016

ASX code: AQC  
ABN: 49 089 206 986

Sole Manager & Bookrunner



Clarksons Platou  
Securities

# Disclaimer



**Australian Pacific Coal**

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The presentation contains certain "forward-looking information". Forward-looking information may include, but is not limited to, information with respect to the future financial and operating performance of the Company, its affiliates and subsidiaries, potential investments, the estimation of mineral reserves and mineral resources, realisation of mineral reserves and resource estimates, costs and timing of development of the Company's projects, costs and timing of future exploration, costs, timing and receipt of approvals, consents and permits under applicable legislation, results of future exploration and drilling and adequacy of financial resources. Forward-looking information is often characterised by words such as "plan", "expect", "budget", "target", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements or qualifications that certain events or conditions "may", "will" or "should" occur.

Forward-looking information is not a guarantee of future performance and is subject to known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from those expressed or implied by such forward looking information, including without limitation risks associated with investments in private and publicly listed companies such as the Company; risks associated with general economic conditions; the risk that further funding may be required but is unavailable for the Company's day-to-day operations, ongoing development of the Company's projects or future acquisitions; changes in government regulations, policies or legislation; unforeseen expenses; fluctuations in commodity prices; fluctuation in exchange rates; litigation risk; restrictions on the repatriation of earnings by the Company's subsidiaries; the inherent risks and dangers of mining exploration and operations in general; risk of continued negative operating cashflow; the possibility that required permits may not be obtained; environmental risks; uncertainty in the estimation of mineral resources and mineral reserves; general risks associated with the feasibility and development of each of the Company's projects; foreign investment risks in Australia; changes in laws or regulations; future actions by government; breach of any of the contracts through which the Company holds property or other rights; defects in or challenges to the Company's property interests; uninsured hazards; disruptions to the Company's supplies or service providers; reliance on key personnel and retention of key employees.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management of the Company made on the basis of information they have access to and in light of their experience and their perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made. However, the basis for forward looking information may prove to be incorrect in whole or in part. No representation or warranty is made by or on behalf of the Company that any projection, forecast, calculation, forward-looking information, assumption or estimate contained in this presentation should or will be achieved or that actual outcomes will not differ materially from any forward-looking statements.

Assumptions have been made regarding, among other things: the Company's ability to carry on its future exploration, development and production activities, the timely receipt of required approvals, the price of coal, the ability of the Company to operate in a safe, efficient and effective manner and the ability of the Company to obtain financing as and when required and on reasonable terms. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions that may affect its financial and operational viability.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place reliance on forward-looking information and should undertake their own due diligence before making any decisions, investment or otherwise.

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**Dartbrook Coal Resource Estimate:**

The information is extracted from the report entitled '*Australian Pacific Coal Commissioned Coal Resource Estimate at Dartbrook of 1.2 billion tonnes*' created on 24 May 2016 and is available to view on [www.aqcltd.com](http://www.aqcltd.com).

The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.



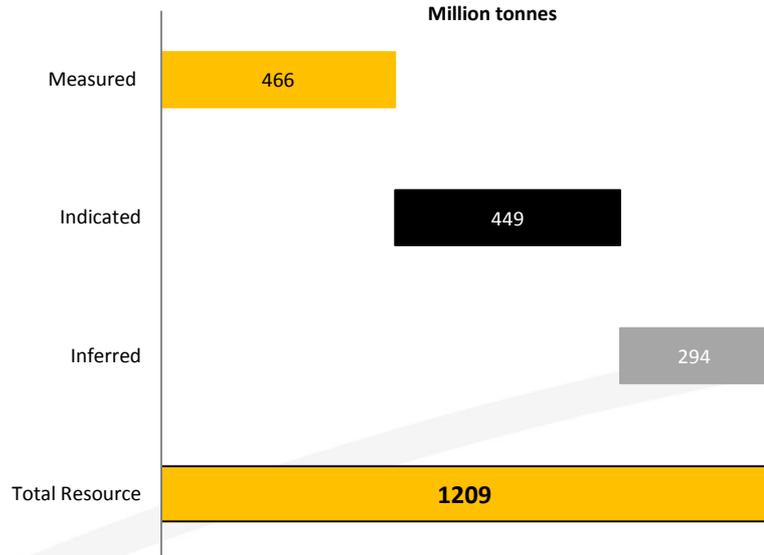
### Company background

- Australian Pacific Coal is an Australian ASX listed coal exploration and development company
- During the H2 2015 Trepang Services Pty Ltd and Bentley Resources Pte Ltd re-capitalised the company. Entered into a binding agreement to acquire 83.3% of the Dartbrook asset in New South Wales from Anglo American Plc subsidiaries
- In April 2016 the company entered into a binding agreement to acquire the remaining 16.7% of the Dartbrook asset from Marubeni



### Dartbrook resource

Million tonnes



Source: Australian Pacific Coal Ltd.

### Shareholders

As at 30 September 2016

#	Name	Shares	%
1	Trepang Services Pty Ltd	1,677,000,000	38.72
2	Leslie Norman Tinkler & Zeld Irene Tinkler	720,833,333	16.64
3	Merrill Lynch (Australia) Nominees Pty Limited	372,348,076	8.60
4	Halikos Pty Ltd	192,307,962	4.44
5	JVG Aust Pty Ltd	189,442,038	4.37
6	Wellton Holdings Pty Ltd	186,903,334	4.32
7	Moray Holdings (Qld) Pty Ltd	158,051,668	3.65
8	Mr Nicholas Paspaley	129,166,667	2.98
9	Bentley Resources Pte Ltd	63,500,000	1.47
10	Mibro (NT) Pty Ltd	43,000,000	0.99

# Board of Directors



**Australian Pacific Coal**



**Peter Ziegler**

*Non-Executive Chairman*

- Mr Ziegler is an experienced company director, Solicitor and Chartered Accountant
- He was Partner at the major international accounting firm Ernst & Young, specialising in taxation and corporate structuring.
- Mr Ziegler is a principal of Ziegler Asset Partners, an asset management company specialising in investments in listed and unlisted equities and special opportunities.
- Mr. Ziegler graduated with Honours degrees in Commerce and Law (1982 and 1983, respectively), together with a Master of Financial Management (1983), from the University of Queensland.
- Director since 29th of November 2005



**John Robinson Jnr**

*Managing Director and CEO*

- Mr John Robinson is a former Private Equity professional and has led numerous private equity acquisitions in mining, oil and gas services and property sectors.
- Mr. Robinson has also extensive experience with the support services that the mining and oil and gas sectors require in their Australian operations.
- He is Member of the Australian Institute of Company Directors.
- Mr John Robinson Jnr gained a Bachelor of Accounting from the Charles Darwin University
- Director since 30<sup>th</sup> of October 2015



**Paul Byrne**

*Executive Director*

- Mr Byrne joined the Company as an Executive Director, following the acquisition of the Ipoh group of companies.
- Mr Byrne was a founder of the Ipoh group and initiated environmental remediation projects in conjunction with CSIRO, University of South Australia and the Queensland Department of Primary industries.
- He has been involved in the resources sector since 1985 in exploration and mining. He has extensive experience in project generation.
- Director since 29 November 2005.



**The Hon. Shane Stone**

*Non-Executive Director*

- Mr Stone has a strong commercial and legal background and considerable experience in dealing with Commonwealth and State governments.
- Mr Stone was the Federal President of the Liberal Party of Australia (1999 – 2005), Chief Minister of the Northern Territory (1995 – 1999) and was Australia's first named Minister for Asian Relations & Trade.
- Mr Stone is an experienced Director of public and private companies in Australia and elsewhere and is the Deputy Chairman of UK listed Impellam Group plc He is also Chairman of the ASX listed Regalpoint Resources Limited.
- Director since 1<sup>st</sup> of August 2016

# Management



**Australian Pacific Coal**



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**Kevin Mischewski**

*Chief Financial Officer*

- Mr Kevin Mischewski is a Chartered Accountant and Registered Tax Agent with extensive commercial experience in senior financial and management accounting roles.
- Previous positions include Chief Financial Officer, Company Secretary and Finance Director for large private manufacturing companies. He has extensive experience with listed public company reporting and compliance requirements
- CFO and Company Secretary since 2008.
- Mr Kevin Mischewski gained a Bachelor of Business majoring in Accounting from the University of Southern Queensland.



**Greg Kukla**

*General Manager – Project Development*

- Mr Greg Kukla is an experienced mining professional with a proven track record across a broad range of mining operations from Hancock Coal, Pacific Nickel Philippines and BHP Minerals.
- He has planning, construction and commissioning experience with various coal mine operations, including 3 large scale greenfield coal projects.
- In particular, Mr Kukla has led teams developing major feasibility studies involving the expansion of existing coal mining projects in the Hunter Valley of NSW and other locations.
- Greg Kukla has an Associate Diploma, Mining Engineering from RMIT in Melbourne and is a registered Mine Manager.



**Adam Kellermann**

*Project Manager - Underground*

- Mining Engineer/MBA with 19 years of broad mining experience including underground, open-cut and civil construction operations, small and large mine development, and being a part of the management team for international asset portfolios
- Wide range of positions including operator, shot-firer, shift supervisor, production engineer, planning engineer, contracts engineer, cost estimating, business development and management roles.

