24 September 2015

Australian Pacific Coal Limited (ASX:AQC)

Notice of Extraordinary General Meeting

This document is important and requires your immediate attention. Please read it straight away. If you have any doubts about the action you should take, contact your stockbroker, solicitor, accountant or other professional adviser immediately.

Dear Shareholder,

We are pleased to invite you to Australia Pacific Coal Limited's extraordinary general meeting which will be held at 10:00am (Brisbane time) on Friday, 30 October 2015 at Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Queensland.

This Notice of Meeting describes the business that will be proposed and sets out the procedures for your participation and voting.

Your Directors are unanimously of the opinion that resolutions 1, 2, 10, 11, 12, and 13 to be proposed are in the best interests of you the shareholders and the Company as a whole. On the other resolutions, given the interest of one or more of the directors in the outcome of these resolutions, your directors make no recommendation but refer shareholders to the Explanatory Memorandum and the Independent Experts Report.

The Board and I look forward to your participation at the annual general meeting and thank you for your continued support.

Yours faithfully,

Peter Ziegler
Chairman

MEDIA ENQUIRIES:

Brunswick Group **+65 6426 8188**
Kate Holgate
Pooja Gupta-Fricke

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Australian Pacific Coal Limited ABN 49 089 206 986

Notice of Extraordinary General Meeting and Explanatory Memorandum

Date of Meeting:	Friday, 30 October 2015
Time of Meeting:	10am (Brisbane time)
Place of Meeting:	Level 7, Waterfront Place, 1 Eagle Street Brisbane, Qld, 4000, Australia

Notice of Extraordinary General Meeting

Notice is given that an Extraordinary General Meeting of Shareholders of Australian Pacific Coal Limited ABN 49 089 206 986 (**Company**) will be held at the offices of HopgoodGanim, Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Qld, 4000, Australia on Friday 30 October 2015 at 10am (Brisbane time).

Terms used in this Notice of Meeting are defined in section 10 of the accompanying Explanatory Memorandum.

The Explanatory Memorandum and the Proxy Form accompanying this Notice of Meeting are incorporated in and comprise part of this Notice of Meeting.

A copy of this Notice and the Explanatory Memorandum which accompanies this Notice has been lodged with the Australian Securities & Investments Commission (**ASIC**) in accordance with Section 218 of the Corporations Act.

Agenda

The agenda for the meeting is as follows:

1. Opening of meeting.
2. Resolution 1 – Approval to Issue Shares to Trepang
3. Resolution 2 – Approval to Issue Shares to Bentley
4. Resolution 3– Increase of Remuneration for Non-Executive Directors of the Company
5. Resolution 4 – Issue of Shares to Mr. Peter Ziegler or his nominees in lieu of Outstanding Director Fees
6. Resolution 5 – Issue of Shares to Mr. Paul Byrne or his nominees in lieu of Outstanding Director Fees
7. Resolution 6 – Issue of Shares to Mr. Paul Ingram or his nominees in lieu of Outstanding Director Fees
8. Resolution 7 – Issue of Shares to Mr. Paul Ryan or his nominees in lieu of Outstanding Director Fees
9. Resolution 8 – Issue of Shares to Mr. Peter Ziegler or his nominees in lieu of Deferred Fees and Expenses
10. Resolution 9 – Issue of Shares to Mr. Paul Byrne or his nominees in lieu of Deferred Fees and Expenses
11. Resolution 10 – Ratification of previous issue of Shares to The Australian Special Opportunity Fund LP
12. Resolution 11 - Ratification of previous issue of Shares to Cape Coal Pty Ltd
13. Resolution 12 - Ratification of previous issue of Shares to Trepang
14. Resolution 13 - Ratification of previous issue of Shares to Bentley and other sophisticated investors
15. Other business.
16. Close of meeting.

Ordinary business

1. Resolution 1 – Approval to Issue Shares to Trepang under Chapter 2E and Section 611 (Item 7) of the Corporations Act

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That in accordance with Chapter 2E and section 611 (Item 7) of the Corporations Act 2001 and for all other purposes and subject to approval of Resolution 2, the Company be authorised to issue:

(a) *25,000,000 Shares to Trepang Services Pty Ltd (**Trepang**), as a result of the conversion of the principal amount of a loan of $100,000 advanced to the Company by Trepang on or about 8 September 2015; and*

(b) *1,625,000,000 Shares to Trepang pursuant to the Trepang Subscription Agreement,*

in each case at an issue price of $0.004 per Share, which would result in Trepang (a Related Party of the Company as described in the Explanatory Memorandum), acquiring a relevant interest in voting Shares such that Trepang's Voting Power in the Company would increase from below 20% to more than 20% upon the terms and conditions described in the Explanatory Memorandum."

Notes

For the purpose of section 611 of the Corporations Act, an Independent Expert's Report prepared by BDO is enclosed with this Notice of Meeting in Annexure A. BDO has formed the view that the transaction proposed by this resolution is **not fair but reasonable** to the non Associated Shareholders of the Company.

A copy of this Notice of Meeting and the accompanying Explanatory Memorandum has been lodged with the Australian Securities & Investments Commission in accordance with section 218 of the Corporations Act.

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

(a) Trepang; and

(b) any Associate of Trepang.

However, the Company need not disregard a vote if:

(a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

2. Resolution 2 – Approval to Issue Shares to Bentley under Chapter 2E and Section 611 (Item 7) of the Corporations Act

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That in accordance with Chapter 2E and section 611 (Item 7) of the Corporations Act 2001 and for all other purposes and subject to approval of Resolution 1, the Company be authorised to issue:

(a) *25,000,000 Shares to Bentley Resources Pte Ltd (**Bentley**) or its nominees, as a result of the conversion of the principal amount of a loan of $100,000 advanced to the Company by Bentley on or about 8 September 2015; and*

(b) *1,625,000,000 Shares to Bentley or its nominees pursuant to the Bentley Subscription Agreement,*

in each case at an issue price $0.004 per Share, which would result in Bentley (a Related Party of the Company as described in the Explanatory Memorandum) and its nominees acquiring a relevant interest in voting Shares such that Bentley's Voting Power in the Company would increase from below 20% to more than 20% upon the terms and conditions described in the Explanatory Memorandum."

Notes

For the purpose of section 611 of the Corporations Act, an Independent Expert's Report prepared by BDO is enclosed with this Notice of Meeting in Annexure A. BDO has formed the view that the transaction proposed by this resolution is **not fair but reasonable** to the non Associated Shareholders of the Company.

A copy of this Notice of Meeting and the accompanying Explanatory Memorandum has been lodged with the Australian Securities & Investments Commission in accordance with section 218 of the Corporations Act.

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

(a) Bentley; and

(b) any Associate of Bentley.

However, the Company need not disregard a vote if:

(a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

3. Resolution 3 – Increase of Remuneration for Non-Executive Directors of the Company

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution of the Company:

*"That in accordance with Listing Rule 10.17 of the Official Listing Rules of the ASX Limited (**ASX**) and Article 16 of the Company's Constitution, the total aggregate annual remuneration payable to Non-Executive Directors of the Company be increased by* $250,000, *from $250,000 to a maximum of* $500,000."

Voting Exclusion Statement

In accordance with Listing Rule 10.17, the Company will disregard any votes cast on this Resolution by:

(a) the Directors of the Company; and

(b) any Associates of the Directors of the Company.

However, the Company need not disregard a vote if:

(a) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or

(b) It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Key Management Personnel voting exclusion statement

The Company will disregard any votes cast on this resolution by:

(a) any Key Management Personnel (which includes the Chair) of the Company, or if the Company is part of a consolidated entity, of the entity; or

(b) a Closely Related Party of such Key Management Personnel,

who is appointed as a Shareholder's proxy, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution.

However, the Company need not disregard a vote on this resolution if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution, on the condition that the appointment of proxy expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, of the entity.

4. Resolution 4 – Issue of Shares to Mr. Peter Ziegler or his nominees under Listing Rule 10.11 in lieu of Outstanding Director Fees

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That in accordance with Listing Rule 10.11 and for all other purposes, subject to approval of Resolutions 1 and 2, the Company be authorised to issue up to 45,375,000 Shares at an issue price of $0.004 per share (in lieu of Outstanding Director Fees) at Completion to Mr. Peter Ziegler who is a Related Party of the Company as described in the Explanatory Memorandum."

Voting Exclusion Statement

In accordance with Listing Rule 10.11, the Company will disregard any votes cast on this Resolution by:

(a) Mr. Peter Ziegler; and

(b) any Associates of Mr. Peter Ziegler.

However, the Company need not disregard a vote if:

(a) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or

(b) It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Key Management Personnel voting exclusion statement

The Company will disregard any votes cast on this resolution by:

(c) any Key Management Personnel (which includes the Chair) of the Company, or if the Company is part of a consolidated entity, of the entity; or

(d) a Closely Related Party of such Key Management Personnel,

who is appointed as a Shareholder's proxy, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution.

However, the Company need not disregard a vote on this resolution if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution, on the condition that the appointment of proxy expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, of the entity.

5. Resolution 5 – Issue of Shares to Mr. Paul Byrne or his nominees under Listing Rule 10.11 in lieu of Outstanding Director Fees

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That in accordance with Listing Rule 10.11 and for all other purposes, subject to approval of Resolutions 1 and 2, the Company be authorised to issue up to 27,225,000 Shares at an issue price of $0.004 per share (in lieu of Outstanding Director Fees) at Completion to Mr. Paul Byrne who is a Related Party of the Company as described in the Explanatory Memorandum."

Voting Exclusion Statement

In accordance with Listing Rule 10.11, the Company will disregard any votes cast on this Resolution by:

(a) Mr. Paul Byrne; and

(b) any Associates of Mr. Paul Byrne.

However, the Company need not disregard a vote if:

(a) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or

(b) It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Key Management Personnel voting exclusion statement

The Company will disregard any votes cast on this resolution by:

(a) any Key Management Personnel (which includes the Chair) of the Company, or if the Company is part of a consolidated entity, of the entity; or

(b) a Closely Related Party of such Key Management Personnel, who is appointed as a Shareholder's proxy, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution.

However, the Company need not disregard a vote on this resolution if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution, on the condition that the appointment of proxy expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, of the entity.

6. Resolution 6 – Issue of Shares to Mr. Paul Ingram or his nominees under Listing Rule 10.11 in lieu of Outstanding Director Fees

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That in accordance with Listing Rule 10.11 and for all other purposes, subject to approval of Resolutions 1 and 2, the Company be authorised to issue up to 24,750,000 Shares at an issue price of $0.004 per share (in lieu of Outstanding Director Fees) at Completion to Mr. Paul Ingram who is a Related Party of the Company as described in the Explanatory Memorandum."

Voting Exclusion Statement

In accordance with Listing Rule 10.11, the Company will disregard any votes cast on this Resolution by:

(a) Mr. Paul Ingram; and

(b) any Associates of Mr. Paul Ingram.

However, the Company need not disregard a vote if:

(a) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or

(b) It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Key Management Personnel voting exclusion statement

The Company will disregard any votes cast on this resolution by:

(a) any Key Management Personnel (which includes the Chair) of the Company, or if the Company is part of a consolidated entity, of the entity; or

(b) a Closely Related Party of such Key Management Personnel,

who is appointed as a Shareholder's proxy, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution.

However, the Company need not disregard a vote on this resolution if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution, on the condition that the appointment of proxy expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, of the entity.

7. Resolution 7 – Issue of Shares to Mr. Paul Ryan or his nominees under Listing Rule 10.11 in lieu of Outstanding Director Fees

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That in accordance with Listing Rule 10.11 and for all other purposes, subject to approval of Resolutions 1 and 2, the Company be authorised to issue up to 24,750,000 Shares at an issue price of $0.004 per share (in lieu of Outstanding Director Fees) at Completion to Mr. Paul Ryan who is a Related Party of the Company as described in the Explanatory Memorandum."

Voting Exclusion Statement

In accordance with Listing Rule 10.11, the Company will disregard any votes cast on this Resolution by:

(a) Mr. Paul Ryan; and

(b) any Associates of Mr. Paul Ryan.

However, the Company need not disregard a vote if:

(a) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or

(b) It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Key Management Personnel voting exclusion statement

The Company will disregard any votes cast on this resolution by:

(a) any Key Management Personnel (which includes the Chair) of the Company, or if the Company is part of a consolidated entity, of the entity; or

(b) a Closely Related Party of such Key Management Personnel,

who is appointed as a Shareholder's proxy, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution. However, the Company need not disregard a vote on this resolution if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution, on the condition that the appointment of proxy expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, of the entity.

8. Resolution 8 – Issue of Shares to Mr. Peter Ziegler or his nominees under Listing Rule 10.11 in lieu of Deferred Fees and Expenses

To consider, and if thought fit, pass the following, as an Ordinary Resolution of the Company:

"That in accordance with Listing Rule 10.11 and for all other purposes, subject to approval of Resolutions 1 and 2, the Company be authorised to issue 125,460,000 Shares at an issue price of $0.004 per share (in lieu of Deferred Fees and Expenses) at Completion to Mr. Peter Ziegler who is a Related Party of the Company as described in the Explanatory Memorandum."

Voting Exclusion Statement

In accordance with Listing Rule 10.11, the Company will disregard any votes cast on this Resolution by:

(a) Mr. Peter Ziegler; and

(b) any Associates of Mr. Peter Ziegler.

However, the Company need not disregard a vote if:

(a) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or

(b) It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Key Management Personnel voting exclusion statement

The Company will disregard any votes cast on this resolution by:

(a) any Key Management Personnel (which includes the Chair) of the Company, or if the Company is part of a consolidated entity, of the entity; or

(b) a Closely Related Party of such Key Management Personnel,

who is appointed as a Shareholder's proxy, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution.

