

ASX RELEASE (ASX:AQC)

Quarterly Activities Report for the period ended 31 December 2017

Highlights

- *At the Annual General Meeting of the Company held on 28 November 2017, AQC's shareholders approved all resolutions including the 1 for 100 consolidation of Ordinary Shares in the Company*
- *Remediation activities undertaken for the removal and recycling of former longwall machinery, delivering \$300k cashflow to the Company*
- *Continued workflow on the pre-feasibility study to assess the potential development of Dartbrook as an open cut mine. The study is anticipated to be finalised in the March 2018 quarter*

Dartbrook Project

During the quarter, the Australian Pacific Coal Limited (**AQC** or the **Company**) progressed detailed studies on the Dartbrook Coal Mine (**Dartbrook**). Operational and risk assessments are in progress in relation to a low-capex, low production recommencement of underground mining operations. The Company is evaluating the potential underground project economics in light of the current coal price environment.

The Company made further progress on finalising the pre-feasibility study on the potential open-cut development of Dartbrook. Key long-lead environmental field activities, which will underpin an Environmental Impact Statement (**EIS**) on the potential open-cut development, continued over the summer period with a small drilling program targeting additional water monitoring and geochemical properties planned to commence in the June quarter. The Company anticipates the pre-feasibility study will be finalised in the March 2018 quarter.

Since taking ownership of Dartbrook in May 2017, the Company has evaluated various remediation opportunities to improve the site. As part of these remediation works, the Company engaged a contractor to remove and recycle scrap metal previously used as longwall mining equipment. This generated approximately \$300k in net cash to the Company during the quarter with the majority of removal works completed.

Corporate and Funding

Proposed amendment to financing terms with Existing Financiers

On 17 October 2017, subject to shareholder approval in accordance with ASX Listing Rule requirements, the Company announced revised terms with Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd (Trepang) (collectively, the Existing Financiers) in relation to their existing financing arrangements with AQC.

The key terms of the revised financing arrangements include extension of maturity dates for the existing convertible notes to match the maturity date of the Anglo Loan; amendment of the existing undrawn \$5m Trepang secured loan to a convertible note; and a royalty offer whereby the Company may at any time offer to the Existing Financiers, and the Existing Financiers may accept in their absolute discretion, a production royalty of A\$2.50 per sold tonne of Dartbrook coal in exchange for releasing the security held by the Existing Financiers over the Company's current and future assets.

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

Liquidity

At quarter end the Company held \$4.3 million in cash reserves, representing a reduction of \$3.6 million over the quarter. Funds during the quarter were primarily used to progress the open cut study for Dartbrook (\$1.7 million) and care & maintenance holding costs (\$1.2 million).

The Company has \$5.0 million available from the presently undrawn Trepang Services Pty Ltd (**Trepang**) secured loan facility and will draw on this facility in the coming months. The Company continues to assess various funding alternatives and will require further funds in calendar 2018 to continue studies at Dartbrook and service the holding costs for care & maintenance and corporate office.

Yours faithfully

Andrew Roach
Company Secretary

FOR FURTHER INFORMATION:

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