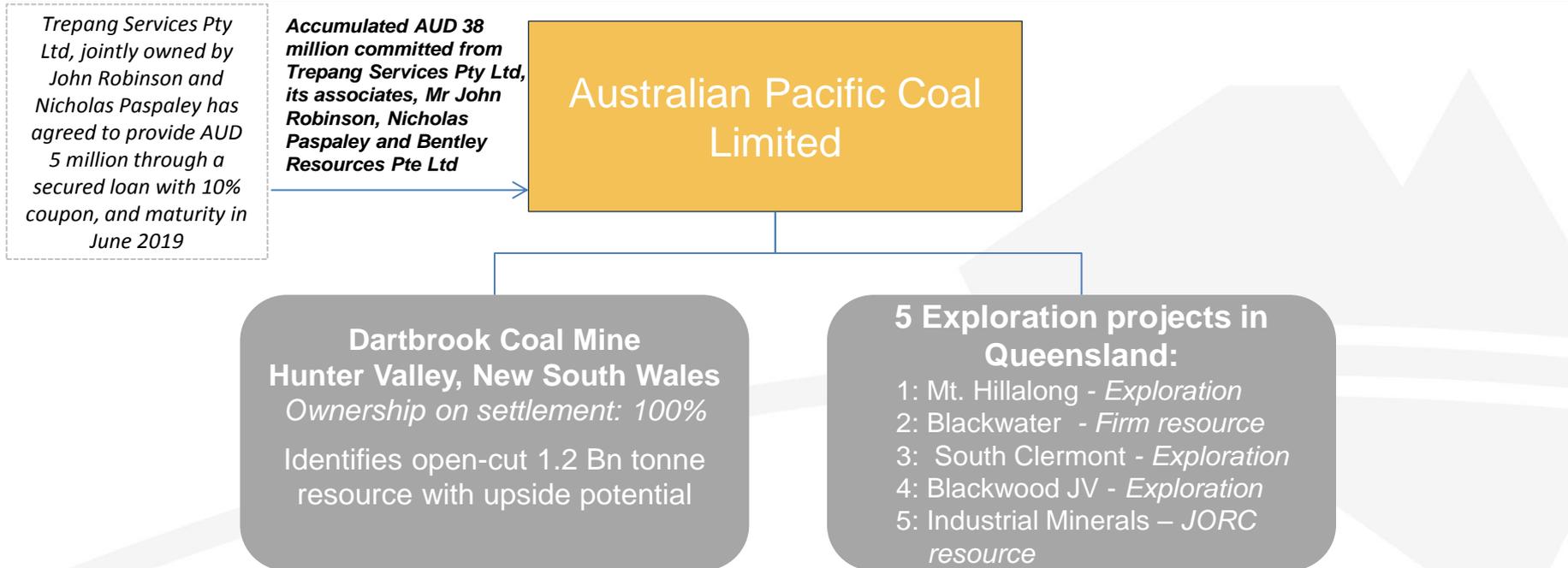
# AQC's road to acquire 100% of Dartbrook



**Australian Pacific Coal**



## Company structure

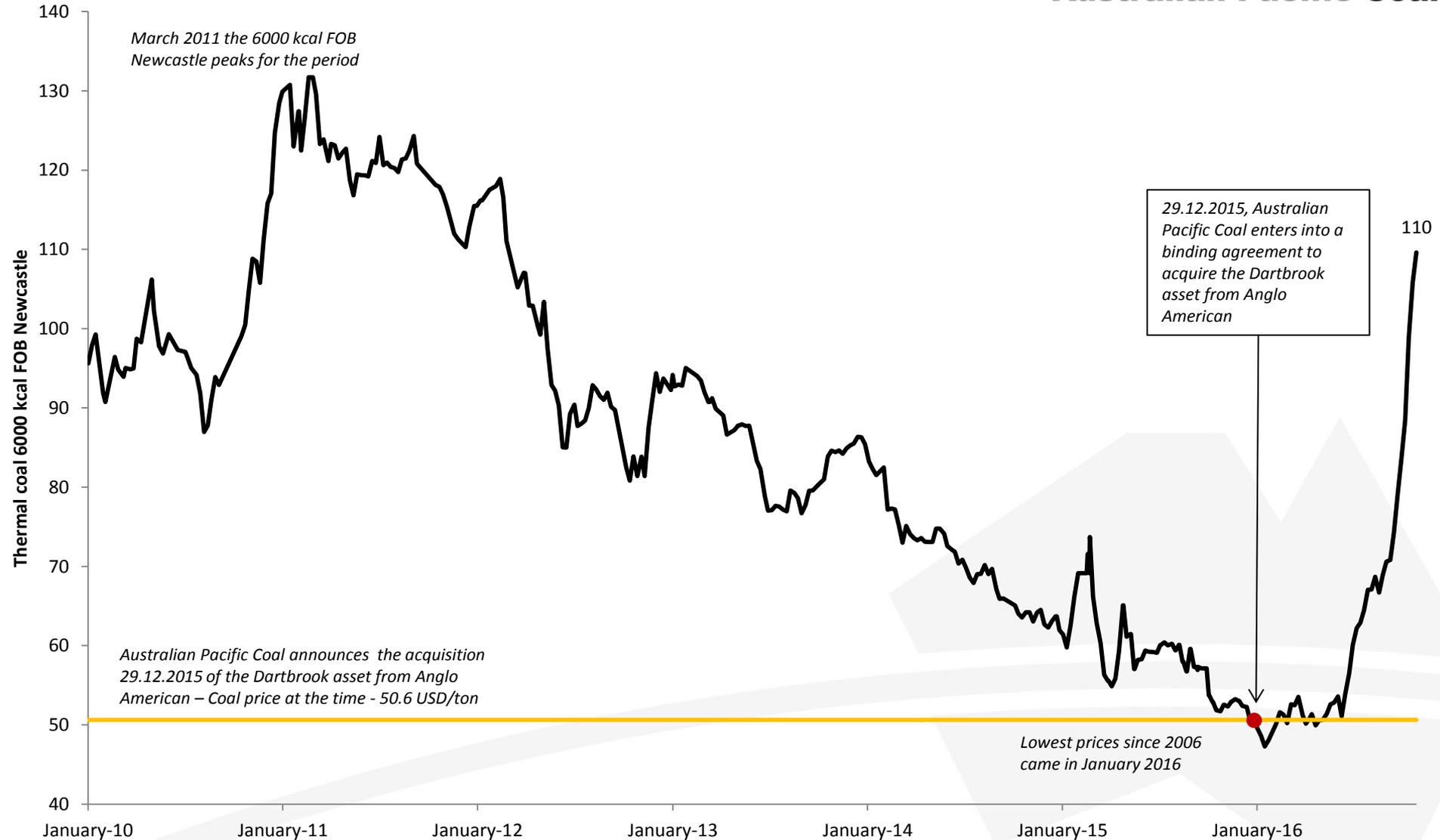


(1) Ref the ASX announcement 29<sup>th</sup> of July  
 Source: Australian Pacific Coal Ltd.

# Coal price 2010 – 2016 YTD FOB Newcastle



**Australian Pacific Coal**



Thermal coal FOB. Newcastle, 6000 kcal/kg

Source: Bloomberg, Date: 4 Nov 2016

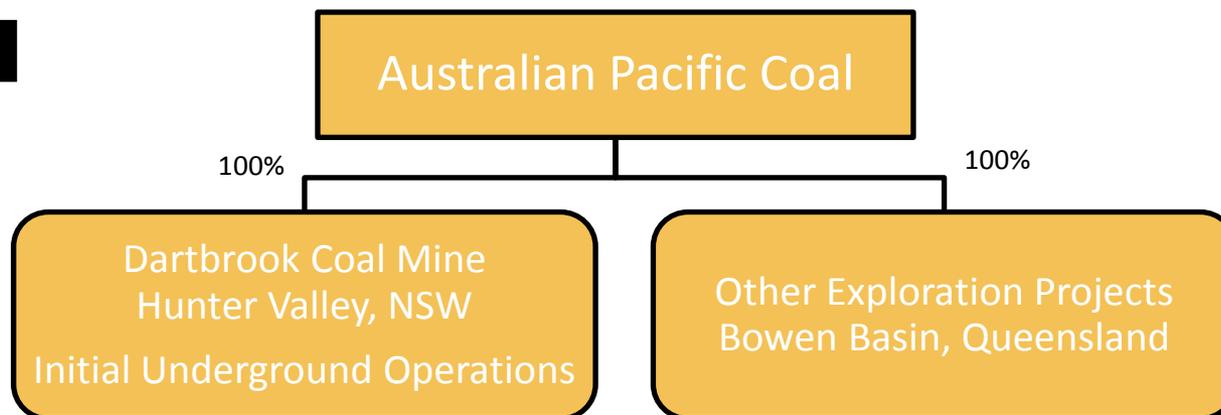
# Company structure & sources/use of funds



**Australian Pacific Coal**

## Background

- Agreement to acquire 100% of Dartbrook JV
- Recommencement of the underground mining operations
- Application for the proposed open-cut mine
- Provision of Environmental Bonds/Financial Assurance



All figures in AUD million

## Proposed Source of Funds

	Min.	Max.
Gross Consideration receivable from Convertible Bond	60	90
Cost of capital raising Convertible Bond (including discount on issue price)	(7)	(10)
Shareholder Loan	5	5
Shareholder Loans/ Convertible Notes	20	20
Current Subscription for New Equity	10	10
Existing project equity	8	8
<b>Total</b>	<b>96</b>	<b>123</b>

## Proposed Use of Funds

	Min.	Max.
Dartbrook Acquisition	30	30
Environmental Bond Replacement	9	9
Underground Capital Required	25	25
Wash Plant Commissioning	6	6
Bonding for Rail and Port Services	10	10
Contractor Mobilisation	1	1
Engineering and open-cut application	-	20
Pre production exploration and G&A	3	3
Care & Maintenance Cost	4	4
Contingency (Cash reserve)	8	15
<b>Total</b>	<b>96</b>	<b>123</b>

Use of funds excludes Anglo American Group royalty obligations which will be funded out of Dartbrook mine revenues  
Source: Australian Pacific Coal Ltd.