However, the Company need not disregard a vote on this resolution if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution, on the condition that the appointment of proxy expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, of the entity

9. Resolution 9 – Issue of Shares to Mr. Paul Byrne or his nominees under Listing Rule 10.11 in lieu of Deferred Fees and Expenses

To consider, and if thought fit, pass the following, as an Ordinary Resolution of the Company:

"That in accordance with Listing Rule 10.11 and for all other purposes, subject to approval of Resolutions 1 and 2, the Company be authorised to issue 122,490,000 Shares at an issue price of $0.004 per share (in lieu of Deferred Fees and Expenses) at Completion to Mr. Paul Byrne who is a Related Party of the Company as described in the Explanatory Memorandum."

Voting Exclusion Statement

In accordance with Listing Rule 10.11, the Company will disregard any votes cast on this Resolution by:

(a) Mr. Paul Byrne; and

(b) any Associates of Mr. Paul Byrne.

However, the Company need not disregard a vote if:

(a) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or

(b) It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Key Management Personnel voting exclusion statement

The Company will disregard any votes cast on this resolution by:

(a) any Key Management Personnel (which includes the Chair) of the Company, or if the Company is part of a consolidated entity, of the entity; or

(b) a Closely Related Party of such Key Management Personnel,

who is appointed as a Shareholder’s proxy, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution.

However, the Company need not disregard a vote on this resolution if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution, on the condition that the appointment of proxy expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, of the entity

10. Resolution 10 - Ratification of previous issue of Shares to The Australian Special Opportunity Fund LP

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

*“That in accordance with the provisions of Listing Rule 7.4, and for all other purposes, the Shareholders ratify the previous issue and allotment of 10,000,000 fully paid ordinary Shares in the Company (**ASOF Shares**) on 5 December 2014 for a consideration of $60,000 (representing an issue price of $0.006 per Share) to The Australian Special Opportunity Fund LP (**ASOF**), which issue fell within one or more of the classes of exemptions specified in section 708 of the Corporations Act 2001 (Cth).”*

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

(a) Any person who received ASOF Shares; and

(b) any Associate of such persons.

However, the Company need not disregard a vote if:

(a) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or

(b) It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

11. Resolution 11 - Ratification of previous issue of Shares to Cape Coal Pty Ltd

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

*“That in accordance with the provisions of Listing Rule 7.4, and for all other purposes, the Shareholders ratify the previous issue and allotment of 6,600,000 fully paid ordinary Shares in the Company on 18 June 2015 at an issue price of $0.004 per Share (**Cape Coal Shares**) to Cape Coal Pty Ltd (**Cape Coal**), which issue fell within one or more of the classes of exemptions specified in section 708 of the Corporations Act 2001 (Cth), in consideration for consultancy services provided by Cape Coal Pty Ltd to the Company.”*

> **Voting Exclusion Statement**
>
> The Company will disregard any votes cast on this Resolution by:
>
> (a) Any person who received Cape Coal Shares; and
>
> (b) any Associate of such persons.
>
> However, the Company need not disregard a vote if:
>
> (a) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
>
> (b) It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

12. Resolution 12 - Ratification of previous issue of Shares to Trepang

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

*"That in accordance with the provisions of Listing Rule 7.4, and for all other purposes, the Shareholders ratify the previous issue and allotment of 27,000,000 fully paid ordinary Shares in the Company on 22 July 2015 for a consideration of $108,000 (representing an issue price of $0.004 per Share) to Trepang Services Pty Ltd (**Previous Trepang Shares**), which issue fell within one or more of the classes of exemptions specified in section 708 of the Corporations Act 2001 (Cth)."*

> **Voting Exclusion Statement**
>
> The Company will disregard any votes cast on this Resolution by:
>
> (a) any person who received Previous Trepang Shares; and
>
> (b) any Associate of such persons.
>
> However, the Company need not disregard a vote if:
>
> (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
>
> (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

13. Resolution 13 - Ratification of previous issue of Shares to Bentley and other sophisticated investors

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

*"That in accordance with the provisions of Listing Rule 7.4, and for all other purposes, the Shareholders ratify the previous issue and allotment of 27,000,000 fully paid ordinary Shares in the Company on 22 July 2015 for a consideration of $108,000 (representing an issue price of $0.004 per Share) to Bentley Resources Pte Ltd, VG Superannuation Fund, L&Z Tinkler Family Superannuation Fund and RJ Tinkler Family Trust (**Previous Bentley Shares**) which*

issue fell within one or more of the classes of exemptions specified in section 708 of the Corporations Act 2001 (Cth).”

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

(a) any person who received Previous Bentley Shares; and

(b) any Associate of such persons.

However, the Company need not disregard a vote if:

(a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides

General business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

By order of the Board

K. Mischewski

Kevin J. Mischewski
Company Secretary
24 September 2015

Explanatory Memorandum

1. Introduction

This Explanatory Memorandum is provided to shareholders of **Australian Pacific Coal Limited** ABN 49 089 206 986 (**Company**) in connection with the business to be considered at an Extraordinary General Meeting of Shareholders to be held at the offices of HopgoodGanim, Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Qld, 4000, Australia on Friday 30 October 2015 at 10am (Brisbane time).

The Notice of Meeting, which is also enclosed, sets out details of proposals concerning the 13 Resolutions to be put to Shareholders.

The Directors recommend Shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Unless otherwise defined, terms used in this Explanatory Memorandum are defined in Section 10.

Ordinary Business

2. Resolution 1 – Issue of Shares to Trepang

2.1 Background

Trepang is private investment company owned and controlled by both John Robinson Snr and Mr Nick Paspaley. There are 40 shares on issue in Trepang, 20 of which held by Nick Paspaley, and 20 of which are held by John Robinson Snr. Trepang owns many different types of property including motels, hotels, commercial property and industrial property in addition to other investments relating to aviation assets, retail and mining.

On 22 July 2015 the Company placed 27,000,000 Shares at an issue price of $0.004 per Share to Trepang, raising $108,000.

On 28 July 2015, Trepang entered into a binding term sheet (**Term Sheet**) with the Company and Bentley. Under the Term Sheet, Trepang and Bentley agreed to invest an additional amount of $13.2 million, by each subscribing for 1.65 billion fully paid ordinary Shares in the Company at an issue price of $0.004, subject to the approval of the Company's Shareholders required by the Company or otherwise required pursuant to the Corporations Act and the Listing Rules.

On 26 August 2015 (following the execution of the Term Sheet), the Company and Trepang entered the Trepang Subscription Agreement pursuant to which, Trepang is to subscribe for the Proposed Trepang Securities (which will rank *pari passu* with all of the other fully paid ordinary Shares on issue in the Company) at an issue price of $0.004 per Share to raise $6,500,000.

On or about the 8 September 2015, Trepang and the Company entered into a convertible loan deed (the **Trepang Convertible Loan Deed**), pursuant to which Trepang agreed to the early release of $100,000 from the subscription funds being held in escrow by the Company's solicitors pending Completion of the Proposed Trepang Placement. This $100,000 was released to the Company by way of a loan from Trepang. The Company is seeking Shareholder approval for the issue of 25,000,000 Shares at an issue price of $0.004 in repayment of the principal loan amount. If Shareholder approval is not obtained for this Share issue to Trepang, the Company is required to repay the $100,000 loan, at the latest, within five business days of 30 November 2015. The loan funds will provide the Company with additional working capital and will allow the Company to meet the costs associated with the Meeting and the proposed Entitlements Issue (see below).

The total amount invested by Trepang through the Trepang Convertible Loan Deed and Trepang Subscription Agreement is $6,600,000 as was initially contemplated by the Term Sheet.

As a condition precedent to the Completion of the Proposed Trepang Placement (pursuant to the Trepang Subscription Agreement), the Company is undertaking a non-renounceable entitlements Issue to its eligible shareholders (as determined by the Company) on the basis of 1 new Share for every existing 1 Share held at the record date (to be determined by the Company), at an issue price of $0.004 per new Share to raise up to $1,539,763 (the **Entitlements Issue**). The Entitlements Issue will close following the issue of this Notice and before the Meeting is held. Accordingly, the number of Shareholders taking up their rights in the Entitlement Issue is not known.

The Meeting has been convened for the purpose of seeking the approval of Shareholders to the issue of Shares to Trepang pursuant to the Trepang Subscription Agreement and the Trepang Convertible Loan Deed. The Company engaged BDO to prepare an Independent Expert's Report on the Proposed Trepang Placement and the issue of the Trepang Conversion Shares to assist Shareholders to decide whether or not to vote in favour of Resolution 1.

The Independent Expert has assessed that the Proposed Trepang Placement is not fair but reasonable to existing non Associated Shareholders, but strongly recommends that Shareholders also have regard to all of the information set out in the balance of the Independent Expert Report which appears as Annexure A to this Explanatory Memorandum. Shareholders are also referred to sections 2.9 and 2.15 of this Explanatory Memorandum for further details as to the contents of the Independent Expert's Report

2.2 **Interdependency of Resolutions**

Trepang is presently regarded as an Associate of Bentley, and Bentley is presently regarded as an Associate of Trepang. Trepang will have a Relevant Interest in the Proposed Bentley Securities at their issue and *vice versa*. The Company notes however that this does not necessarily mean that Trepang and Bentley will always be regarded as Associates.

Trepang will only invest in the Company if Shareholders also approve the Proposed Bentley Placement. Accordingly, Resolution 1 is conditional on the passing of Resolution 2, meaning that Shareholders must approve both Resolutions 1 and 2 for the Proposed Trepang Placement to proceed.

The funds from *both* of the Placements will be needed in order to place the Company in a strong financial position to progress and expedite the exploration programmes planned for the Company's existing suite of coal assets in Queensland. In particular following the completion of *both* of the Placements, the Company intends to use the funds:

(a) to investigate the potential for a standalone open cut metallurgical mine at the Hillalong Project area (comprising tenements Mount Hillalong, Mount Hess and Mount Hess West), which was formerly subject to an option agreement with Rio Tinto;

(b) to conduct detailed exploration and drilling programmes on the Company's other key target areas, including Cooroorah, South Clermont and Dingo tenements. Subject to exploration results, the Company will commence a scoping study to investigate the Cooroorah Project as a low cost underground development to produce coking coal; and

(c) for working capital for the Company.

In addition to the funds raised by the Company, the approval of both of the Placements will provide the Company with additional skills, experience and expertise through the addition to the Board of both Trepang *and* Bentley nominees. For example, Mr Nathan Tinkler, who will be a nominee of Bentley, will be appointed as Managing Director and Chief Executive Officer of the Company. Mr Tinkler has knowledge of exploration, mine development and mining in

Australia, which will provide the Company with support to progress with the exploration and potential development of the Company's coal resources

2.3 Key Elements of the Trepang Subscription Agreement

Under the Trepang Subscription Agreement the Company proposes to raise $6,500,000, through the issue of 1,625,000,000 fully paid ordinary Shares in the Company to Trepang or its nominees, at an issue price of $0.004 per Share.

Pursuant to the Trepang Subscription Agreement (as amended), Trepang paid the $6,500,000 subscription moneys into escrow to be held by HopgoodGanim Lawyers, the Company's solicitors, pending settlement of the Proposed Trepang Securities in accordance with the terms of the Trepang Subscription Agreement.

The further material terms of the Trepang Subscription Agreement are as follows:

(a) **Conditions Precedent to the Proposed Trepang Placement**

(1) approval for the Proposed Trepang Placement (being the passing by Shareholders of Resolution 1 at the Meeting);

(2) approval for the Entitlements Issue being passed, provided or approved, as the case may be, in accordance with the applicable laws;

(3) all other approvals and resolutions of Shareholders of the Company necessary for completion of the Proposed Trepang Placement to occur being obtained or passed;

(4) all approvals required from, or other requirements of, Australian Securities and Investments Commission (**ASIC**), Australian Securities Exchange (**ASX**) and any other Government body for Completion to occur being obtained or met;

(5) the Company having entered into agreements with each of its Current Directors in respect of the Outstanding Directors' Fees (see paragraph (b) below);

(6) the Company having entered into agreements with each of its Current Directors in respect of Deferred Fees and Expenses of the Current Directors (see paragraph (b) below);

(7) the Company having entered into an agreement with John Robinson Jnr in respect of his appointment to the position of a non-executive Director of the Company for a fee of $200,000 per annum on usual commercial terms. The Company will also cause and procure Mr Paul Ingram to retire from the Board;

(8) the Company undertaking the Entitlements Issue; and

(9) the warranty in respect of the exploration option and joint venture agreement in place with Rio Tinto Exploration Pty Ltd and the tenements subjected to the joint venture agreement, being true and correct in all material respects as at completion of the Proposed Trepang Placement.

(b) **Proposed Settlement of Amounts Owing to the Directors of the Company**

It is proposed that upon Completion of the Proposed Trepang Placement, payment of amounts owing to the Directors of the Company will be made as follows:

(1) Outstanding Directors' Fees:

(A) where Shareholder approval has been given (of Resolutions 4, 5, 6 and 7), the amount owing to Current Directors as at Completion of the

Proposed Trepang Placement will be converted into Shares at a conversion price of $0.004 per Share; and

(B) where Shareholder approval has not been given, the amount owing as at Completion of the Proposed Trepang Placement will be paid in full in cash; and

(2) Deferred Fees and Expenses:

(A) incurred up until and including 31 July 2015:

(i) will, in the event that Shareholder approval has been given (being Resolutions 8 and 9), be converted into ordinary Shares at a conversion price of $0.004 per Share;

(ii) will, in the event that Shareholder approval is not given, be paid in three equal instalments, with the first instalment being paid on Completion of the issue of Shares to Trepang and Bentley as contemplated by Resolutions 1 and 2 and the two subsequent instalments being made on each of the immediately following anniversaries of the first repayment; and

(B) any such fees incurred post 31 July 2015 will be paid in cash in full upon completion of the Proposed Trepang Placement.

(c) **Completion**

Completion of the Proposed Trepang Placement will take place the later of two business days following the satisfaction of the conditions precedent or as agreed between the parties.

(d) **Termination**

Either party can terminate the Trepang Subscription Agreement if:

(1) the conditions precedent are not satisfied or waived by 31 October 2015. However, the parties agree to extend time for Completion to 30 November 2015 or such later date as is otherwise agreed between the parties, all parties acting reasonably; or

(2) a party does not otherwise complete as required.