Notwithstanding the proposed allocation set out above, in the event circumstances change or other beneficial opportunities arise, the directors reserve the right to vary the proposed use of funds to maximize the benefit to shareholders

# Indicative terms | Convertible Bond



**Australian Pacific Coal**

<b>Issuer:</b>	Australian Pacific Coal Ltd. – ASX: AQC
<b>Issue Amount:</b>	AUD 60-90 million
<b>Ranking:</b>	Senior
<b>Maturity:</b>	December 2021 [5 years]
<b>Indicative Issue Price:</b>	[96%] of par value
<b>Indicative Coupon:</b>	[9%] p.a., semi-annual interest payments
<b>Conversion Price</b>	[AUD 0.026]
<b>Security to be granted</b>	<ul style="list-style-type: none"> <li>• First ranking general security to be granted by the Company and all subsidiaries at the time of issue and first ranking mining and land mortgages to be granted by the Company and all subsidiaries at the time of issue</li> </ul>
<b>Covenants Issuer:</b>	<ul style="list-style-type: none"> <li>• Dividend limitations: Payment of dividends must have equal amount matched to the restricted debt service account</li> <li>• 10 cash sweep payments to debt service account to build up to 105% of face value</li> <li>• Additional debt: Total interest bearing debt will not exceed 4 times the prior 12 months cash flow from operation after tax. All additional debt to rank below the issued the Senior Convertible Bond</li> <li>• Dartbrook asset sale: All of the consideration from a potential sale of any Dartbrook asset will go to debt service account until reached 105% of face value</li> <li>• Other asset disposals: Half of consideration to top up debt service account over minimum requirements.</li> <li>• Optional redemption by Company: Redeemable if restricted debt service account is in excess of 105% of face value after the second anniversary of issue, if the 30 day VWAP is at least \$0.20 after the second anniversary of issue or if a change in control event occurs</li> <li>• Conditions that Private Placement of AUD 10 million completed by the issue of the Senior Convertible Bond<sup>(1)</sup></li> </ul>
<b>Covenants Guarantor:</b>	<ul style="list-style-type: none"> <li>• If Dartbrook asset is held by an Australian Pacific Coal subsidiary, Australian Pacific Coal will guarantee the financial and other performance obligations of this subsidiary in relation to the security, to the extent of its interest</li> <li>• First rank over all existing securities/pledges and debt service account</li> <li>• All other debt instrument in Australian Pacific Coal to rank second to the issued Convertible Bond</li> </ul>
<b>Change-of-Control:</b>	Put and face value uplift at 105% of par and standard ratchet formula (Steps down 1% per year)
<b>Other convertibles:</b>	All other convertibles at the time of the issue to be converted at AUD 0.015
<b>Use of Proceeds:</b>	Development, re-opening, operation of Dartbrook coal mine in addition to general corporate purposes and working capital.
<b>Anti-Dilution Protection:</b>	Yes (standard anti-dilution provisions through adjustments of the Conversion Price of this Convertible Bond issue)
<b>Manager:</b>	Clarksons Platou Securities as Sole Manager and Bookrunner

(1): Press release 8<sup>th</sup> of September 2016



- 1 Reopening of Anglo American coal mine**
  - All licenses granted for the Dartbrook underground mining operation with a documented resource of ~1.2 Bn tonnes in accordance with the JORC code
  - Expected production targeting the Kayuga seam of high quality coal based on existing resource
  - Current approvals for 6.0 Mtpa mining operation
- 2 Existing infrastructure**
  - Dartbrook has infrastructure to recommence underground mining operations within 6 months following approval of the Mining Operations Plan, expected Q3 2017
  - Existing Coal Handling and Processing Plant (CHPP) placed on care and maintenance in 2006/2007 and in a good condition
  - Capacity on existing rail and port is under-utilized with excess capacity
- 3 High energy content coal**
  - High quality coal with calorific value of between 6000 – 6300 / kg on a gross as-received basis from Kayuga seam
  - Low ash content with a 9% to 18% ash from Kayuga seam
  - Low sulphur content circa 0.033% enhances the marketability of the product
- 4 Opportune time to invest**
  - All permits in place for the underground mine subject to approval of the Mining Operations Plan for mine re-opening
  - Australia thermal coal prices strongly rebounding with higher than expected demand from Asia
  - Current management and owners have committed ~38 AUD million to the project in the last twelve months
  - AUD 0.05 per tonne of in-ground resource paid by Australian Pacific Coal is the 2<sup>nd</sup> lowest price paid for any recent transaction for an in situ coal resource since 2009
- 5 Protected downside**
  - Mastermyne are the proposed contractor to provide all mining services for the life of the underground operations on the basis of pre-agreed contractual status
  - Security package includes 1<sup>st</sup> lien over all existing Dartbrook assets, all new operational assets and the restricted debt service account
  - Semi annual cash sweep to debt service account from Dartbrook operations
- 6 Mining friendly regime**
  - Located in New South Wales, Australia – a well known mining jurisdiction with a stable fiscal regime
  - Support from local community in Hunter Valley – an area with a long track record of coal mining
  - Currently 28 operating open-cut and underground coal mines in the Hunter Valley
  - Excess of experienced mining labour in the local community
- 7 Potential to expand the mining operation**
  - Documented resources of ~1.2 Bn tonnes in accordance with the JORC Code.
  - Potential resource increase following Feasibility Study being undertaken in connection with the open-cut mine
  - Intend to lodge an open-cut mining license application within the next three years
  - Upside in asset valuation



**MINING, MANAGEMENT &  
SOFTWARE CONSULTANTS**

- Specialist mining consultants providing mining, geological, product quality, management, software and project management services to the coal and metalliferous mining industry. Have undertaken assignments in Australia, China, India, South Africa and USA
- The Principals of GPPH, Peter J Hayes and Geoffrey Pitkin, together have over 75 years of mining experience in senior operational and technical roles
- GPPH to provide Australia Pacific Coal with the design for operations pertaining to the Dartbrook asset

**Hansen Bailey**  
ENVIRONMENTAL CONSULTANTS

- Hansen Bailey is an environmental consultancy servicing the mining and related industries. The company was founded in 2000 and has offices in Brisbane, Queensland and Singleton, New South Wales
- Experience includes environmental assessments and approvals for coal and metalliferous mining projects, as well as quarrying and resource infrastructure projects, including ports, power stations and linear infrastructure
- Hansen Bailey have successfully completed environmental assessments and approvals for more than 40 major resource projects in Queensland, New South Wales, the Northern Territory as well as Asia
- Hansen Bailey will provide environmental consultancy services and will oversee the mine operations plan



- Mining Consultancy Services (MCS) is a recognized mining consultancy firm with nearly 30 years of experience
- MSC has intimate knowledge of the requirements for mining studies, ranging from Concept level studies, Pre-feasibility studies and Definitive Feasibility Studies
- Offices in Australia, South Africa and Russia
- MCS is to deliver the mine plan, engineering and Feasibility study



- Golder is an employee-owned, global organization providing consulting, design, and construction services in the areas of earth, environment, and energy
- With 50 years' experience in mining on six continents and with 165 offices, Golder is an established full-service mine management and operations consulting, geological/geotechnical characterization, environmental services, and mining engineering company
- Golder will assist Australia Pacific Coal in geotechnical work in relation to Dartbrook



- Ausenco is an engineering company providing consulting, project delivery and asset management solutions to the resources, energy and infrastructure sectors
- The company has 25 years experience with developing effective minerals practices and solutions from 26 offices, in 16 countries
- Ausenco will operate the processing plant on the Dartbrook site