The Trepang Subscription Agreement contains certain undertakings, representations and warranties between the parties on normal commercial terms as would be expected of an agreement of this nature.

2.4 Key Elements of the Trepang Convertible Loan Deed

Under the Trepang Convertible Loan Deed, Trepang agreed to advance to the Company $100,000 by way of a loan on or about 8 September 2015 (**Trepang Convertible Loan**).

It was agreed that the Trepang Convertible Loan would be paid from the funds originally held in escrow by the Company's solicitors pending Completion of the Trepang Subscription Agreement, and that the amount of the subscriptions under the Trepang Subscription Agreement would be reduced to $6,500,000 accordingly. However, the overall investment in the Company by Trepang (being the total issue price of the Proposed Trepang Placement and the Trepang Conversion Shares) remains at $6,600,000.

Further material terms of the Trepang Convertible Loan Deed are as follows:

(a) the Company is required to convene a meeting of the Shareholders to seek approval for the issue of the Trepang Conversion Shares (being 25,000,000 Shares at an issue price of $0.004 per Share). This approval is the subject of part of Resolution 1;

(b) the Trepang Convertible Loan will:

(1) if Shareholder approval is obtained for the issue of the Trepang Conversion Shares by 30 November 2015, be repaid through the issue of the Trepang Conversion Shares within five business days of the giving of Shareholder approval;

(2) if Shareholder Approval is not obtained for the issue of the Trepang Conversion Shares by 30 November 2015, be repaid in full within five business days after 30 November 2015; or

(3) in certain circumstances be immediately repayable in full, such as where there is a material breach of the provisions of the Trepang Convertible Loan Deed, or where an event of insolvency affects the Company;

(c) the Trepang Convertible Loan can only be used for the costs associated with the Meeting and providing working capital for the Company; and

(d) interest accrues on the Trepang Convertible Loan at the rate of 9.15% per annum and is to be paid in cash when the Trepang Convertible Loan is repaid or converted into Shares pursuant to the Trepang Convertible Loan Deed.

The Trepang Convertible Loan Deed contains certain undertakings, representations and warranties between the parties on normal commercial terms as would be expected of a deed of this nature.

2.5 The rationale for the Proposed Trepang Placement

The directors are of the view that the funds raised from the Proposed Trepang Placement along with the funds raised from the Proposed Bentley Placement, will assist in placing the Company into a strong financial position to progress and expedite the exploration programmes planned for the Company's existing suite of coal assets in Queensland. The Proposed Trepang Placement will also provide working capital to the Company.

In particular, the Company's first priority upon the Completion of the Placements and the Entitlements Issue, is to investigate the potential for a standalone open cut metallurgical mine at the Hillalong Project area (comprising tenements Mount Hillalong, Mount Hess and Mount Hess West) formerly subject to an option agreement with Rio Tinto. The Company also intends to conduct detailed exploration and drilling programmes in the Company's other key target areas, including Cooroorah, South Clermont and Dingo tenements. Subject to exploration results, the Company will commence a scoping study to investigate the Cooroorah Project as a low cost underground development to produce coking coal.

2.6 Key Advantages and Disadvantages of the Proposed Trepang Placement and issue of the Trepang Conversion Shares

The advantages to non Associated Shareholders of the Proposed Trepang Placement and issue of the Trepang Conversion Shares include:

(a) **The Proposed Trepang Placement is the best proposal available at the current time to assist in the on-going funding of the Company**

The Company requires immediate funding to further progress its proposed exploration programmes and meet exploration and evaluation expenditure commitments to maintain current rights of tenure over its exploration tenements. The directors of the Company have considered a range of alternative strategies for assisting the Company to recapitalise. The directors are of the view that the Proposed Trepang Placement, along with the Proposed Bentley Placement, are the best proposals available for assisting the Company to recapitalise as at the date of this Notice, given the relative certainty of the Completion of the Proposed Trepang Placement and the quantum of funding to be received.

We note the Company has previously attempted to raise funds via various different avenues, including a share purchase plan announced on 11 September 2014 to raise a maximum of $925,000 at a share price of $0.0032 ($0.016 on a post consolidation basis). The share purchase plan was completed on 9 October 2014 and only $188,415 was raised.

For completeness the Directors note that the price for the Proposed Trepang Placement of $0.004 is consistent with the Entitlements Issue price which is the Company's most recent attempt to raise capital from Shareholders. In this regard, the Proposed Trepang Placement and Proposed Bentley Placement should give Shareholders the confidence to take up their entitlement in the Entitlements Issue.

(b) **Funding for operations**

If the Proposed Trepang Placement is approved, the Company will secure net funding of approximately $6.5 million for its operations. The capital raised will principally be used to fund the development of the Company's mineral exploration assets, particularly the Hillalong Project and Cooroorah Project. The development of these assets has the potential to add value to the Company.

This funding being provided by Trepang is in addition to the $100,000 already provided by Trepang pursuant to the Trepang Convertible Loan Deed, which is being used for working capital and the payment of costs associated with the Meeting.

(c) **Settlement of amounts owing to the Company's Directors**

If Resolutions 1 and 2 are approved, the Shareholders will also be able to approve resolutions (Resolutions 4 to 9) to settle amounts owing to the Current Directors through the issue of new Shares instead of cash repayments. The Company may therefore be able to commit additional funds to the continued exploration and development of its assets.

The Outstanding Director Fees owed by the Company to the Current Directors as at the date of this Notice are as follows:

(a) Mr. Peter Ziegler $ 170,500;

(b) Mr. Paul Byrne $102,300;

(c) Mr. Paul Ingram $93,000; and

(d) Mr. Paul Ryan $93,000.

The Current Directors of the Company have not received Director fees since March 2013. Shareholders should refer to Annexure D for the effect on Trepang's Voting Power if Shareholders approve the issue of the Outstanding Director Fee Shares and Deferred Fees and Expenses Shares to the Current Directors.

(d) **Equity funding without interest commitments implicit in hybrid or debt instruments**

The Proposed Trepang Placement is a form of equity funding for the Company. The Company will be able to focus on developing its operations without concern about interest commitments and other obligations associated with servicing debt and/or other hybrid instruments such as convertible notes. Another advantage of equity financing is that there is less likely to be a claim on the assets of the Company in circumstances of financial distress.

(e) **Cornerstone investor with additional experience**

If the Proposed Trepang Placement is approved, Trepang will become a cornerstone investor of the Company. As a cornerstone investor, Trepang will provide additional skills/experience/expertise to the Company through the addition of Mr John Robinson Jnr to the Board (as non-executive Director). Mr Robinson has experience with private equity acquisitions and mining support services.

(f) **Conversion of the Trepang Convertible Loan**

If Resolution 1 is approved, the Trepang Convertible Loan will be satisfied by the issue of the Trepang Conversion Shares, freeing up the Company's cash reserves without having to service this debt. If Resolution 1 is not approved, the Company will need to fund the cash repayment of the Trepang Convertible Loan.

The disadvantages to non Associated Shareholders of the Proposed Trepang Placement and issue of the Trepang Conversion Shares include:

(a) **Dilution of Shareholders' interests**

If Resolution 1 is approved, Shareholders will hold a diluted interest in the Company's assets and will have to share any development or exploration upside in the asset portfolio with Trepang.

Please refer below at section 2.14(b) for the dilutionary effect of Resolution 1 being approved.

(b) **Ability to pass or block a special resolution**

In order to pass a special resolution of the Company, the Company is required to obtain votes from 75% or more of the Shareholders.

Given that Trepang and Bentley are Associates of each other, they will each have a Relevant Interest in the Shares held by the other. Accordingly, if Resolutions 1 and 2 are approved (and these resolutions are conditional on each other), each of Trepang and Bentley (and its nominees) will have Voting Power of up to approximately 92% in the Company (depending on the take up of Shares under the Entitlements Issue). Accordingly, each of Trepang and Bentley will, acting alone, be able to block the passing of a special resolution of the Company, and acting together they will be able to pass any special resolution of the Company.

(c) **Influence on the strategic direction of the Company**

By the Company accepting the Proposed Trepang Placement, a nominee of Trepang, Mr John Robinson Jnr, will be appointed as non-executive Director of the Company. Trepang has stated to the Directors of the Company that it has no intention to change the strategic direction of the Company, however there is no binding restriction on Trepang preventing it from doing so.

(d) **Takeover offer may become more difficult**

If Resolution 1 is approved, Trepang will become a major Shareholder. In this circumstance, any takeover offer for 100% of the Shares in the Company will require the support of Trepang. This may reduce the likelihood of the Company receiving a takeover offer in the foreseeable future.

(e) **Potential for a significant number of Shares to be sold on the open market**

If Resolution 1 is approved, Trepang will be issued 1.65 billion new Shares in the Company. While Trepang has stated to the Directors of the Company that it has no intention to sell its new Shares within 12 months from the date of issue, under the terms of the Trepang Subscription Agreement, there is no binding restriction on Trepang selling the new Shares it is entitled to receive on the open market. If Resolution 1 is approved, Trepang may elect to sell some or all of the new Shares it has received on the open market. This may place downward pressure on the share trading price of the Company if the increased supply of Shares sufficiently outweighs the demand for the Shares.

2.7 Potential Position of Shareholders if Resolution 1 is Not Approved

(a) **Existing Shareholders will continue to own 100% of the Company**

Existing Shareholders will continue to own 100% of the Company and be entitled to any potential upside or downside risks associated with the future earnings and value of the Company. Existing Shareholders will receive any benefits or losses that may arise from the Company's operations and future endeavours.

(b) **The Company will immediately require alternative capital raising**

The Company will be immediately required to seek alternative methods of capital raising in order to repay the Trepang Convertible Loan and finance the exploration and development of its assets and fund its operations in the short term. The Trepang Convertible Loan would be required to be repaid in cash within five business days of 30 November 2015. In circumstances where the Company is unable to raise additional capital, the Company may not be in a position to further develop its assets. In relation to its primary assets this may lead to the Company not fulfilling the minimum work and expenditure requirements, invalidating the licences and the renewal thereof.

The Directors consider that the alternatives available to the Company in circumstances where Resolution 1 is not approved include:

(1) **Raising equity capital**

This option has been considered by the Directors of the Company and was previously attempted in the form of a share purchase plan. Having regard to the participation rate of previous capital raisings and current coal market conditions, the Directors of the Company are of the view that there is significant uncertainty as to whether the amounts raised in a rights issue or an open market capital raising would be sufficient enough to recapitalise the Company.

Shareholders should note that further attempts to identify an alternative suitable cornerstone investor may require considerable amounts of time and even if a suitable cornerstone investor was able to be identified, there is no guarantee that they would invest in the Company at a share price higher than the issue price of $0.004 under the Proposed Trepang Placement.

However, in light of the proposed Share issues to each of Bentley and Trepang, the Directors have decided that existing Shareholders should have an equal opportunity to take further Shares, at the same price as the issues to each of Bentley and Trepang. Therefore the Company is conducting the Entitlements Issue at the same price as the issue to each of Bentley and Trepang. An offer document pursuant to section 708AA of the Corporations Act has been or will be issued on or about the date of this Notice. The on-going financial support to the Company provided by Trepang and Bentley is welcomed by the Directors, and Shareholders may consider further supporting the Company by taking up their rights under the Entitlements Issue in light of Trepang and Bentley's support.

(2) **Raising debt capital**

In the event that the Company cannot raise further equity capital it may need to attempt to establish a debt facility. If securing such a facility was even possible, it would likely be on terms that are unfavourable to the Company.

The difficulty the Company may face in raising debt was highlighted in early September when the Company was required to seek loan funding from each of Trepang and Bentley of $100,000 each pursuant to the Trepang Convertible Loan Deed and the Bentley Convertible Loan Deed.

The urgent need for the Company to seek loans from Trepang and Bentley highlights the difficulty that the Company may face in being able to continue to operate as a going concern without further immediate injections of capital (whether debt or equity).

The Company notes that, the speed with which Trepang and Bentley made these loans available on an unsecured basis may give Shareholders some degree of comfort as to their individual intentions to further support the Company in the future.

(3) **An orderly realisation of the Company's assets**

The Directors of the Company may decide to sell the assets of the Company where they are unable to improve the financial position of the Company through alternatives including those described above. There is a risk that the value ultimately realised will not exceed the value implied by the Proposed Trepang Placement.

(4) **Inability of the Company to continue to operate as a going concern**

A failure of the Company to raise alternative funds as outlined in paragraphs (1) to (3) above could potentially result in the inability of the Company to continue to operate as a going concern.

However, the Company is unable to know with any certainty what funds (if any) it would be able to receive from the sources outlined above in paragraphs (1) to (3), and the timing as to when such funds will be received.

(c) **The Company will not be able to recover the costs incurred in relation to the Proposed Trepang Placement**

If Resolution 1 is not approved, the Company will not be able to recover the costs incurred in relation to the Proposed Trepang Placement.

2.8 **Increasing the Voting Power of Trepang**

As noted above Trepang and Bentley are Associates of each other. Trepang currently is the registered holder of 27,000,000 Shares or 7.01% of the Shares in the Company. As Trepang is an Associate of Bentley, it also has a Relevant Interest in the 27,000,000 Shares currently held by Bentley and its nominees. Accordingly Trepang has Voting Power of 14.02% in the Company. Upon completion of the Entitlements Issue, and the issue of the Proposed Trepang Securities and the Trepang Conversion Shares, Trepang's Voting Power would increase to up to between:

(a) approximately 84% (assuming that all Shareholders take up their entitlements in the Entitlements Issue, and that the Proposed Bentley Securities and Bentley Conversion Shares are issued); and

(b) approximately 92% (assuming that no Shareholders take up their entitlements other than Trepang, Bentley, or both, and that the Bentley Securities and the Bentley Conversion Shares are issued).

Shareholders are referred to Annexure D for further information on Trepang's potential Voting Power under various scenarios. Shareholders are also referred to Annexure D for the effect on Trepang's Voting Power, if Shareholders approve the issue of the Outstanding Director Fee Shares and Deferred Fees and Expenses Shares to the Current Directors.

Accordingly, this will dilute the shareholding interests of non Associated Shareholders in the Company and will diminish their ability to influence the future direction of the Company.

2.9 Conclusion of the Independent Expert

The Independent Expert has assessed that the Proposed Trepang Placement is **not fair but is reasonable** to the existing non Associated Shareholders, but strongly recommends that Shareholders also have regard to *all of the* information set out in the Independent Expert Report. In summary:

(a) The Proposed Trepang Placement would be considered to be "fair" to the existing non Associated Shareholders if the value of a Share following the Completion of the Proposed Trepang Placement is equal to or greater than the value of a Share prior to the Proposed Trepang Placement. Based upon the ranges of valuation of the Shares undertaken by the Independent Expert (summarised below), this is not the case here.

(b) However, after considering the advantages and disadvantages of the Proposed Trepang Placement, along with various other considerations set out in further detail in the Independent Expert Report, the Independent Expert has assessed the Proposed Trepang Placement to be "reasonable" to the existing non Associated Shareholders.

Shareholders are also referred to section 2.15 and Annexure A to this Explanatory Memorandum.

2.10 Substantial Shareholders

The impact on the interests of Shareholders who are presently considered substantial Shareholders, based on their holdings as at 11 September 2015 following the Proposed Trepang Placement and issue of the Trepang Conversion Shares is set out in Annexure B.

2.11 Shareholder Approval

Resolution 1 seeks Shareholder approval under Chapter 2E and section 611 (Item 7) of the Corporations Act to issue up to 1,650,000,000 Shares at an issue price of $0.004 (to Trepang who is a Related Party).

A summary of the terms of the share issue are set out above at section 2.3 in this Explanatory Memorandum.

2.12 Relevant Legislation – Chapter 2E and section 611 item 7 of the Corporations Act

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a Financial Benefit to a Related Party of the public company unless providing the benefit falls within a prescribed exception to the general prohibition. Relevantly, there is an exception if the company first obtains the approval of its Shareholders in a general meeting in circumstances where certain requirements specified in Chapter 2E in relation to the convening of that meeting have been met.

A "Related Party" is defined widely in section 228 of the Corporations Act and includes, relevantly, a Director (or proposed Director) of a public company and any entity that is controlled by a person or entity which is otherwise a Related Party, or there are reasonable grounds to believe that a person/entity is likely to become a Related Party of the public company.

A "Financial Benefit" for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the Related Party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

This proposed Resolution, if passed, will confer Financial Benefits and involve the issue of Securities, namely, the Proposed Trepang Securities and Trepang Conversion Shares to a Related Party, being Trepang.

Trepang is a Related Party of the Company because:

(1) Under the terms of the Trepang Subscription Agreement, Mr John Robinson Jnr will become a Director of the Company at Completion. As a Director of the Company, Mr John Robinson Jnr will become a Related Party of the Company.

(2) As a parent of John Robinson Jnr, Mr John Robinson Snr himself will become a Related Party of the Company, when John Robinson Jnr becomes a Related Party of the Company.

(3) As an entity controlled by Mr John Robinson Snr, Trepang will also be a Related Party of the Company.

(4) If Trepang has reasonable grounds to believe that it will become a Related Party of the Company in the future, it is now a Related Party.

Therefore the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act.

2.13 Information for Shareholders - Chapter 2E of the Corporations Act

Refer to sections 2.1 to 2.8 above for the background and circumstances in which the Financial Benefit is given and the existing interest of Trepang.

For the purposes of Chapter 2E of the Corporations Act and for all other purposes the following information is provided to Shareholders:

(a) **The Related Parties to whom Resolution 2 would permit the Financial Benefit to be given (section 219(1)(a))**

The proposed Financial Benefit will be given to Trepang, which is a Related Party of the Company for the reasons provided above at section 2.12. .

Trepang has stated to the Directors of the Company that it will hold the Proposed Trepang Securities and Trepang Conversion Shares in its own name.

(b) **The nature of the Financial Benefit (section 219(1)(b))**

The nature of the proposed Financial Benefit to be given is the issue of 1,650,000,000 Shares to Trepang at an issue price of $0.004 per share at Completion.

Refer also to sections 2.1 to 2.8 above, for the reason for giving the benefit and the basis for which it is given.

(c) **Directors' Recommendation (section 219(1)(c))**

The Director's recommend that Shareholders vote in favour of Resolution 1.

The reasons for this recommendation are set out below at section 2.16.

(d) **Directors' Interest and other remuneration (section 219(1)(d))**

The Directors do not have a material personal interest in the outcome of Resolution 1, save for any interest they may have solely in their capacity as Shareholders which interest they hold in common with the other non Associated Shareholders.

To the extent that the Directors hold any Shares, their respective percentage holding of Shares may decrease upon Completion, in the same proportion as the holding of all other Shareholders. Details regarding the current direct Share interests of each of the Directors, together with details of their holding on Completion are set out in Annexure C.

No other Director has any interest in the outcome of Resolution 1 or any other relevant agreement.

(e) **Valuation**

(1) **Valuation at the time of the announcement**

The Shares to be issued pursuant to Resolution 1 are in a class of securities that is quoted on ASX. The issue price of the Shares is $0.004 per Share. This issue price represents a premium to the volume weighted average share trading price (VWAP) for the previous 20 trading days prior to 27 July 2015, being $0.003 per Share. On this basis, the Shares to be issued pursuant to this Resolution (being 1.65 billion Shares) shall have an aggregate value of $4.95 million.

(2) **Current valuation**

The Shares to be issued pursuant to Resolution 1 are in a class of securities that is quoted on ASX. The issue price of the Shares is $0.004 per Share. This issue price represents a discount to the volume weighted average share trading price (VWAP) for the previous 20 trading days prior to 11 September 2015, being $0.006 per Share. On this basis, the Shares to be issued pursuant to this Resolution (being 1.65 billion Shares) shall have an aggregate value of $9.9 million.

(f) **Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors (section 219(1)(e) and 219(2))**

There is no other information known to the Company or any of its Directors save and except as follows:

(1) **Market Price movements**

The Shares in the Company are currently trading at double the market price as it was prior to 27 July 2015. The volume weighted average share trading price (VWAP) for the previous 20 trading days prior to 27 July 2015 was $0.003 per Share. The Directors believe that this reflects the market's view of the failure of

Rio Tinto to exercise the option it had to acquire tenements relating to the Mt Hillalong project, and the uncertainty surrounding the Company's future as a result of the Company's low cash reserves.

The valuation of the Shares to be issued pursuant to Resolution 1 noted above is based on an issue price per Share of $0.004.

(2) **Trading history**

In the 12 months prior to 11 September 2015, the Company's trading history is as follows:

(A) the highest trading price was $0.020 on 28 October 2014;

(B) the lowest trading price was $0.002 on July 15, 2015; and

(C) the VWAP per Share over the 12 month period prior to 11 September 2015 was $0.006.

The trading price of the Shares on the close of trading on 10 September 2015 (being the last trading day before this Notice of Meeting was printed) was $0.006.

(3) **Opportunity Costs**

The opportunity costs and benefits foregone by the Company issuing the Shares pursuant to Resolution 1 are explained in full detail at sections 2.6 to 2.7 above.

The disadvantages are considered by the Directors to be more than offset by the advantages accruing from the Company in undertaking the Proposed Trepang Placement and issuing the Trepang Conversion Shares.

(4) **Taxation Consequences**

No stamp duty will be payable in respect of the issue of the Proposed Trepang Securities and Trepang Conversion Shares. No GST will be payable by the Company in respect of the issue of the Proposed Trepang Securities and Trepang Conversion Shares.

(5) **Dilutionary Effect**

The effect of the Proposed Trepang Placement and issue of the Trepang Conversion Shares is outlined below at section 2.14(b).

(6) **Alternative Options to the transaction and implications of not proceeding with the transaction**

Set out above at section 2.7 are the alternative available options identified by Directors if the Proposed Trepang Placement does not proceed.

(7) **Impact of the transaction on the Company**

The impact of the transaction on the Company is set out in full detail at sections 2.1 to 2.8 above.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to the benefits contemplated by Resolution 1.

(g) **Voting exclusion statement**

A voting exclusion statement is set out in Resolution 1 in the Notice of Meeting.

2.14 Information for Shareholders - Chapter 6, section 611 (Item 7) of the Corporations Act

Section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if the acquisition would result in that person's Voting Power in the company increasing:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%,

(**Takeover Prohibition**).

However, there are certain specified exceptions to the Takeover Prohibition. In particular, under section 611 (Item 7) of the Corporations Act an acquisition will not contravene the Takeover Prohibition if shareholders approve the acquisition by passing a Resolution at a general meeting, where:

(a) no votes were cast in favour of the Resolution by the person proposing to make the acquisition or their Associates; and

(b) shareholders were given all information known to the acquirer or the company that was material to the decision on how to vote,

(**Takeover Exception**).

ASIC Regulatory Guide 74: Acquisitions Approved by Members' (**ASIC RG 74**) also specifies certain requirements where a Company seeks an acquisition to be exempt under section 611 (Item 7).

Therefore, the acquisition by Trepang of the Proposed Trepang Securities and Trepang Conversion Shares will result in Trepang acquiring a relevant interest in issued voting Shares which will cause Trepang's Voting Power in the Company to increase from a starting point that is below 20% to more than 20%.

Accordingly, Resolution 1 seeks approval for the issue of Shares to Trepang under section 611 (Item 7).

In accordance with Listing Rule 7.2 (Exception 16), an issue of Securities approved for the purposes of section 611 (Item 7) does not require further approval under Listing Rule 7.1. Therefore any Shares issued to Trepang will not count towards the Company's 15% Capacity under Listing Rule 7.1.

For the purposes of section 611 (Item 7(b)), the Company advises that:

(a) **Section 611 (Item 7(b)(i)): The identity of the person proposing to make the acquisition and their Associates**

The identity of the person proposing to make the acquisition is Trepang.

Bentley and its nominees are Associates of Trepang, and they currently hold the following securities in the Company:

(1) Bentley , 6,750,000 Shares;

(2) JCG Aust Pty Ltd, 6,750,000 Shares, on trust for JG Superannuation Fund;

(3) LN Tinkler and ZI Tinkler, 6,750,000 Shares, on trust for L&Z Tinkler Family Superannuation Fund; and

(4) RJ Tinkler Investments Pty Ltd, 6,750,000 Shares, on trust for RJ Tinkler Family Trust.

Under the Trepang Subscription Agreement, either Trepang or its nominees can acquire the Proposed Trepang Securities. However, Trepang has stated to the Directors of the Company that it will hold the Proposed Trepang Securities in its own name.

Under the Trepang Convertible Loan Deed, Trepang will acquire the Trepang Conversion Shares.

(b) **Section 611 (Item 7(b)(ii)): The maximum extent of the increase in that person's Voting Power in the company that would result from the acquisition**

There are currently 384,940,869 Shares on issue in the Company. Trepang currently holds 27,000,000 Shares, representing 7.01% of the issued capital of the Company. As an Associate of Bentley, Trepang also has a Relevant Interest in a further 7.01% of the Shares which are held by Bentley and its nominees.

The Company is also proposing to undertake an Entitlements Issue, prior to the issue of the Proposed Trepang Securities and Trepang Conversion Shares on a ratio of 1 Share for every fully paid ordinary Share. Following the Entitlements Issue, the Company will have 769,881,738 Shares on issue (assuming that all Shareholders take up their entitlement).

The maximum number of Proposed Trepang Securities and Trepang Conversion Shares to be issued is 1,650,000,000 Shares.

If the Proposed Bentley Securities and Bentley Conversion Shares are also issued, the Company will have 4,069,881,738 Shares on issue, with Trepang directly holding 1,704,000,000 Shares. Trepang's direct holding would then represent approximately 42% of the diluted issued capital of the Company. This assumes that all Shareholders take up their rights under the Entitlements Issue. However as Trepang is an Associate of Bentley and therefore has a Relevant Interest in any Shares which are issued to Bentley and its nominees, Trepang's Relevant Interest in these circumstances would be approximately 84% of the diluted issued capital of the Company. However, Trepang could have a maximum Voting Power of up to approximately 92% as a result of these issues, where one (or both) of Trepang and Bentley was the only Shareholder that took up its rights under the Entitlements Issue.

The dilutionary effect of the issue of the Proposed Trepang Securities, Trepang Conversion Shares, Proposed Bentley Securities and Bentley Conversion Shares is provided in a table at Annexure D. Also refer to Annexure D for the effect on Trepang's holding in the diluted issued capital of the Company if Shareholders approve the issue of the Outstanding Director Fee Shares and Deferred Fees and Expenses Shares to the Current Directors.

(c) **Section 611 (Item 7(b)(iii)): The Voting Power that the person would have as a result of the acquisition.**

As provided in paragraph (b) above, Trepang could have a maximum Voting Power of up to approximately 92% as a result of these issues, where one (or both) of Trepang and Bentley was the only Shareholder that took up its rights under the Entitlements Issue.

(d) **Section 611 (Items 7(b)(iv) and 7(b)(v)): The maximum extent of the increase in the Voting Power of each of that person's Associates that would result from the**

acquisition and the Voting Power that each of that person's Associates would have as a result of the acquisition.

Bentley and its nominees are Associates of Trepang, and they currently hold securities in the Company.

The maximum Voting Power that Bentley would have as a result of these issues is approximately 92%, where either it or Trepang was the only Shareholder that took up its rights under the Entitlements Issue.

In accordance with ASIC RG 74.25, the Company advises that:

(a) **Reasons for the proposed acquisition**

The reason for the Proposed Trepang Placement and issue of the Trepang Conversion Shares is set out above at sections 2.5 to 2.7.

(b) **When the proposed acquisition is to occur**

The issue and correlative acquisition of the Proposed Trepang Securities will take place at Completion and issue of the Trepang Conversion Shares will occur within five business days of the Shareholder approval.