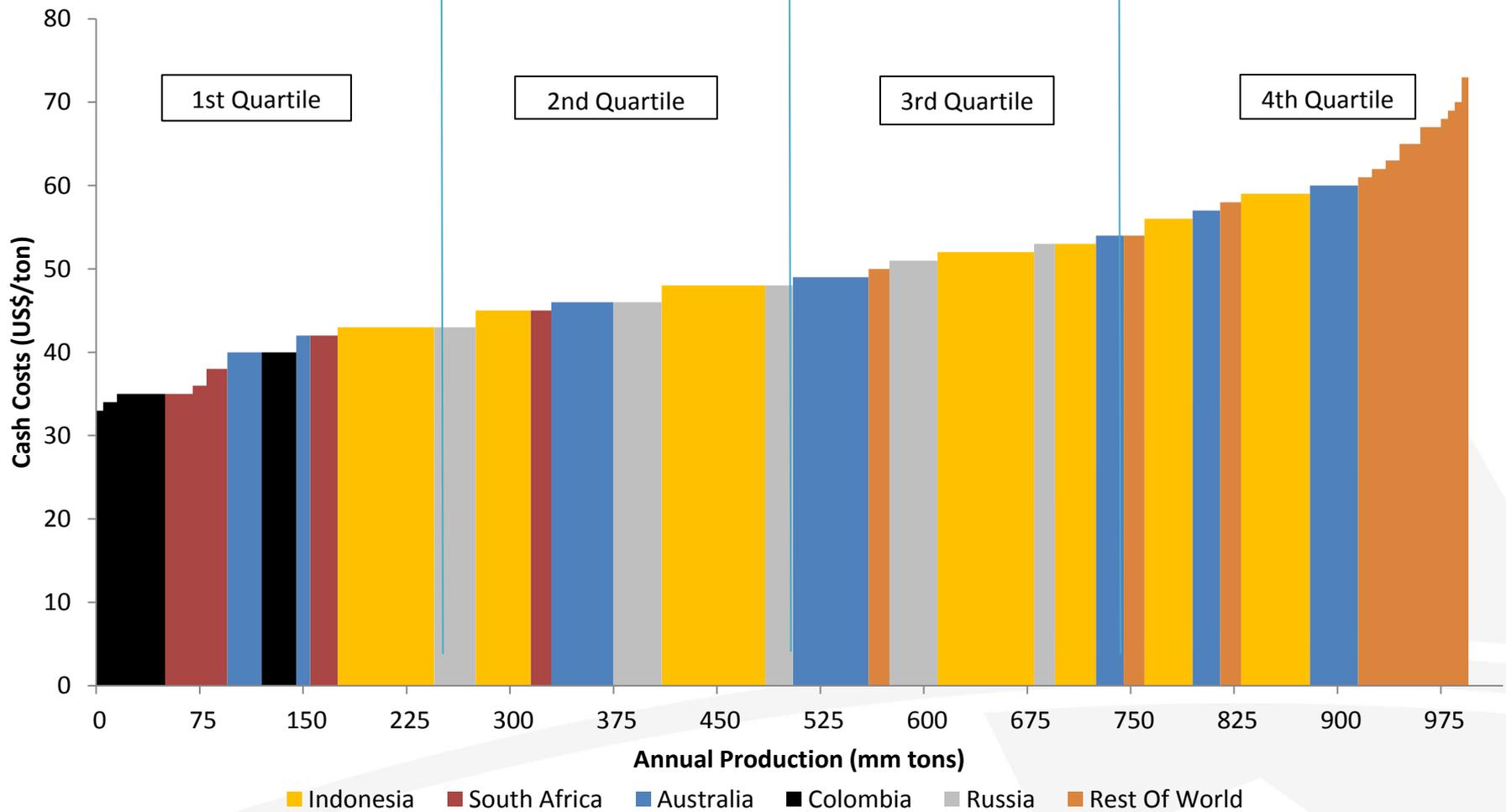
- Mastermyne is a leading provider of mining contracting services and employs approximately 800 people across Queensland and New South Wales
- Mastermyne's underground experience is extensive and varied having amassed over 20 years of experience in delivering a safe, professional and productive service
- Mastermyne are likely to be the contract miner for the Dartbrook Kayuga seam underground operations

# Cost curve for seaborne thermal coal



Australian Pacific Coal

Seaborne thermal coal cost curve



Source: Clarksons Platou Securities Inc.

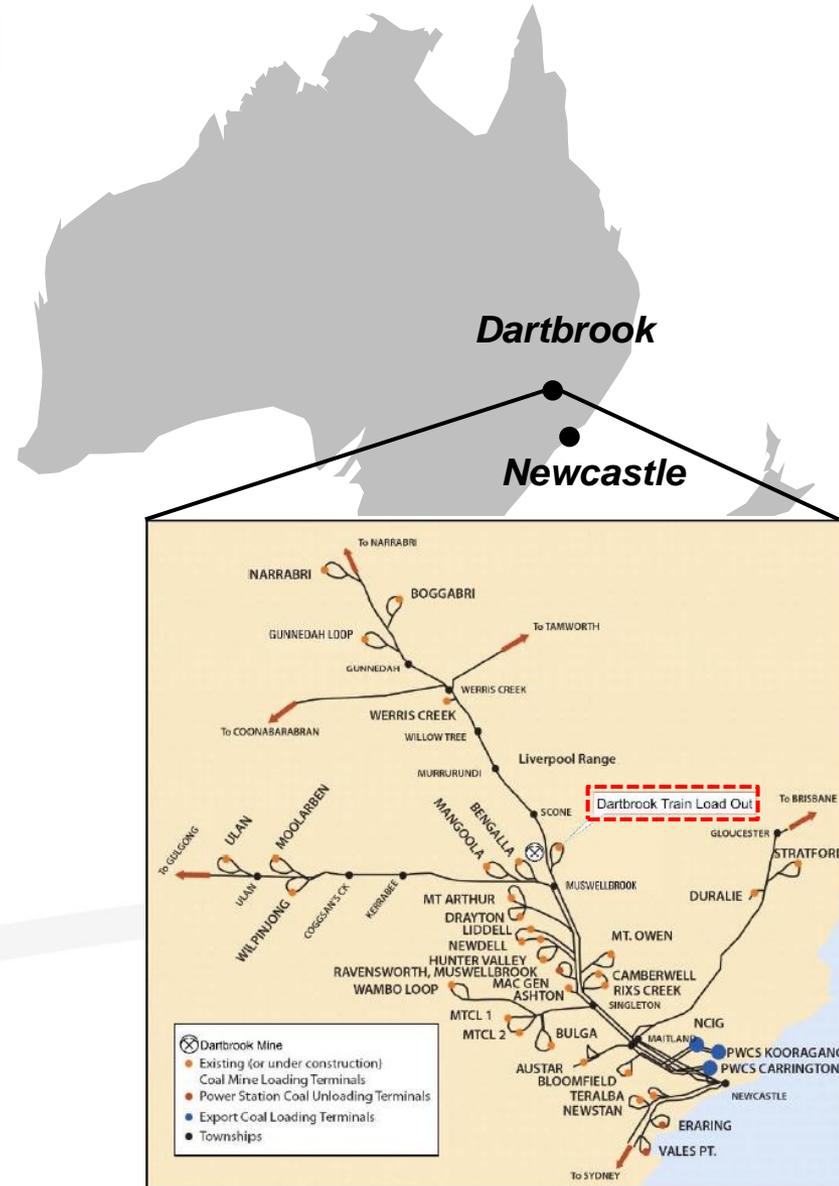
# Dartbrook asset



Australian Pacific Coal

## Background

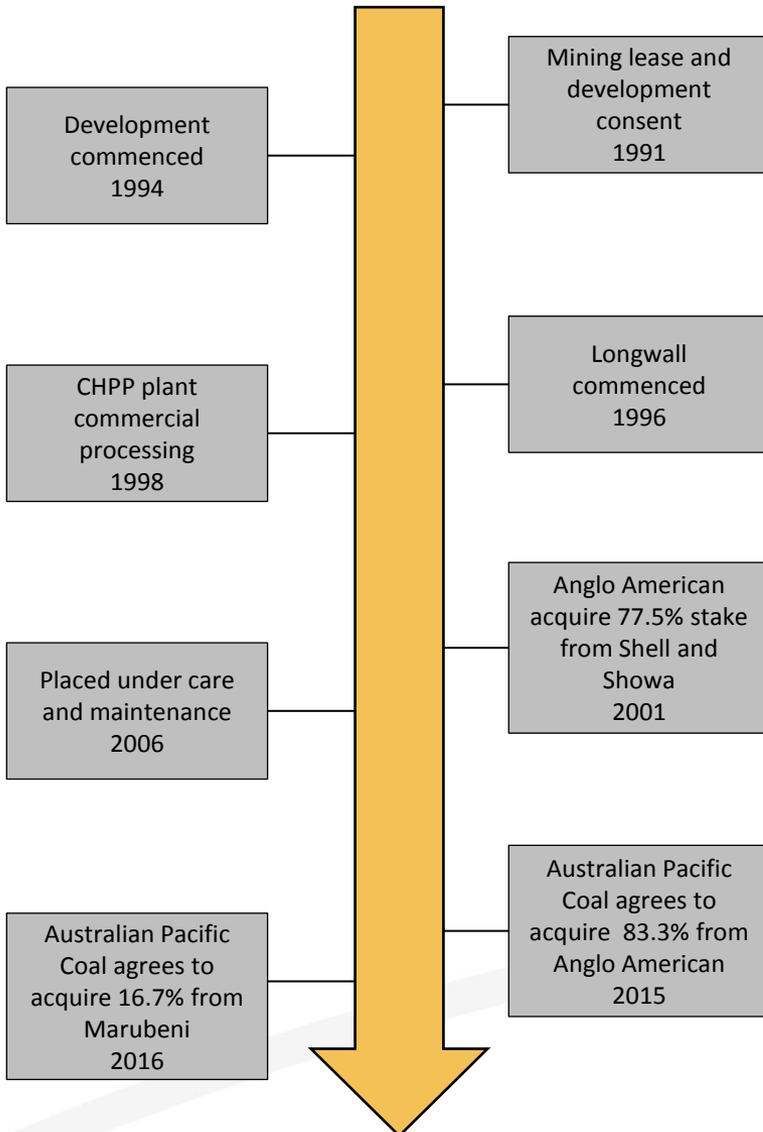
- The Dartbrook asset is a coal resource located in the renowned coal region of the Hunter Valley of New South Wales, Australia
  - Several mining operations in the immediate area surrounding the project, including the Bengalla JV (Rio Tinto and Wesfarmers), Mt Arthur (BHP Billiton) and the adjacent Mt Pleasant approved development project (Mach Energy, previously owned by Rio Tinto), ensures well developed infrastructure
  - 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
  - The resource holds high quality coal with the potential to produce 6,000 - 6,300 kcal/kg on a gross as received basis with 9% to 18% ash content
- The Dartbrook coal mine has been owned and operated by Anglo American and was put on care and maintenance in 2006/2007
  - Coal Handling and Processing Plant has been well maintained and is in good condition since Dartbrook was placed on care and maintenance
- Anglo American previously owned 83.3% of the asset with Marubeni holding the remaining 16.7%
- Australia Pacific Coal agreed to buy 100% of the mine in 2015/2016 for AUD 60 million, with AUD 30 million by way of cash consideration and a royalty of AUD 30 million for the balance