(c) **Material terms of the proposed acquisition**

The Proposed Trepang Securities and Trepang Conversion Shares will rank *pari passu* with all other Shares on issue in the Company.

The material terms of the Proposed Trepang Placement and the Trepang Convertible Loan Deed are set out above at sections 2.3 and 2.4.

Apart from as already set out in the balance of this Explanatory Memorandum there are no other material terms.

(d) **Details of any other relevant agreement between the acquirer and the Company that is conditional or depends on members' approval of the proposed acquisition**

Apart from the Trepang Subscription Agreement and Trepang Convertible Loan Deed, there are no other relevant agreements between Trepang and the Company that is conditional or depends on members' approval of the proposed acquisition.

(e) **Acquirer's intentions regarding the future of the target entity if members approve the acquisition**

Other than as disclosed in this Explanatory Memorandum, Trepang has advised the Company that it:

(1) has no current intention to make any significant change to the existing business of the Company;

(2) has no current intention to inject further capital into the Company;

(3) intends that the Board and management changes will be in accordance with that detailed in section 2.3 and otherwise intends to continue to employ the current employees and consultants of the Company;

(4) does not intend for any property be transferred between the Company and Trepang or any person Associated with any of them; and

(5) has no current intention to redeploy any of the Company's fixed assets.

(f) **Intention of the acquirer to significantly change the financial or dividend distribution policies of the entity**

Trepang has advised the Company that it has no current intention to change the Company's financial or dividend policies.

(g) **The interests that any Director has in the acquisition or any relevant agreement disclosed above**

The Current Directors' interests are set out above at section 2.13(d).

(h) **Intended Directors if members approve the acquisition**

Pursuant to the Trepang Subscription Agreement, following Completion the Board will be comprised of the following Directors:

(1) Mr. Peter Ziegler (as non-executive Chairman);

(2) Mr. Paul Byrne (as an executive Director):

(3) Mr. Paul Ryan (as a non-executive Director); and

(4) Mr. John Robinson Jnr (as a non-executive Director).

However, this does not take into account the effect on the composition of the Board if *both* Resolutions 1 and 2 are passed (and those resolutions are in fact conditional on each other). If Resolutions 1 and 2 are passed, the Board will be comprised of the following Directors:

(1) Mr. Peter Ziegler (as non-executive Chairman);

(2) Mr. Nathan Tinkler (as Chief Executive Officer and Managing Director);

(3) Mr. Paul Byrne (as an executive Director); and

(4) Mr. John Robinson Jnr (as a non-executive Director).

Mr John Robinson Jnr is the son of John Robinson Snr. John Robinson Snr is a director of Trepang.

Mr John Robinson Jnr gained a Bachelor of Accounting from the Charles Darwin University and has led numerous private equity acquisitions in the property and retail sectors. John Robinson Jnr also has extensive experience with the support services that the mining and oil and gas sector require at Australian operations.

2.15 Independent Experts Report

For Shareholder approval sought under item 7 of section 611 of the Corporations Act, ASIC RD 74 also requires that Shareholders be provided with an Independent Exports Report. One of the purposes of which is to consider whether the issue of the Shares is fair and reasonable to the Shareholders who are not Associated with Trepang.

The Company has engaged BDO to provide the Independent Expert's Report which appears as Annexure A to this Explanatory Memorandum. Shareholders are also referred to section 2.9 of this Explanatory Memorandum for further details as to the contents of the Independent Expert's Report. Shareholders are asked to note that that the Independent Expert's Report has been prepared by the Independent Expert and the Company does not accept or assume any responsibility for the accuracy or completeness of the Independent Expert's Report or the

Independent Technical Specialist Report, other than factual information provided by the Company to the Independent Expert or Xenith Consulting Pty Ltd for the purposes of the Independent Expert's Report or the Independent Technical Specialist Report.

The Independent Expert's Report concludes that the issue of the Proposed Trepang Securities is not fair but reasonable to the non Associated Shareholders.

Shareholders are urged to read and consider the Independent Expert's Report which is Annexure A to this Explanatory Memorandum, prior to making a decision as to how to vote on Resolution 1.

Fairness

In forming BDO's opinion in relation to the fairness of the Proposed Trepang Placement and the issue of the Trepang Conversion Shares, BDO has assessed the value of a Share to be in ranges based on a number of different assumptions. In particular it has assessed:

(a) the value of a Share on a controlling interest basis prior to the Placements to be in the following ranges:

(1) on an Asset Based Valuation (**ABV**) where there is no take up of Shares under the Entitlements Issue, then in a range of $0.0010 to $0.0111 with a preferred value of $0.0063;

(2) on an ABV where there is a 50% take up of Shares under the Entitlements Issue, then in a range of $0.0020 to $0.0087 with a preferred value of $0.0055;

(3) on ABV where there is a 100% take up of Shares under the Entitlements Issue, then in a range of $0.0025 to $0.0075 with a preferred value of $0.0051; and

(4) on a Market Based Valuation (**MBV**), then $0.0052 on a controlling interest basis (as a result of the application of a control premium of about 30% to the Independent Expert's MBV of $0.0040 on a minority interest basis); and

b) the value of a Share on a minority interest basis post the Placements to be in the range of $0.0031 to $0.0039 with a preferred value of $0.0035.

The Independent Expert notes that "For completeness … the asset based valuation range calculated above is a relatively wide range. It is our view that it is appropriate to adopt a relatively wide range having regard to the relatively early stage of development of the key assets of [the Company], the speculative nature of exploration companies generally and the valuation range (i.e. minimum, preferred, and maximum) of the mineral exploration assets as set out in the Xenith Report."

After considering the above valuation ranges, the Independent Expert assess that the Proposed Trepang Placement is "not fair" to existing non Associated Shareholders.

Reasonableness

Notwithstanding its assessment that the Proposed Trepang Placement is not fair, the Independent Expert has assessed it as "reasonable" for existing non Associated Shareholders. In particular the Independent Expert noted:

(a) The following advantages to the Placements:

(1) The Placements are the best proposal available at the current time to fund the Company.

(2) They provide funding for operations.

(3) They allow settlement of amounts owing to Current Directors.

(4) They allow equity funding without interest commitments implicit in hybrid or debt instruments.

(5) They introduce cornerstone investors with additional experience.

(6) They support the transition of the Company from an explorer to a producer.

(b) the following disadvantages to the Placements:

(1) The Placements are not fair.

(2) They will result in dilution of the existing Shareholders' interests.

(3) They carry with them the ability to pass or block a special resolution.

(4) They may result in a possible change in the strategic direction of the Company in a way that the Shareholders may not agree with.

(5) They make takeover offers more difficult.

(6) They carry the potential for a significant number of Shares to be sold on the open market.

(c) Further the Independent Expert notes that if the Placements are not approved then the potential position of existing non Associated Shareholders will include the following factors:

(1) The existing non Associated Shareholders will continue to own 100% of the Company.

(2) The Company will require an alternative capital raising and there is no guarantee that the price of any alternative capital raising will be in excess of the issue price of $0.004 per Share for the Placements.

(3) The Company will be required to repay the $200,000 loan funds within five business days of 30 November 2015;

(4) The Company will not be able to recover the costs incurred in relation to the Placements.

(5) The Company's share price may differ materially from the Share price in the period following the announcement on 27 July 2015.

The Independent Expert assesses that the Proposed Trepang Placement is "reasonable" to existing non Associated Shareholders after considering the advantages, disadvantages and position of shareholders if the Proposed Trepang Placement is not approved.

This above is a summary only, for further details of the assessment made by BDO in determining the fairness and reasonableness of the Share issue please refer to the Independent Expert's Report in Annexure A.

2.16 Directors' Recommendation

Each of the Directors recommend that non Associated Shareholders vote in favour of this Resolution because the advantages to the Company and Shareholders in undertaking the

Proposed Trepang Placement and the issue of the Trepang Conversion Shares outlined above at section 2.6 more than outweigh both the disadvantages to the Company and Shareholders outlined above at section 2.6 and the position the Company and the Shareholders will be in if Resolution 1 is not approved as outlined above at section 2.7.

3. Resolution 2 - Issue of Shares to Bentley

3.1 Background

Bentley is a private mining investment and advisory company incorporated in Singapore, and controlled by Mr Nathan Tinkler. The Company is instructed that Bentley has one share on issue, which is held by Mr Nathan Tinkler. The Company is further instructed that Mr Nathan Tinkler is also a director of Bentley. Mr Nathan Tinkler also founded Aston Resources Limited and was significantly involved in the development of Whitehaven Coal Limited and the Middlemount Project.

On 22 July 2015 the Company placed a total of 27,000,000 Shares at an issue price of $0.004 per Share to Bentley and its nominees, being JVG Aust Pty Ltd as trustee for the VG Superannuation Fund, LN Tinkler and ZI Tinkler as trustees for the L&Z Tinkler Family Superannuation Fund, and RJ Tinkler Investments Pty Ltd as trustee for the RJ Tinkler Family Trust (**Bentley and its Nominees**) raising $108,000.

On 28 July 2015, Bentley entered into a binding term sheet (**Term Sheet**) with Trepang and the Company. Under the Term Sheet, Bentley and Trepang independently agreed to invest an amount of $13.2 million by each subscribing for 1.65 billion fully paid ordinary shares in the Company at an issue price of $0.004, subject to the approval of the Company's Shareholders required by the Company or otherwise required pursuant to the Corporations Act and the Listing Rules.

On 26 August 2015, (following the execution of the Term Sheet), the Company and Bentley entered the Bentley Subscription Agreement pursuant to which, Bentley and its nominees are to subscribe for the Proposed Bentley Securities (which will rank *pari passu* with all of the other fully paid ordinary shares on issue in the Company) at an issue price of $0.004 per Share to raise $6,500,000.

On or about the 8 September 2015, Bentley and the Company entered into a convertible loan deed (the **Bentley Convertible Loan Deed**), pursuant to which Bentley agreed to the early release of $100,000 from the subscription funds being held in escrow by the Company's solicitors pending Completion of the Proposed Bentley Placement. This $100,000 was released to the Company by way of a loan from Bentley. The Company is seeking Shareholder approval for the issue of 25,000,000 Shares at an issue price of $0.004 in repayment of the principal loan amount. If Shareholder approval is not obtained for this Share issue to Bentley, the Company is required to repay the $100,000 loan, at the latest, within five business days of 30 November 2015. The loan funds will provide the Company with working capital and will allow the Company to meet the costs associated with the Meeting and the proposed Entitlements Issue (see below).

The total amount invested by Bentley through the Bentley Convertible Loan Deed and Bentley Subscription Agreement is $6,600,000 as was initially contemplated by the Term Sheet.

As a condition precedent to the Completion of the Proposed Bentley Placement (pursuant to the Bentley Subscription Agreement), the Company is undertaking a non-renounceable entitlements Issue to its eligible shareholders (as determined by the Company) on the basis of 1 new Share for every existing 1 Share held at the record date (to be determined by the Company), at an issue price of $0.004 per new Share to raise up to $1,539,763 (the **Entitlements Issue**). The Entitlements Issue will close following the issue of this Notice and before the Meeting is held. Accordingly, the number of Shareholders taking up their rights in the entitlement offer is not known.

The Meeting has been convened for the purpose of seeking the approval of Shareholders to the issue of Shares to Bentley or its nominees pursuant to the Bentley Subscription Agreement and the Bentley Convertible Loan Deed. The Company engaged BDO to prepare an Independent Expert's Report on the Proposed Bentley Placement and the issue of the Bentley Conversion Shares to assist Shareholders to decide whether or not to vote in favour of Resolution 2.

The Independent Expert has assessed that the Proposed Bentley Placement is **not fair but reasonable** to existing non Associated Shareholders, but strongly recommends that Shareholders also have regard to all of the information set out in the balance of the Independent Expert Report. Shareholders are referred to sections 3.9 and 3.15 of this Explanatory Memorandum for further details as to the Independent Expert Report.

3.2 Interdependency of Resolutions

Bentley is presently regarded as an Associate of Trepang, and Trepang is presently regarded as an Associate of Bentley. Bentley will have a Relevant Interest in the Proposed Trepang Securities at their issue and *vice versa*. The Company notes however that this does not necessarily mean that Trepang and Bentley will always be regarded as Associates.

Bentley will only invest in the Company if Shareholders also approve the Proposed Trepang Placement.

Accordingly, Resolutions 2 is conditional on the passing of Resolution 1, meaning that Shareholders must approve both Resolutions 1 and 2 for the Proposed Bentley Placement to proceed.

The funds from *both* of the Placements will be needed in order to place the Company in a strong financial position to progress and expedite the exploration programmes planned for the Company's existing suite of coal assets in Queensland. In particular following the completion of *both* of the Placements, the Company will use the money:

(a) to investigate the potential for a standalone open cut metallurgical mine at the Hillalong Project area (comprising tenements Mount Hillalong, Mount Hess and Mount Hess West), which was formerly subject to an option agreement with Rio Tinto;

(b) to conduct detailed exploration and drilling programmes on the Company's other key target areas, including Cooroorah, South Clermont and Dingo tenements. Subject to exploration results, the Company will commence a scoping study to investigate the Cooroorah Project as a low cost underground development to produce coking coal; and

(c) for much needed working capital for the Company.

In addition to the funds raised by the Company, the approval of both of the Placements will provide the Company with additional skills, experience and expertise to the Company through the addition to the Board of both Bentley *and* Trepang nominees. For example, Mr John Robinson Jnr, a nominee of Trepang, will be appointed as a non-executive Director of the Company. Mr John Robinson Jnr has led numerous private equity acquisitions in the property and retail sectors. John Robinson Jnr also has extensive experience with the support services that the mining and oil and gas sector require at Australian operations

3.3 Key Elements of the Bentley Subscription Agreement

Under the Bentley Subscription Agreement the Company proposes to raise $6,500,000, through the issue of 1,625,000,000 fully paid ordinary Shares in the Company to Bentley and its nominees at an issue price of $0.004 per Share.

Pursuant to the Bentley Subscription Agreement (as amended), Bentley paid the $6,500,000 subscription moneys into escrow to be held by HopgoodGanim Lawyers, the Company's solicitors, pending settlement of the Proposed Bentley Securities in accordance with the terms of the Bentley Subscription Agreement.

The further material terms of the Bentley Subscription Agreement are as follows:

(a) **Conditions Precedent to the Proposed Bentley Placement**

(1) approval for the Proposed Bentley Placement (being the passing by Shareholders of Resolution 2 at the Meeting);

(2) approval for the Entitlements Issue being passed, provided or approved, as the case may be, in accordance with the applicable laws;

(3) all other approvals and resolutions of Shareholders of the Company necessary for Completion of the Proposed Bentley Placement to occur being obtained or passed;

(4) all approvals required from, or other requirements of, Australian Securities and Investments Commission (**ASIC**), Australian Securities Exchange (**ASX**) and any other Government body for Completion to occur being obtained or met;

(5) the Company having entered into agreements with each of its Current Directors in respect of Outstanding Directors' Fees (see paragraph (b) below);

(6) the Company having entered into agreements with each of its Current Directors in respect of Deferred Fees and Expenses of the Current Directors (see paragraph (b) below);

(7) the Company having entered into the following agreements:

(A) to appoint Mr Nathan Tinkler as Managing Director and Chief Executive Officer for a fee of $500,000 per annum;

(B) to appoint Mr Shane Cranswick as Chief Financial Officer and Company Secretary to be paid remuneration of $250,000 per annum, exclusive of superannuation;

(C) to cause and procure Mr Paul Byrne to resign as Managing Director and be appointed as an executive Director to be paid a fee of $200,000 per annum;

(D) Mr Peter Ziegler to remain on the Board as non-executive Chairman to be paid a fee of $150,000 per annum. Additional professional or executive services outside of Mr Ziegler's role as non-executive Chairman will be remunerated on terms reasonably agreed by the Company and Mr Ziegler;

(E) to cause and procure Mr Kevin Mischewski to resign as Company Secretary and be appointed as Financial Controller to be paid remuneration of $180,000 per annum, exclusive of superannuation; and

(F) to cause and procure Mr Paul Ryan to resign as a non-executive Director.

All agreements will include other terms as are usual for contracts for the respective positions above of a Company of the size, type, sophistication and prospects as the Company, including provisions that are customarily found in documents dealing with transactions of this nature;

(8) the Company undertaking the Entitlements Issue; and

(9) the warranty in respect of the exploration option and joint venture agreement in place with Rio Tinto Exploration Pty Ltd and the tenements subjected to the joint venture agreement, being true and correct in all material respects as at completion of the Proposed Bentley Placement.

(b) **Proposed Settlement of Amounts Owing to the Directors of the Company**

It is proposed that upon completion of the Proposed Bentley Placement, payment of amounts owing to the Directors of the Company will be made as follows:

(1) Outstanding Directors' Fees:

(A) where Shareholder approval has been given (of Resolutions 4, 5, 6 and 7), the amount owing to Current Directors as at Completion of the Proposed Bentley Placement will be converted into ordinary Shares at a conversion price of $0.004 per share; and

(B) where Shareholder approval has not been given, the amount owing as at Completion of the Proposed Bentley Placement will be paid in full in cash; and

(2) Deferred Fees and Expenses:

(A) incurred up until and including 31 July 2015:

(i) will, in the event where Shareholder approval has been given (being Resolutions 8 and 9), be converted into ordinary Shares at a conversion price of $0.004 per Share;

(ii) will, in the event that Shareholder approval is not given, be paid in three equal instalments, with the first instalment being paid on Completion of the issue of Shares to Trepang and Bentley as contemplated by Resolutions 1 and 2 and the two subsequent instalments being made on each of the immediately following anniversaries of the first repayment; and

(B) Any such fees incurred post 31 July 2015 will be paid in cash in full upon completion of the Proposed Bentley Placement.

(c) **Completion**

Completion of the Proposed Bentley Placement will take place the later of two business days following the satisfaction of the conditions precedent or as agreed between the parties.

(d) **Termination**

Either party can terminate the Bentley Subscription Agreement if:

(1) the conditions precedent are not satisfied or waived by 31 October 2015. However, the parties agree to extend time for Completion to 30 November 2015 (or such later date as is otherwise agreed between the parties), all parties acting reasonably; or

(2) a party does not otherwise complete as required.

The Bentley Subscription Agreement contains certain undertakings, representations and warranties between the parties on normal commercial terms as would be expected of an agreement of this nature.

3.4 Key Elements of the Bentley Convertible Loan Deed

Under the Bentley Convertible Loan Deed, Bentley agreed to advance to the Company $100,000 by way of a loan on or about 8 September 2015 (**Bentley Convertible Loan**).

It was agreed that the Bentley Convertible Loan would be paid from the funds originally held in escrow by the Company's solicitors pending Completion of the Bentley Subscription Agreement and that the amount of the subscriptions under the Bentley Subscription Agreement would be reduced to $6,500,000 accordingly. However, the overall investment in the Company by Bentley (being the total issue price of Proposed Bentley Placement and the Bentley Conversion Shares) remains at $6,600,000.

Further material terms of the Bentley Convertible Loan Deed are as follows:

(a) the Company is required to convene a meeting of the Shareholders to seek approval for the issue of the Bentley Conversion Shares (being 25,000,000 Shares at an issue price of $0.004 per Share). This approval is the subject of part of Resolution 2;

(b) the Bentley Convertible Loan will:

(1) if Shareholder approval is obtained for the issue of the Bentley Conversion Shares by 30 November 2015, be repaid through the issue of the Bentley Conversion Shares within five business days of the giving of Shareholder approval;

(2) if Shareholder Approval is not obtained for the issue of the Bentley Conversion Shares by 30 November 2015, be repaid in full within five business days after 30 November 2015; or

(3) in certain circumstances be immediately repayable in full, such as where there is a material breach of the provisions of the Bentley Convertible Loan Deed or where an event of insolvency affects the Company;

(c) the Bentley Convertible Loan can only be used for the costs associated with the Meeting and providing working capital for the Company; and

(d) interest accrues on the Bentley Convertible Loan at the rate of 9.15% per annum and is to be paid in cash when the Bentley Convertible Loan is repaid or converted into Shares pursuant to the Bentley Convertible Loan Deed.

The Bentley Convertible Loan Deed contains certain undertakings, representations and warranties between the parties on normal commercial terms as would be expected of a deed of this nature.

3.5 The rationale for the Proposed Bentley Placement

Please refer above at section 2.5 under the rationale for the Proposed Trepang Placement, which is the same rationale for the Proposed Bentley Placement.

3.6 Key Advantages and Disadvantages of the Proposed Bentley Placement and issue of the Bentley Conversion Shares

The advantages to non Associated Shareholders of the Proposed Bentley Placement and issue of the Bentley Conversion Shares include:

(a) **The Proposed Bentley Placement is the best proposal available at the current time to assist in the funding of the Company**

The Company requires immediate funding to further progress its exploration program and meet exploration and evaluation expenditure commitments to maintain current rights of tenure over its exploration tenements. The Directors of the Company have considered a range of alternative strategies assisting the Company to recapitalise. The Directors are of the view that the Proposed Bentley Placement, along with the Proposed Trepang Placement are the best proposal available for assisting the Company to recapitalise as at the date of this Notice, given the relative certainty of the Completion of the Proposed Bentley Placement and the quantum of funding to be received.

We note the Company has previously attempted to raise funds via various different avenues, including a share purchase plan announced on 11 September 2014 to raise a maximum of $925,000 at a share price of $0.0032 ($0.016 on a post consolidation basis). The share purchase plan was completed on 9 October 2014 and only $188,415 was raised.

For completeness the Directors note that the price for the Proposed Bentley Placement of $0.004 is consistent with the Entitlements Issue price which is the Company's most recent attempt to raise capital from Shareholders. In this regard, the Proposed Trepang Placement and Proposed Bentley Placement should give Shareholders the confidence to take up their entitlement in the Entitlements Issue.

(b) **Funding for operations**

If the Proposed Bentley Placement is approved, the Company will secure net funding of approximately $6.5 million for its operations. The capital raised will principally be used to fund the development of the Company's mineral exploration assets, particularly the Hillalong Project and Cooroorah Project. The development of these assets has the potential to add value to the Company.

This funding being provided by Bentley is in addition to the $100,000 already provided by Bentley pursuant to the Bentley Convertible Loan Deed which is being used for working capital and the payment of costs associated with the Meeting.

(c) **Settlement of amounts owing to the Company's Directors**

If the Resolutions 1 and 2 are approved, the Shareholders will also be able to approve resolutions (Resolutions 4 to 9) to settle amounts owing to the Current Directors through the issue of new Shares instead of cash repayments. The Company may therefore be able to commit additional funds to the continued exploration and development of its assets.

The Outstanding Director Fees owed by the Company to the Current Directors as at the date of this Notice are as follows:

(a) Mr. Peter Ziegler $ 170,500;

(b) Mr. Paul Byrne $102,300;

(c) Mr. Paul Ingram $93,000; and

(d) Mr. Paul Ryan $93,000.

The Current Directors of the Company have not received Director fees since March 2013. Shareholders should refer to Annexure D for the effect on Bentley's Voting Power if Shareholders approve the issue of the Outstanding Director Fee Shares and Deferred Fees and Expenses Shares to the Current Directors.

(d) **Equity funding without interest commitments implicit in hybrid or debt instruments**

The Proposed Bentley Placement is a form of equity funding for the Company. The Company will be able to focus on developing its operations without concern about interest commitments and other obligations associated with servicing debt and/or other hybrid instruments such as convertible notes. Another advantage of equity financing is that there is less likely to be a claim on the assets of the Company in circumstances of financial distress

(e) **Cornerstone investor with additional experience**

If the Proposed Bentley Placement is approved, Bentley will become a cornerstone investor of the Company. As a cornerstone investor, Bentley may provide additional skills/experience/expertise to the Company through the addition of Mr Nathan Tinkler from Bentley to the Board (as Chief Executive Officer and Managing Director). Mr Tinkler has experience in the development of mining assets.

(f) **Further expertise to develop coal assets**

With Bentley's investment comes Mr Nathan Tinkler, who has knowledge of exploration, mine development and mining in Australia, which will provide the Company with support to progress with the exploration and potential development of the Company's coal resources.

(g) **Conversion of the Bentley Convertible Loan**

If Resolution 2 is approved, the Bentley Convertible Loan will be satisfied by the issue of the Bentley Conversion Shares, freeing up the Company's cash reserves without having to service this debt. If Resolution 2 is not approved, the Company will need to fund the cash repayment of the Bentley Convertible Loan.

The disadvantages to non Associated Shareholders of the Proposed Bentley Placement and issue of the Bentley Conversion Shares include:

(a) **Dilution of Shareholders' interests**

If Resolution 2 is accepted, Shareholders will hold a diluted interest in the Company's assets and will have to share any development or exploration upside in the asset portfolio with Bentley.

Please refer below at section 3.14(b) for the dilutionary effect of Resolution 2 being approved.

(b) **Ability to pass or block a special resolution**

In order to pass a special resolution of the Company, the Company is required to obtain votes from 75% or more of the Shareholders.

In order to pass a special resolution of the Company, the Company is required to obtain votes from 75% or more of the Shareholders.

Given that Trepang and Bentley are Associates of each other, they will each have a Relevant Interest in the Shares held by the other. Accordingly, if Resolutions 1 and 2 are approved (and these resolutions are conditional on each other), each of Trepang and Bentley (and its nominees) will have Voting Power of up to approximately 92% in the Company (depending on the take up of Shares under the Entitlements Issue). Accordingly, each of Trepang and Bentley will, acting alone, be able to block the passing of a special resolution of the Company, and acting together they will be able to pass any special resolution of the Company.

(c) **Influence on the strategic direction of the Company**

By the Company accepting the Proposed Bentley Placement, a nominee of Bentley (Mr Nathan Tinkler will be appointed as Managing Director and Chief Executive Officer of the Company. Bentley have stated to the Directors of the Company that they have no intention to change the strategic direction of the Company, however there is no binding restriction on Bentley preventing them from doing so.

(d) **Takeover offer may become more difficult**

If Resolution 2 is approved, Bentley and its nominees will become a major Shareholder. In this circumstance, any takeover offer for 100% of the shares in the Company will require the support of Bentley. In our view, this may reduce the likelihood of the Company receiving a takeover offer in the foreseeable future.

(e) **Potential for a significant number of Shares to be sold on the open market**

If Resolution 2 is approved, Bentley will be issued 1.65 billion new shares in the Company. While Bentley has stated to the Directors of the Company that it has no intention to sell its new Shares for 12 months from the date of issue, under the terms of the Bentley Subscription Agreement, there is no binding restriction on Bentley selling the new Shares they are entitled to receive on the open market. If Resolution 2 is approved, Bentley may elect to sell some or all of the new Shares it has received on the open market. This may place downward pressure on the share trading price of the Company if the increased supply of Shares sufficiently outweighs the demand for the Shares.

3.7 Potential Position of Shareholders if the Resolution 2 is Not Approved

(a) **Existing Shareholders will continue to own 100% of the Company**

Existing Shareholders will continue to own 100% of the Company and be entitled to any potential upside or downside risks associated with the future earnings and value of the Company. Existing Shareholders will receive any benefits or losses that may arise from the Company's operations and future endeavours.

(b) **The Company will immediately require alternative capital raising**

The Company will be immediately required to seek alternative methods of capital raising in order to repay the Bentley Convertible Loan and finance the development of its assets and fund its operations in the short term. The Bentley Convertible Loan would be required to be repaid in cash within five business days of 30 November 2015. In circumstances where the Company is unable to raise additional capital, the Company may not be in a position to further develop its assets. In relation to its primary assets this may lead to the Company not fulfilling the minimum work and expenditure requirements, invalidating the licenses and the renewal thereof.