# Dartbrook history



Australian Pacific Coal

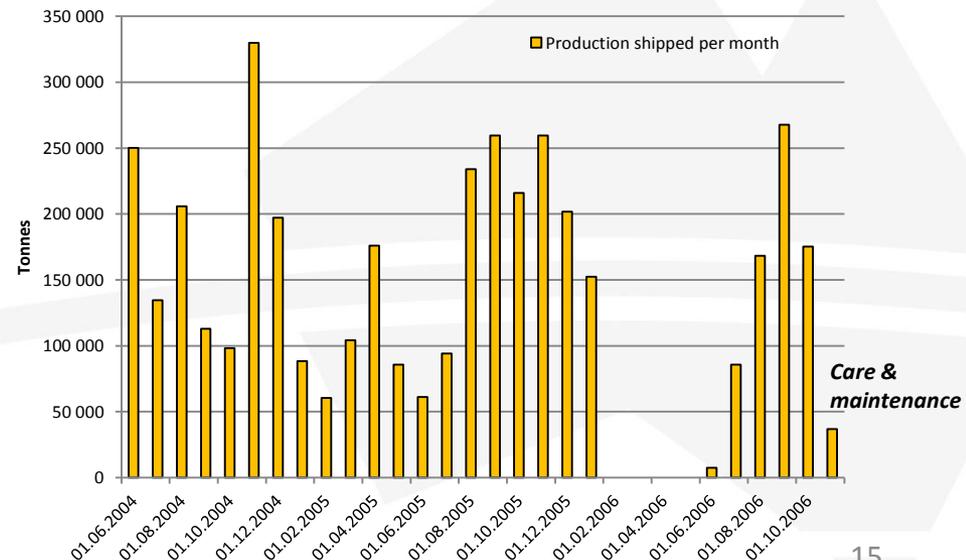


Source: Anglo American, Ausenco

## Comments

- Anglo American acquired control of the Dartbrook mine in 2001 from Shell and Showa
  - Acquired a 5.83% from SsangYong in 2009
- The mine produced ~29 Mt ROM from 1997 – 2006, from various seams, the last two years production from the Kayuga seam
- Entered care and maintenance 2006/2007 - production efficiency decline after long wall moved from Wynn to Kayuga seam
  - The Wynn equipment was not optimal for the Kayuga seam and needed upgrading – internal competition within Anglo American for capital prevented subsequent restart of the Kayuga seam
  - Subsequent to entering care & maintenance the coal handling and processing plant has been started every 6 weeks

## Kayuga Seam production history



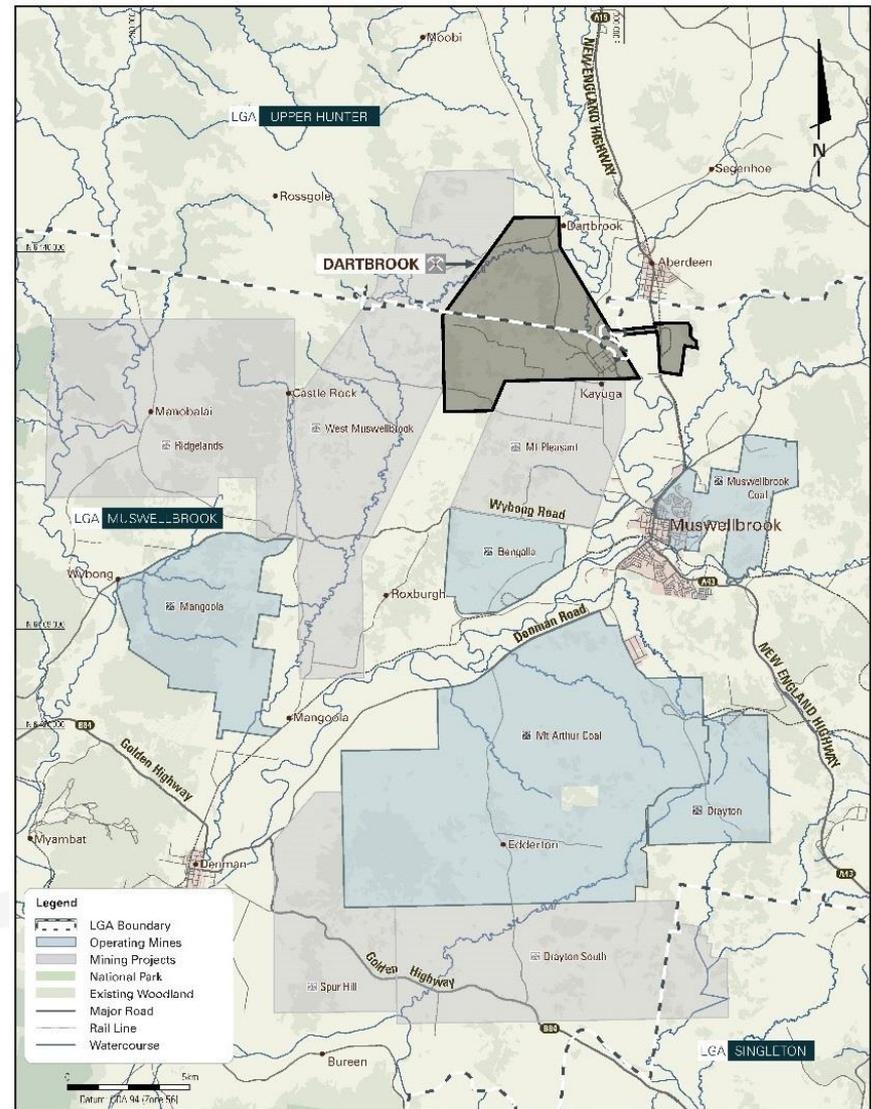
# Location Hunter Valley region



Australian Pacific Coal

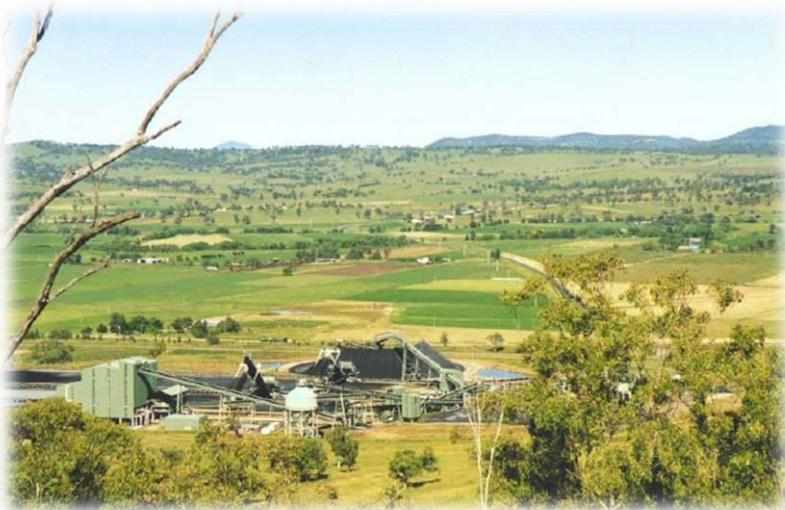
## Comments

- The Dartbrook project is located in the renowned coal region of the Hunter Valley, New South Wales. The location ideally places Dartbrook near world-class infrastructure, a highly skilled workforce and support industries used by major mining companies in the region to serve key customers in Asia
- Hunter Valley contains a long established rail network that transports coal from as far as Narrabri in central NSW to the port of Newcastle. The rail network accommodates around 200 mtpa of coal from over 40 mines in the Hunter Valley and Gunnedah Basin
- Customers are charged a below rail infrastructure rate and an above rail haulage rate to transport coal together with port handling charges at Port Waratah Coal Services ('PWCS') or Newcastle Coal Infrastructure Group ('NCIG')
- Coal is transported by rail to the ports of Newcastle and exported through PWCS or NCIG
- Several options for rail haulage include Aurizon, Pacific National or the option of our own carrier (in the same manner that Xstrata created a JV with Freightliner)
- Mining industry support services are well developed throughout the Hunter Valley



### High quality coal

- Dartbrook can produce a high quality thermal coal product comparing favourably with adjacent thermal coal operations and the Newcastle coal benchmark
- Comprehensive coal quality data demonstrates the ability to produce a range of thermal coal products with between 9% to 18% ash (air dried basis)
- Potential to produce an 8% ash (air dried basis) product from the Kayuga and Piercefield seams
- Relatively high calorific value (6,200-6,300 kcal/kg gross as-received basis)
- Low sulphur content enhances the marketability of the product by enabling blending with other less desirable Hunter Valley coals



Source: Australian Pacific Coal Ltd.