The Directors consider that the alternatives available to the Company in circumstances where Resolution 2 is not approved include:

(1) **Raising equity capital**

This option has been considered by the Directors of the Company and was previously attempted in the form of a share purchase plan. Having regard to the participation rate of previous capital raisings and current coal market conditions, the Directors of the Company are of the view that there is significant uncertainty as to whether the amounts raised in a rights issue or an open market capital raising would be sufficient enough to recapitalise the Company.

Shareholders should note that further attempts to identify an alternative suitable cornerstone investor may require considerable amounts of time and even if a suitable cornerstone investor was able to be identified, there is no guarantee that they would invest in the Company at a share price higher than the issue price of $0.004 under the Proposed Bentley Placement.

However, in light of the proposed Share issues to each of Bentley and Trepang, the Directors have decided that existing Shareholders should have an equal opportunity to take further Shares, at the same price as the issues to each of Bentley and Trepang. Therefore the Company is conducting the Entitlements Issue at the same price as the issue to each of Bentley and Trepang. An offer document pursuant to section 708AA of the Corporations Act has been or will be issued on or about the date of this Notice. The on-going financial support to the Company provided by Trepang and Bentley is welcomed by the Directors, and Shareholders may consider further supporting the Company by taking up their rights under the Entitlements Issue in light of Trepang and Bentley's support.

(2) **Raising debt capital**

In the event that the Company cannot raise further equity capital it may need to attempt to establish a debt facility. If securing such a facility was even possible, it would likely be on terms that are unfavourable to the Company.

The difficulty the Company may face in raising debt was highlighted in early September when the Company was required to seek loan funding from each of Trepang and Bentley of $100,000 each pursuant to the Trepang Convertible Loan Deed and the Bentley Convertible Loan Deed.

The urgent need for the Company to seek loans from Trepang and Bentley highlight the difficulty that the Company may face in being able to continue to operate as a going concern without further immediate injections of capital (whether debt or equity).

The Company notes that, the speed with which Trepang and Bentley made these loans available on an unsecured basis may give Shareholders some degree of comfort as to their individual intentions to further support the Company in the future.

(3) **An orderly realisation of the Company's assets**

The Directors of the Company may decide to sell the assets of the Company where they are unable to improve the financial position of the Company through alternatives including those described above. There is a risk that the value ultimately realised will not exceed the value implied by the Proposed Bentley Placement.

(4) **Inability of the Company to continue to operate as a going concern**

A failure of the Company to raise alternative funds as outlined in paragraphs (1) to (3) above could potentially result in the inability of the Company to continue to operate as a going concern.

However, the Company is unable to know with any certainty what funds (if any) it would be able to receive from the sources outlined above in paragraphs (1) to (3) and the timing as to when such funds will be received.

(c) **The Company will not be able to recover the costs incurred in relation to the Proposed Bentley Placement**

If the Resolution 2 is not approved, the Company will not be able to recover the costs incurred in relation to the Proposed Bentley Placement.

3.8 **Increasing the Voting Power of Bentley**

As noted above Bentley and Trepang are Associates of each other. Bentley (including its nominees) currently is the registered holder of 27,000,000 Shares or 7.01% of the Shares in the Company. As Bentley is an Associate of Trepang, it also has a Relevant Interest in the 27,000,000 Shares currently held by Trepang. Accordingly Bentley and its nominees have Voting Power of 14.02% in the Company. Upon completion of the Entitlements Issue and the issue of the Proposed Bentley Securities and the Bentley Conversion Shares, Bentley's Voting Power would increase to up between:

(a) approximately 84% (assuming that all Shareholders take up their entitlements in the Entitlements Issue and the Proposed Trepang Securities and Trepang Conversion Shares are issued); and

(b) approximately 92% (assuming that no Shareholders take up their entitlements other than Bentley, Trepang, or both, and that the Trepang Securities and the Trepang Conversion Shares are issued).

Shareholders are referred to Annexure D for further detail on Bentley's potential Voting Power under various scenarios.

Shareholders are also referred to Annexure D for the effect on Bentley's Voting Power if Shareholders approve the issue of the Outstanding Director Fee Shares and Deferred Fees and Expenses Shares to the Current Directors.

Accordingly, this will dilute the shareholding interests of non Associated Shareholders in the Company and will diminish their ability to influence the future direction of the Company.]

3.9 **Conclusion of the Independent Expert**

The Independent Expert has assessed that the Proposed Bentley Placement is **not fair but is reasonable** to the existing non Associated Shareholders, but strongly recommends that Shareholders also have regard to *all of the* information set out in the Independent Expert Report. In summary:

(a) The Proposed Bentley Placement would be considered to be "fair" to the existing non Associated Shareholders if the value of a Share following the Completion of the Proposed Bentley Placement is equal to or greater than the value of a Share prior to the Proposed Bentley Placement. Based upon the ranges of valuation of the Shares undertaken by the Independent Expert (summarised below), this is not the case here.

(b) However, after considering the advantages and disadvantages of the Proposed Bentley Placement, along with various other considerations set out in further detail in the Independent Expert Report, the Independent Expert has assessed the Proposed Bentley Placement to be "reasonable" to the existing non Associated Shareholders.

Shareholders are also referred to section 3.15 and Annexure A to this Explanatory Memorandum.

3.10 **Substantial Shareholders**

The impact on the interests of Shareholders who are presently considered substantial Shareholders, based on their holdings as at 11 September 2015 following the Proposed Bentley Placement and issue of the Bentley Conversion Shares is set out in Annexure B.

3.11 **Shareholder Approval**

Resolution 2 seeks Shareholder approval under Chapter 2E and section 611 (Item 7) of the Corporations Act to issue up to 1,650,000,000 shares at an issue price of $0.004 (to Bentley who is a Related Party).

A summary of the terms of the share issue are set out above at section 3.3 to this Explanatory Memorandum.

3.12 **Relevant Legislation - Chapter 2E and section 611 item 7 of the Corporations Act**

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a Financial Benefit to a Related Party of the public company unless providing the benefit falls within a prescribed exception to the general prohibition. Relevantly, there is an exception if the company first obtains the approval of its shareholders in a general meeting in circumstances where certain requirements specified in Chapter 2E in relation to the convening of that meeting have been met.

A “Related Party” is defined widely in section 228 of the Corporations Act and includes, relevantly, a Director (or proposed Director) of a public company and any entity that is controlled by a person or entity which is otherwise a Related Party, or there are reasonable grounds to believe that a person/entity is likely to become a Related Party of the public company.

A “Financial Benefit” for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the Related Party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

This proposed Resolution, if passed, will confer Financial Benefits and involve the issue of Securities, namely, the Proposed Bentley Securities and Bentley Conversion Shares to a Related Party, being Bentley (or its nominees).

Bentley is a Related Party of the Company because:

(a) Bentley will be a Related Party of the Company if it has reasonable grounds to believe that it will become a Related Party of the Company in the future.

(b) Under the terms of the Bentley Subscription Agreement Mr Nathan Tinkler will become a Director of the Company at Completion. As a Director of the Company, Mr Nathan Tinkler will become a Related Party of the Company.

(c) Mr Nathan Tinkler is also director of Bentley, and for the purposes of section 228 of the Corporations Act, controls Bentley.

(d) A Related Party, for the purposes of section 228 of the Corporations Act, includes an entity that is controlled by a Related Party. Accordingly, once Mr Nathan Tinkler becomes a Related Party of the Company, so will Bentley.

(e) As there are reasonable grounds to believe that Mr Nathan Tinkler will become a Director (and thus a Related Party), there is reasonable grounds to believe that Bentley will likewise become a Related Party of the Company.

(f) Accordingly, Bentley is a Related Party of the Company.

Therefore the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act.

3.13 **Information for Shareholders - Chapter 2E of the Corporations Act**

Refer to sections 3.1 to 3.8 above for the background and circumstances in which the Financial Benefit is given, and the existing interest of Bentley and its Nominees.

For the purposes of Chapter 2E of the Corporations Act and for all other purposes the following information is provided to Shareholders:

(a) **The Related Parties to whom Resolution 2 would permit the Financial Benefit to be given (section 219(1)(a))**

The proposed Financial Benefit will be given to Bentley or its nominees, which is a Related Party of the Company for the reasons provided above at section 3.12.

The Proposed Bentley Securities may be issued to Bentley or any one or more of the following:

(1) JVG Australia Pty Ltd as trustee for the VG Superannuation Fund;

(2) LN Tinkler and ZI Tinkler as trustees for the L&Z Tinkler Family Superannuation Fund; and

(3) RJ Tinkler Investments Pty Ltd RJ Tinkler Family Trust.

(b) The Bentley Conversion Shares may be issued to Bentley. **The nature of the Financial Benefit (section 219(1)(b))**

The nature of the proposed Financial Benefit to be given is the issue of 1,650,000,000 shares to Bentley or its nominees at an issue price of $0.004 per share at Completion.

Refer also to sections 3.1 to 3.8 above, for the reason for giving the benefit and the basis for which it is given.

(c) **Directors' Recommendation (section 219(1)(c))**

The Directors recommend that Shareholders vote in favour of Resolution 2.

The reasons for this recommendation are set out below at section 3.16 below.

(d) **Directors' Interest and other remuneration (section 219(1)(d))**

The Directors do not have a material personal interest in the outcome of Resolution 2, save for any interest they may have solely in their capacity as Shareholders which interest they hold in common with the other non Associated Shareholders.

To the extent that the Directors hold any Shares, their respective percentage holding of Shares may decrease upon Completion, in the same proportion as the holding of all other Shareholders. Details regarding the current direct Share interests of each of the Directors, together with details of their holding on Completion are set out in Annexure C.

No other Director has any interest in the outcome of Resolution 2 or any other relevant agreement.

(e) <u>**Valuation**</u>

(1) Valuation at the time of the announcement:

The Shares to be issued pursuant to Resolution 2 are in a class of securities that is quoted on ASX. The issue price of the Shares is $0.004 per Share. This issue price represents a premium to the volume weighted average share trading price (VWAP) for the previous 20 trading days prior to 27 July 2015, being $0.003 per Share. On this basis, the Shares to be issued pursuant to this Resolution (being 1.65 billion Shares) shall have an aggregate value of $4.95 million.

(2) Current valuation

The Shares to be issued pursuant to Resolution 2 are in a class of securities that is quoted on ASX. The issue price of the Shares is $0.004 per Share. This issue price represents a discount to the volume weighted average share trading price (VWAP) for the previous 20 trading days prior to 11 September 2015, being $0.006 per Share. On this basis, the Shares to be issued pursuant to this Resolution (being 1.65 billion Shares) shall have an aggregate value of $9.9 million.

(f) **Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors (section 219(1)(e) and 219(2))**

There is no other information known to the Company or any of its Directors save and except as follows:

(1) **Market Price movements:**

The Shares in the Company are currently trading at double the market price prior to 27 July 2015. The volume weighted average share trading price (VWAP) for the previous 20 trading days prior to 27 July 2015 was $0.003 per Share. The Directors believe that this reflects the market's view of the failure of Rio Tinto to exercise the option to acquire tenements relating to the Mt Hillalong project, and the uncertainty surrounding the Company's future as a result of the Company's low cash reserves.

The valuation of the Shares to be issued pursuant to Resolution 2 noted above is based on an issue price per Share of $0.004.

(2) **Trading history**

In the 12 months prior to 11 September 2015, the Company's trading history is as follows:

(A) the highest trading price was $0.020 on 28 October 2014;

(B) the lowest trading price was $0.002 on July 15, 2015; and

(C) the VWAP per Share over the 12 month period prior to 11 September 2015 was $0.006.

The trading price of the Shares on the close of trading on 10 September 2015 (being the last trading day before this Notice of Meeting was printed) was $0.006.

(3) **Opportunity Costs**

The opportunity costs and benefits foregone by the Company issuing the Shares pursuant to Resolution 2 are explained in full detail at sections 3.6 to 3.7 above.

The disadvantages are considered by the Directors to be more than offset by the advantages accruing from the Company in undertaking the Proposed Bentley Placement and issuing the Bentley Conversion Shares.

(4) **Taxation Consequences**

No stamp duty will be payable in respect of the issue of the Proposed Bentley Securities Bentley Conversion Shares. No GST will be payable by the Company in respect of the issue of the Bentley Conversion Shares.

(5) **Dilutionary Effect**

The effect of the Proposed Bentley Securities and issue of the Bentley Conversion Shares is outlined below at section 3.14(b).

(6) **Alternative Options to the transaction and implications of not proceeding with the transaction**

Set out above at section 3.7 are the alternative available options identified by Directors if the Proposed Bentley Placement does not proceed.

(7) **Impact of the Transaction on the Company**

The impact of the transaction on the Company is set out in full detail at sections 3.1 to 3.8 above.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to the benefits contemplated by Resolution 2.

(g) **Voting exclusion statement**

A voting exclusion statement is set out in Resolution 2 in the Notice of Meeting.

3.14 Information for Shareholders - Chapter 6, section 611 (Item 7) of the Corporations Act

Section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if the acquisition would result in that person's Voting Power in the company increasing:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%,

(**Takeover Prohibition**).

However, there are certain specified exceptions to the Takeover Prohibition. In particular, under section 611 (Item 7) of the Corporations Act an acquisition will not contravene the Takeover Prohibition if shareholders approve the acquisition by passing a Resolution at a general meeting, where:

(a) no votes were cast in favour of the Resolution by the person proposing to make the acquisition or their Associates; and

(b) shareholders were given all information known to the acquirer or the company that was material to the decision on how to vote,

(**Takeover Exception**).

ASIC Regulatory Guide 74: Acquisitions Approved by Members' (**ASIC RG 74**) also specifies certain requirements where a Company seeks an acquisition to be exempt under section 611 (Item 7).

Therefore, the acquisition by Bentley or its nominees of the Proposed Bentley Securities and Bentley Conversion Shares will result in Bentley or its nominees acquiring a relevant interest in issued voting shares which will cause Bentley's Voting Power in the Company to increase from a starting point that is below 20% to more than 20%.

Accordingly, Resolution 2 seeks approval for the issue of Shares to Bentley or its nominees under section 611 (Item 7).