### Infrastructure

- Coal Handling and Processing Plant ('CHPP') has been well maintained and is in good condition since Dartbrook was placed on a care and maintenance basis in 2006/2007
- Surface infrastructure includes power, water and office facilities
- Existing on-site Train Load Out ('TLO') facility and rail loop connect to the Hunter Valley Coal Rail Network for coal transportation to the port of Newcastle, the largest coal export operation in the world
- Infrastructure insured with a replacement value of AUD 281 million as of April 2016.
- 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
- Ideally placed with world-class infrastructure supporting mining operations in the immediate area surrounding the project, including the Bengalla JV (New Hope and Wesfarmers), Mt Arthur (BHP Billiton) and the adjacent Mt Pleasant approved development project (Mach Energy)

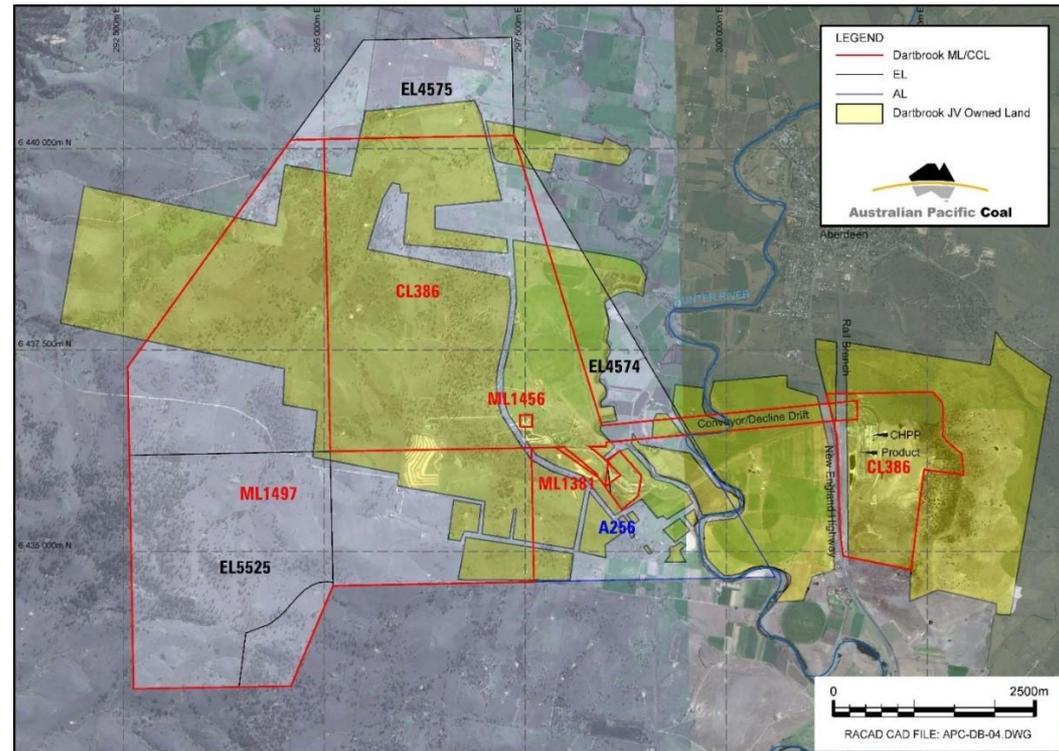
## Mining & Development strategy

- Aim to seek approvals for the development of an open-cut mining operation within 3 years
- Presence of existing infrastructure will significantly reduce development costs
- Substantial drilling database forms the basis for the proposed mining operations
- In the event of commencement of the open-cut operations, Dartbrook would create approximately 250 direct full-time positions in the local community as well as more indirect positions through local support services and consultancy/advisory roles

## Tenure summary

- Mining leases and coal lease cover a total of 3,268 hectares
- Overlapping exploration leases cover 3,800 hectares
- Large freehold land package of over 3,400 hectares covering the majority of the potential open-cut mining area

## Dartbrook Land Holding and Tenure



# Limited capex with infrastructure in place



Australian Pacific Coal

## Key Differentiator

### 1. Cost Competitive

- Competitive cost structure utilizing existing infrastructure
- Labor market has a surplus of skilled and experienced personnel available at reasonable remuneration rates

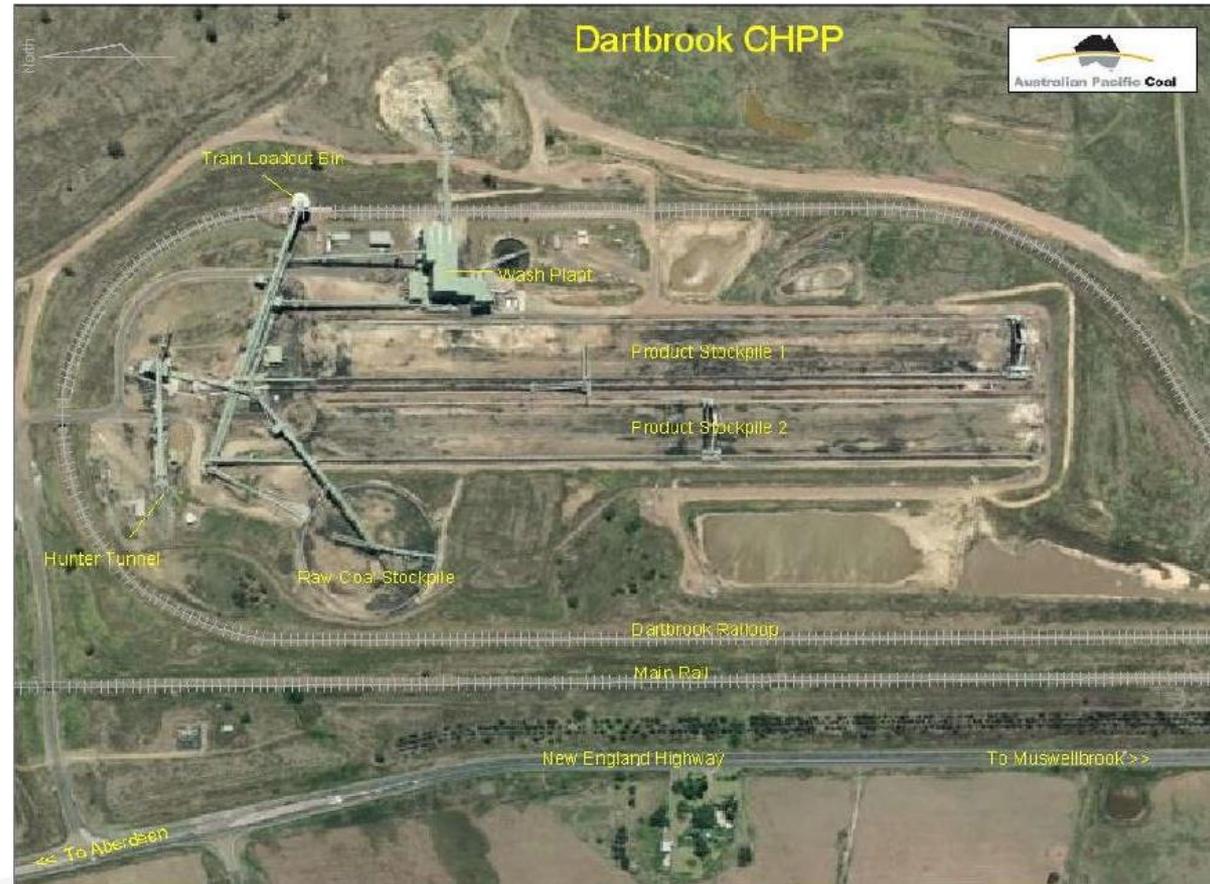
### 2. Existing Infrastructure

- Surface infrastructure includes power, water and office facilities
- Existing on-site rail infrastructure connecting the Dartbrook asset to the Newcastle port
- World-class infrastructure supporting mining operations in the immediate area surrounding the project, including the Bengalla JV, Mt Arthur and Mt Pleasant

### 3. Development Strategy

- Initially recommence underground mining operations generating early cash flows
- Aim to seek approvals for the development of an open-cut mining operation within 3 years
- Dartbrook open-cut proposal likely to be a low strip ratio cost effective mine development
- Existing underground conveyor in the Hunter Tunnel is assumed to be utilized for the open-cut operation. This will counter the three major community and conservation concerns: light, dust and noise pollution.

## Overview of the Dartbrook mine infrastructure area



# Community perception and support



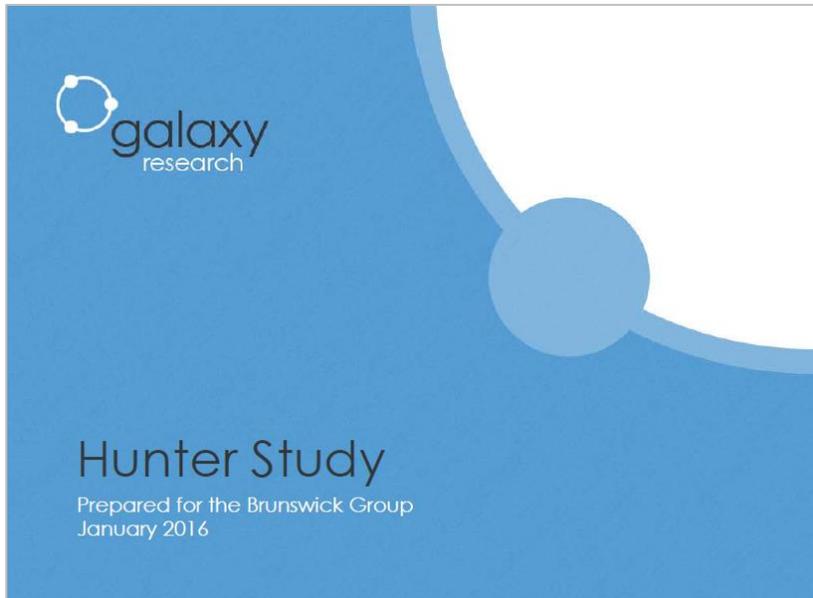
Australian Pacific Coal

## State

- The New South Wales state and local governments have supported the coal industry for over 50 years
- Billions of dollars are pumped into the local community each year and mining is the lifeblood of the Hunter Valley and the people in the communities know this and support it
- Over AUD 50 billion of revenue goes to the State of New South Wales through royalties, rail and port fees and taxes

## Community

- A Galaxy Research study was commissioned by Australian Pacific Coal in January 2016 to determine local community attitudes to coal mining. It found that: “Mining is regarded as the industry that delivers the greatest positive contribution to the economy the Hunter Valley region”
- The Hunter Valley is part of the Sydney Basin and is the principal coal producing province in NSW
- Mining is intertwined in the community and Dartbrook is an existing mine and will not encroach on either nearby townships or the local thoroughbred industry
- Dartbrook, Musswellbrook Coal, and Bengalla have successfully operated within 5 km of the Musswellbrook township for over 10 years
- Dartbrook is adjacent to the Bengalla and Mt Pleasant coal projects and is subject to similar environmental and other management systems under existing approvals
- The local community understands that mining companies adhere to the highest level of environmental standards.
- Dartbrook is expected employ approx. 200 to 250 local staff

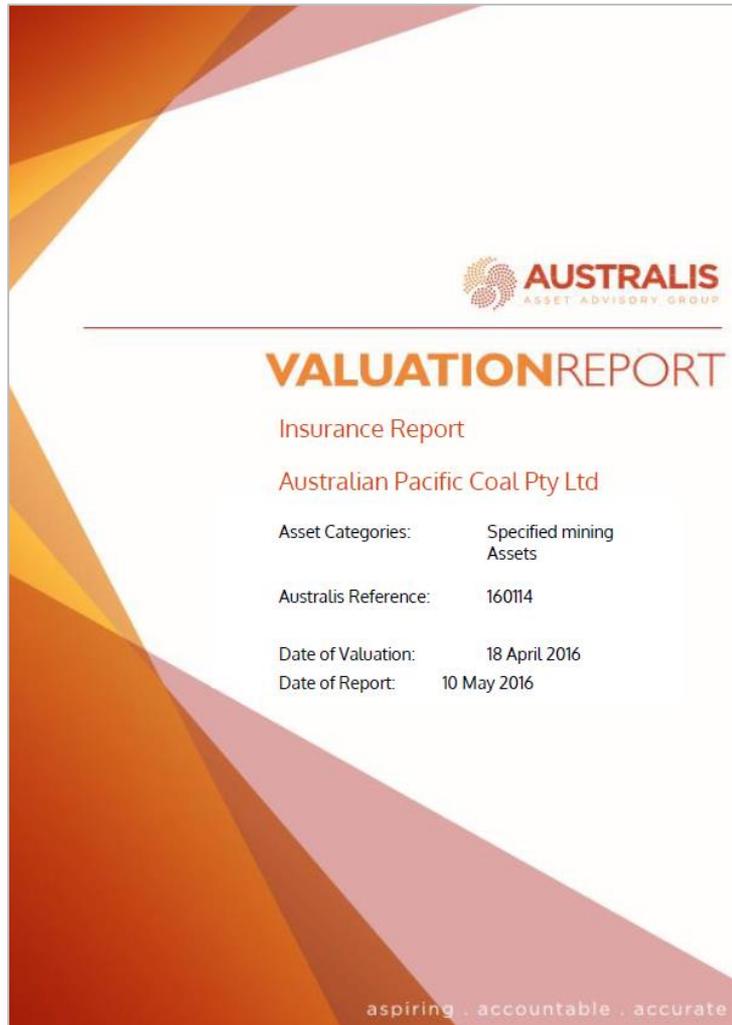


# Infrastructure replacement value of AUD 281 million



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## Australis Valuation Report



## Comments

- In April 2016 Australis Asset Advisory Group conducted a valuation report for Australian Pacific Coal
- The report was conducted for the purpose of identifying the replacement value of the above ground infrastructure in relation to the acquisition of the Dartbrook asset
- The report concluded that the replacement cost of the Dartbrook asset is AUD 281 million

## Australis Valuation Assessment

Asset category	Reinstatement with New Value AUD
Roads	9,984,025
Dams	19,096,025
CHPP	74,846,292
Mine Development	17,067,960
Coal Handling	100,218,914
P&E Longwall	305,000
Services	27,351,642
Rail	16,048,700
Buildings	11,741,200
P&E (High Value)	90,000
Siteworks (other)	4,298,000
<b>Total</b>	<b>AUD 281,047,758</b>



## Resource

- Australian Pacific Coal commissioned JB Mining Services Pty Ltd to undertake an independent resource assessment on behalf of the Company ahead of completion of the Dartbrook acquisition
- Identifies a total Coal Resource Estimate of 1.2 billion tonnes at Dartbrook
- Comprising 466 million tonnes of Measured, 449 million tonnes of Indicated and 294 million tonnes of Inferred Resources in accordance with the JORC code to a maximum depth of 350m
- Comprehensive coal quality data demonstrates ability to produce a range of thermal coal products between 9% to 18% ash (air dried basis)
- Subject to relevant approvals, potential for long mine life, low stripping ratio open-cut mining operation

Coal Resource Estimate (100% Project Basis)				
Depth	Tonnage (Mt)			
Metres	Measured	Indicated	Inferred	Total
0-100	88	71	41	200
100-200	152	128	65	345
200-250	83	71	55	209
250-300	83	86	54	224
300-350	59	93	80	232
<b>Total</b>	<b>466</b>	<b>449</b>	<b>294</b>	<b>1,209</b>

# Additional photos



**Australian Pacific Coal**



Source: Australian Pacific Coal Ltd.



### 1 Introduction

The activities of the Company, as in any business, are subject to risks which may impact on its future performance. The Company has appropriate actions, systems and safeguards for known risks, however, some are outside its control.

Prior to making any decision to accept the Offer, Eligible Shareholders should carefully consider the risk factors which the Company has previously disclosed (many of which are listed below), as well as those risks of which the Eligible Shareholder is aware, or should be aware of through their own knowledge and enquiries.

Some of the risks may be mitigated by the Company using safeguards and appropriate systems and taking certain actions. However, as noted above and previously, some of the risks are outside the control of the Company and are not capable of mitigation. There are also general risks associated with any investment in shares.

The risks listed below (and previously disclosed by the Company) should not be taken as exhaustive of the risks faced by the Company. Factors other than those listed may in the future materially affect the financial performance of the Company and the value of the New Shares. Eligible Shareholders should read this Offer Document in its entirety and consult their stockbroker, accountant or other professional advisor without delay before deciding whether to accept the Offer.

### 2. General Risks

The New Shares that are to be issued pursuant to the Offer are speculative because of the nature of the business of the Company, being the exploration, development and mining of coal tenements. The value of shares can go up as well as down and a dividend may or may not be paid in the future, depending on the Company's operating successes.

Investing in the Company involves some risk. There are a number of factors of a general nature such as share market risk, general economic conditions, exchange rate risks, commodity price risk, government policy risks, unforeseen expenses and share price fluctuations, which may adversely affect the future operating and financial performance of the Company. Some of these factors can be mitigated by appropriate commercial action; however, many are outside the control of the Company, are dependent on the policies adopted and approaches taken by regulatory authorities, or cannot otherwise be mitigated. If you are unsure about taking up your Entitlements, you should first seek advice from your stockbroker, accountant, financial or other professional adviser.

The New Shares offered under this Offer Document carry no guarantee of profitability, dividends, return of capital or the price at which they may trade on ASX. The past performance of the Company should not necessarily be considered a guide to their future performance.

### 3. Specific Risks

The New Shares that are to be issued pursuant to this Offer Document are speculative because of the nature of the business of the Company as a mineral exploration, development and production company. A summary of some of the key specific risks the Company is exposed to as a mineral exploration, development and production company are set out below. The risks listed below should not be taken as exhaustive of the risks faced by the Company.

#### Operational Risks

The operations of the Company may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including geological conditions, environmental hazards, technical and equipment failures, flooding and extended interruptions due to inclement or hazardous weather or other physical conditions, unavailability of drilling, excavation or other mining equipment, unexpected shortages of consumables or parts and equipment, fire, explosions and other incidents beyond control of the Company.

#### Land Access Risk

Land access is critical for exploration and evaluation to succeed. In all cases the acquisition of prospective tenements is a competitive business, in which proprietary knowledge or information is critical and the ability to negotiate satisfactory commercial arrangements with other parties is often essential.

Access to land for exploration purposes can be affected by land ownership, including private (freehold) land, pastoral lease and Native Title land or claims under the *Native Title Act 1993* (Cth) (NTA) (or similar legislation in the jurisdiction where the Company operates). Rights to mineral tenements carry with them various obligations in regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain title to a given area.

#### The Impact of Native Title and Land Access to Tenements

Native title in Australia is governed by the NTA and by complementary state legislation. The NTA provides a regime that enables persons claiming to hold native title to lodge a claim to that effect for determination. The effect on each tenement will depend on the nature of the tenement, the date of its grant or proposed grant, and the nature of the underlying land tenures.

The effect of the NTA is that existing and new tenements held by the Company may be affected by native title claims and procedures. There is a potential risk that a determination could be made that native title exists in relation to land the subject of a tenement held by the Company which may affect the operation of the Company's business and development activities. In the event that it is determined that native title does exist or a native title claim has been registered, the Company may need to comply with procedures under the NTA in order to carry out its operations or to be granted any additional rights required. Such procedures may take considerable time, involve the negotiation of significant agreements, may involve access rights, and require the payment of compensation to those persons holding or claiming native title in the land the subject of a tenement. The involvement in the administration and determination of native title issues may have a material adverse impact on the position of the Company in terms of cash flows, financial performance, business development, ability to pay dividends and the share price.

# Risk factors (cont'd 1)



**Australian Pacific Coal**

## **Aboriginal Sites of Significance**

Commonwealth and State Legislation in Australia allow for the protection of sites of significance to Aboriginal custom and tradition. The Company proposes to carry out “clearance surveys”, also known as “heritage surveys”, prior to conducting any work that would cause a disturbance to the land surface. Tenements may contain some such sites of significance which would need to be avoided when carrying out exploration field programmes or cleared and mitigated when carrying out mining activities. It is possible that such areas where sacred sites exist may contain mineralisation or an economic resource which may remain unexploited.

## **Environmental Regulation and Risks**

The Company's operations and projects are subject to Australian State, Federal laws and regulations, regarding environmental compliance and relevant hazards. These laws and regulations set standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards. They also establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted.

Significant liability could be imposed on the Company for damages, clean-up costs, or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property acquired by the Company, or non-compliance with environmental laws or regulations. The Company proposes to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage. There is also a risk that the environmental laws and regulations may become more onerous, making the Company's operations more expensive.

## **Statutory approvals for commencement of Dartbrook Project**

The Dartbrook Project is currently operating under a “Care and Maintenance” regime approved by the New South Wales government.

The Company proposes to seek approval from the New South Wales government and, if required, the Commonwealth government, to recommence mining operations at the Dartbrook project. There is a risk that either:

- a) the approvals sought may not be granted;
- b) the approvals may be granted but obtaining those approvals may delay the commencement of mining activities; or
- c) the approvals may be granted subject to conditions that may affect the financial performance of the Company and the value of the New Shares.

Each of the above matters may have a material adverse impact on the position of the Company in terms of cash flows, financial performance, business development, ability to pay dividends and the share price.

## **Tenement Risks**

All mining licences and exploration permits in which the Company has an interest will require renewal from time to time. In particular:

- a) Authorisation 256 expired on 2 May 2015 and an application for renewal of this tenement has been made;
- b) EL 4574 expired on 7 April 2015 and an application for renewal of this tenement has been made;
- c) EL 4575 expired on 23 May 2016 and an application for renewal of this tenement has been made;
- d) EL 5525 expired on 21 September 2016 and an application for renewal of this tenement has been made; and
- e) ML 1381 expired on 23 October 2016 and an application for renewal of this tenement has been made.

Tenements carry with them various obligations in regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain a permit for a given tenement. As a means of managing its expenditure obligations on its Tenements, the Company constantly reviews its tenement portfolio, ensuring that it keeps the most prospective areas having regard to its finances and plans. Part of this review may involve reducing its landholding over time.

The introduction of new legislation or amendments to existing legislation by Governments or the application of developments in the common law of Australia could impact adversely on the assets, operations and ultimately the financial performance of the Company and its Shares.

## **Overlapping tenure**

Queensland legislation currently allows for the grant of coal tenements, including UCG, under the *Mineral Resources Act 1989 (MRA)* and for the grant of CSG tenements under the *Petroleum and Gas (Production and Safety) Act 2004 (P&G Act)* and with respect to the same land. To commercially produce:

- a) CSG, a petroleum lease (**PL**) is required under the PG Act; and
- b) coal, a mining lease (**ML**) is required under the MRA.

The Company's present intention is to explore for coal with a view to being able to commence mining operations in the future.

The Company's tenements in Queensland may be overlapped by petroleum exploration permits, 'Authorities to Prospect' (**ATPs**), petroleum lease applications (**PLAs**) or PLs under the Petroleum Act. These areas of 'overlapping tenure' between the Company's tenements and the ATPs/PLAs/PLs introduce an additional layer of risks for the Company's proposed operations. Under the MRA and the *Mineral and Energy Resources (Common Provisions) Act 2014 (MERC Act)*, any Mining Lease application by the Company will be required to follow a statutory process to address overlapping CSG tenements. To obtain the grant of a mining lease over the area of a petroleum lease granted prior to 27 September 2016, the consent of the petroleum lease holder is required. For any other overlapping CSG tenements a process of notification, consultation, negotiation or, potentially, arbitration will need to be adhered to in order to progress to the grant of a mining lease.

## **Exploration and Production**

Tenements in which the Company has an interest are at various stages of exploration and development and potential investors should understand that mineral exploration is a high risk undertaking. Further exploration and studies may be required to determine whether any of the Company's projects contain economically mineable resources and no reliable statement as to prospectivity of the Company's projects can be made at this time.

There can be no assurance that exploration of the project areas of the Company, or any other permits that the Company may acquire an interest in, will result in the discovery of an economic mineral reserve. Even if an apparently viable reserve is identified, there is no guarantee that it can be commercially exploited.

Even if the Company recovers potentially commercial minerals, there is no guarantee that the Company will be able to successfully extract and transport the minerals to commercially viable markets or sell the minerals to customers to achieve a commercial return.

# Risk factors (cont'd 2)



**Australian Pacific Coal**

## **Coal Price**

The ability of the Company to successfully monetise its projects (whether by way of sale of the projects, joint venture arrangements or development and sale of coal) will depend upon the market for coal and the price for coal. The Company's possible future revenues will most likely be derived mainly from coal and/or from royalties gained from potential joint ventures or from mineral projects sold. Consequently, the Company's potential future earnings are likely to be closely related to the price of coal.

Coal prices fluctuate and are affected by numerous industry factors including demand for coal, forward selling by producers, production cost levels in major producing regions and macroeconomic factors, e.g. inflation, interest rates, currency exchange rates and global and regional demand for, and supply of, coal. If the market price of coal sold by the Company (were it to do so) were to fall below the costs of production and remain at such a level for any sustained period, the Company would experience losses and could have to curtail or suspend some or all of its proposed mining activities. In such circumstances, the Company would also have to assess the economic impact of any sustained lower commodity prices on recoverability.

The marketability of coal production depends, in large part, upon the demand from the international marketplace which is outside of the control of the Company.

## **Resource Estimations**

Resource estimates are inherently imprecise as they are expressions of judgement at a particular time based on available information, interpreted using experience and resource modelling techniques. The estimates, while made by qualified professionals, may change over time as other information becomes available which differs from information known or predicted by past drilling, sampling and geological interpretation. Estimates remain subject to change and no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

## **Government Policy and Taxation**

Changes in relevant taxation, interest rates, other legal, legislative and administrative regimes, and Government policies in Australia (at both Federal and State level), may have an adverse effect on the assets, operations and ultimately, the financial performance of the Company. These factors may ultimately affect the financial performance of the Company and the market price of its securities.

In addition to the normal level of income tax imposed on all industries, the Company may be required to pay government royalties, indirect taxes, GST and other imposts which generally relate to revenue or cash flows. Industry profitability can be affected by changes in government taxation policies.

Investors should be aware that policies being developed by various international governments, including the Australian government, may become increasingly negative towards the development and production of fossil fuels, in particular coal. The view of the Company is that coal should and will have a growing role in the fuel mix if global prosperity is to be sustained. However, there is a risk that State and Federal Governments will take actions which will damage the economics of coal production and thus reduce the value of the Company's assets.

## **Asset Vendors, Joint Venture Parties and Contractors**

The Company's ability to efficiently conduct its operations in a number of respects depends upon third party product and service providers and contracts have, in some circumstances, been entered into by the Company and its subsidiaries in this regard. Further, the Company has entered agreements with the current owners of the Dartbrook project and its joint venture partners in respect of various projects that the Company holds or is proposing to acquire an interest in. As in any contractual relationship, the ability for the Company to ultimately receive benefits from these contracts are dependent upon the relevant third party complying with its contractual obligations. To the extent that such third party defaults in their obligations, it may be necessary for the Company to enforce its rights under any of the contracts and pursue legal action. Such legal action may be costly and no guarantee can be given by the Company that a legal remedy will ultimately be granted on appropriate terms.

The Directors are unable to predict the risk of the financial failure or default by a participant in any joint venture to which the Company may become a party or insolvency or other managerial failure by any of the contractors used by the Company in its exploration activities.

## **Reliance on Key Personnel**

Whilst the Company has a small senior management and technical team, its progress in pursuing its exploration development and mining programmes within the timeframes and within the costs structure as currently envisaged could be dramatically influenced by the loss of key personnel. The resulting impact from such loss would be dependent upon the quality and timing of the replacement of such personnel.

Although the key personnel of the Company have a considerable amount of experience and have previously been successful in their pursuits of acquiring, exploring, evaluating, developing and mining mineral prospects, there is no guarantee or assurance that they will be successful in their objectives pursuant to this Offer Document.

## **Future Financing**

The Company will require funds from various sources in order to allow it to continue as a going concern and thereby finance its exploration and development activities. Those funds can potentially be raised through the issue of further shares (including pursuant to this Offer Document and the Proposed Placements), the obtaining of additional debt capital and the realisation or recovery of the Company's assets (most likely a combination of some or all of these sources). There can be no assurance that the Company will be able to raise sufficient funds from any of these or other sources on acceptable terms or in a timely manner or at all. Should the Company experience an endemic shortage of funds to pay its debts as and when they fall due, it may become insolvent and this may result in it becoming subject to some form of insolvency administration (such as administration, liquidation and/or receivership and management).

## **Speculative Nature of Investment**

The above list of risk factors should not be taken as exhaustive of the risks faced by the Company or by investors in the Company. Shareholders should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for the New Shares.

Whether or not future income will result from projects undergoing exploration, programmes are dependent on the successful results of that exploration and on the subsequent establishment of development and production operations or sale of the projects. Factors including costs, equipment availability, and mineral prices affect successful project development, as does the design and construction of efficient exploration facilities, competent operation and management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced consultants. In particular, changes in global economic conditions (including changes in interest rates, inflation, foreign exchange rates and labour costs) as well as general trends in the Australian and overseas equity markets may affect the Company's operations and particularly, the trading price of the Shares on the ASX.



# **Australian Pacific Coal**

**Developing a world class thermal coal resource**