In accordance with Listing Rule 7.2 (Exception 16), an issue of Securities approved for the purposes of section 611 (Item 7) does not require further approval under Listing Rule 7.1. Therefore any Shares issued to Bentley or its nominees will not count towards the Company's 15% Capacity under Listing Rule 7.1.

For the purposes of section 611 (Item 7(b)), the Company advises that:

(a) **Section 611 (Item 7(b)(i)): The identity of the person proposing to make the acquisition and their Associates**

The identity of the person proposing to make the acquisition is Bentley or its nominees.

The nominees of Bentley who currently hold securities in the Company are as follows:

(1) JVG Australia Pty Ltd as trustee for the VG Superannuation Fund who holds 6,750,000 Shares in the Company;

(2) LN Tinkler and ZI Tinkler as trustees for the L&Z Tinkler Family Superannuation Fund who holds 6,750,000 Shares in the Company; and

(3) RJ Tinkler Investments Pty Ltd as trustee for the RJ Tinkler Family Trust who holds 6,750,000 Shares in the Company.

Under the Bentley Subscription Agreement, either Bentley or its nominees can acquire the Proposed Bentley Securities.

Under the Bentley Convertible Loan Deed, Bentley will acquire the Bentley Conversion Shares.

Trepang is an Associates of Bentley and currently holds 27,000,000 in the Company.

(b) **Section 611 (Item 7(b)(ii)): The maximum extent of the increase in that person's Voting Power in the company that would result from the acquisition**

There are currently 384,940,869 Shares on issue in the Company. Bentley and its nominees currently hold 27,000,000 Shares, representing 7.01% of the issued capital of the Company. As an Associate of Trepang, Bentley also has a Relevant Interest in a further 7.01% of the Shares which are held by Trepang.

The Company is also proposing to undertake an Entitlements Issue, prior to the issue of the Proposed Bentley Securities and Bentley Conversion Shares on a ratio of 1 Share for every fully paid ordinary Share. Following the Entitlements Issue, the Company will have 769,881,738 Shares on issue (assuming that all Shareholders take up their entitlement).

The maximum number of Proposed Bentley Securities and Bentley Conversion Shares to be issued is 1,650,000,000 Shares.

If the Proposed Trepang Securities and Trepang Conversion Shares are also issued, the Company will have 4,069,881,738 Shares on issue, with Bentley (or its nominees) directly holding 1,704,000,000 Shares. Bentley's (or its nominee) direct holding would then represent approximately 42% of the diluted issued capital of the Company. This assumes that all Shareholders take up their rights under the Entitlements Issue. However as Bentley is an Associate of Trepang and therefore has a Relevant Interest in any Shares which are issued to Trepang, Bentley's Relevant Interest in these circumstances would be approximately 84% of the diluted issued capital of the Company. Further, Bentley (and its nominees) could have a maximum Voting Power up to approximately 92% as a result of these issues, where one (or both) of Bentley and Trepang was the only Shareholder that took up its rights under the Entitlements Issue.

The dilutionary effect of the issue of the Proposed Bentley Securities, Bentley Conversion Shares, Proposed Trepang Securities and Trepang Conversion Shares is provided in a table at Annexure D. Also refer to Annexure D for the effect on Bentley or its nominees holding in the diluted issued capital of the Company if Shareholders approve the issue of the Outstanding Director Fee Shares and Deferred Fees and Expenses Shares to the Current Directors.

(c) **Section 611 (Item 7(b)(iii)): The Voting Power that the person would have as a result of the acquisition.**

As provided at paragraph (b) above, Bentley (and its nominees) could have a maximum Voting Power up to approximately 92% as a result of these issues, where one (or both) of Trepang and Bentley was the only Shareholder that took up its rights under the Entitlements Issue.

(d) **Section 611 (Items 7(b)(iv) and 7(b)(v)): The maximum extent of the increase in the Voting Power of each of that person's Associates that would result from the acquisition and the Voting Power that each of that person's Associates would have as a result of the acquisition.**

Trepang is an Associate of Bentley, and it currently holds securities in the Company.

The maximum Voting Power that Trepang would have as a result of these issues is approximately 92%, where either it or Bentley was the only Shareholder that took up its rights under the Entitlements Issue.

In accordance with ASIC RG 74.25, the Company advises that:

(a) **Reasons for the proposed acquisition**

The reason for the Proposed Bentley Placement and issue of the Bentley Conversion Shares is set out above at sections 3.5 to 3.7.

(b) **When the proposed acquisition is to occur**

The issue and correlative acquisition of the Proposed Bentley Securities will take place at Completion and issue of the Bentley Conversion Shares will occur within five business days of the Shareholder approval.

(c) **Material terms of the proposed acquisition**

The Proposed Bentley Securities and Bentley Conversion Shares will rank *pari passu* with all other Shares on issue in the Company.

The material terms of the Proposed Bentley Placement and Bentley Convertible Loan Deed are set out above at sections 3.3 and 3.4.

Apart from as already set out in the balance of this Explanatory Memorandum there are no other material terms.

(d) **Details of any other relevant agreement between the acquirer and the Company that is conditional or depends on members' approval of the proposed acquisition**

Apart from the Bentley Subscription Agreement and Bentley Convertible Loan Deed, there are no other relevant agreements between Bentley and the Company that is conditional or depends on members' approval of the proposed acquisition.

(e) **Acquirer's intentions regarding the future of the target entity if members approve the acquisition**

Other than as disclosed in this Explanatory Memorandum, Bentley has advised the Company that it:

(1) has no current intention to make any significant change to the existing business of the Company;

(2) has no current intention to inject further capital into the Company;

(3) intends that the Board and management changes will be in accordance with that detailed in section 3.3 and otherwise intends to continue to employ the current employees and consultants of the Company;

(4) does not intend for any property be transferred between the Company and Bentley or any person Associated with any of them; and

(5) has no current intention to redeploy any of the Company's fixed assets.

(f) **Intention of the acquirer to significantly change the financial or dividend distribution policies of the entity**

Bentley has advised the Company that it has no current intention to change the Company's financial or dividend policies.

(g) **The interests that any Director has in the acquisition or any relevant agreement disclosed above**

The Current Directors' interests are set out above at section 3.13(d).

(h) **Intended Directors if members approve the acquisition**

Pursuant to the Bentley Subscription Agreement, following Completion the Board will be comprised of the following Directors:

(1) Mr Peter Ziegler (as non-executive Chairman);

(2) Mr Nathan Tinkler (as Chief Executive Officer and Managing Director);

(3) Mr Paul Byrne (as an executive Director); and

(4) Mr Paul Ingram (as a non-executive Director).

However, this does not take into account the effect on the composition of the Board if *both* Resolutions 1 and 2 are passed (and those resolutions are in fact conditional on each other). If Resolutions 1 and 2 are passed, the Board will be comprised of the following Directors:

(1) Mr. Peter Ziegler (as non-executive Chairman);

(2) Mr. Nathan Tinkler (as Chief Executive Officer and Managing Director);

(3) Mr. Paul Byrne (as an executive Director); and

(4) Mr. John Robinson Jnr (as a non-executive Director).

Mr Tinkler founded Aston Resources Limited (Aston) and has played a significant role in the development of Whitehaven Coal Limited through its merger with Aston.

Mr Tinkler is well known for his entrepreneurial success investing in coal assets in Queensland and NSW and has a history of creating significant shareholder value and attracting major funding. He has been involved in several business acquisitions including the acquisition and development of the Middlemount project in Queensland in 2006 through Custom Mining Limited.

3.15 Independent Experts Report

For Shareholders approval sought under item 7 of section 611 of the Corporations Act, ASIC RG 74 also requires that Shareholders be provided with an Independent Experts Report. One of the purposes of which is to consider whether the issue of the Shares is fair and reasonable to the Shareholders who are not Associated with Bentley.

The Company has engaged BDO to provide the Independent Expert's Report which appears as Annexure A to this Explanatory Memorandum. Shareholders are also referred to section 3.9 of this Explanatory Memorandum for further details as to the contents of the Independent Expert's Report. Shareholders are asked to note that that the Independent Expert's Report has been prepared by the Independent Expert and the Company does not accept or assume any responsibility for the accuracy or completeness of the Independent Expert's Report or the Independent Technical Specialist Report, other than factual information provided by the Company to the Independent Expert or Xenith Consulting Pty Ltd for the purposes of the Independent Expert's Report or the Independent Technical Specialist Report.

The Independent Expert's Report concludes that the issue of the Proposed Bentley Securities is not fair but reasonable to the non Associated Shareholders.

Shareholders are urged to read and consider the Independent Expert's Report which is Annexure A to this Explanatory Memorandum prior to making a decision as to how to vote on Resolution 2.

Fairness

In forming BDO's opinion in relation to the fairness of the Proposed Bentley Placement and the issue of the Bentley Conversion Shares, BDO has assessed the value of a Share to be in ranges based on a number of different assumptions. In particular it has assessed:

(a) the value of a Share on a controlling interest basis prior to the Placements to be in the following ranges:

(1) on an Asset Based Valuation (**ABV**) where there is no take up of Shares under the Entitlements Issue, then in a range of \$0.0010 to \$0.0111 with a preferred value of \$0.0063;

(2) on an ABV where there is a 50% take up of Shares under the Entitlements Issue, then in a range of $0.0020 to $0.0087 with a preferred value of $0.0055;

(3) on ABV where there is a 100% take up of Shares under the Entitlements Issue, then in a range of $0.0025 to $0.0075 with a preferred value of $0.0051; and

(4) on a Market Based Valuation (**MBV**), then $0.0052 on a controlling interest basis (as a result of the application of a control premium of about 30% to the Independent Expert's MBV of $0.0040 on a minority interest basis); and

(b) the value of a Share on a minority interest basis post the Placements to be in the range of $0.0031 to $0.0039 with a preferred value of $0.0035.

The Independent Expert notes that "For completeness … the asset based valuation range calculated above is a relatively wide range. It is our view that it is appropriate to adopt a relatively wide range having regard to the relatively early stage of development of the key assets of [the Company], the speculative nature of exploration companies generally and the valuation range (i.e. minimum, preferred, and maximum) of the mineral exploration assets as set out in the Xenith Report."

After considering the above valuation ranges, the Independent Expert assess that the Proposed Bentley Placement is "not fair" to existing non Associated Shareholders.

Reasonableness

Notwithstanding its assessment that the Proposed Bentley Placement is not fair, the Independent Expert has assessed it as "reasonable" for existing non Associated Shareholders. In particular the Independent Expert noted:

(a) The following advantages to the Placements:

(1) The Placements are the best proposal available at the current time to fund the Company.

(2) They provide funding for operations.

(3) They allow settlement of amounts owing to Current Directors.

(4) They allow equity funding without interest commitments implicit in hybrid or debt instruments.

(5) They introduce cornerstone investors with additional experience.

(6) They support the transition of the Company from an explorer to a producer.

(b) the following disadvantages to the Placements:

(1) The Placements are not fair.

(2) They will result in dilution of the existing Shareholders' interests.

(3) They carry with them the ability to pass or block a special resolution.

(4) They may result in a possible change in the strategic direction of the Company in a way that the Shareholders may not agree with.

(5) They make takeover offers more difficult.

(6) They carry the potential for a significant number of Shares to be sold on the open market.

(c) Further the Independent Expert notes that if the Placements are not approved then the potential position of existing non Associated Shareholders will include the following factors:

(1) The existing non Associated Shareholders will continue to own 100% of the Company;

(2) The Company will require an alternative capital raising and there is no guarantee that the price of any alternative capital raising will be in excess of the issue price of $0.004 per Share for the Placements.

(3) The Company will be required to repay the $200,000 loan funds within five business days of 30 November 2015;

(4) The Company will not be able to recover the costs incurred in relation to the Placements.

(5) The Company's share price may differ materially from the Share price in the period following the announcement on 27 July 2015.

The Independent Expert assesses that the Proposed Bentley Placement is "reasonable" to existing non Associated Shareholders after considering the advantages, disadvantages and position of shareholders if the Proposed Bentley Placement is not approved.

This above is a summary only, for further details of the assessment made by BDO in determining the fairness and reasonableness of the Share issue please refer to the Independent Expert's Report in Annexure A.

3.16 Directors' Recommendation

Each of the Directors recommend that non Associated Shareholders vote in favour of this Resolution because the advantages to the Company and Shareholders in undertaking the Proposed Bentley Placement and the issue of the Bentley Conversion Shares outlined above at section 3.6 more than outweigh both the disadvantages to the Company and Shareholders outlined above at section 3.6 and the position the Company and the Shareholders will be in if the Resolution 2 is not approved as outlined above at section 3.7.

4. Resolution 3 – Increase of Remuneration for Non-Executive Directors of the Company

4.1 Background

In order for the total aggregate annual remuneration payable to Non-Executive Directors of the Company to be increased, Listing Rule 10.17 of the ASX Listing Rules and Article 16 of the Company's Constitution must be complied with. The ASX Listing Rules and the Constitution provide that the Company must not increase the amount of remuneration payable to Non-Executive Directors of the Company unless Shareholders approve such an increase.

Additionally, Listing Rule 10.17 of the ASX Listing Rules provides that if Non-Executive Directors are paid, the amount paid to all of them in total cannot exceed the amount approved by Shareholders. The amount paid to each individual Non-Executive Director will be a fixed sum as determined at the sole discretion of the Board.

Currently, Non-Executive Directors of the Company are entitled to receive Director's fees as follows:

Mr Peter Ziegler $60,000 per annum;

Mr Paul Ingram $36,000 per annum; and

Mr Paul Ryan $36,000 per annum.

However, the Non-Executive Directors of the Company have not received Director's fees since March 2013. The Non-Executive Directors Director's fees remain outstanding from this time. See above at sections 2.3 and 3.3 for how these Outstanding Director's Fees are to be dealt with in accordance with the Trepang Subscription Agreement and Bentley Subscription Agreement, respectively.

Further, the Non-Executive Directors have not received securities in the Company with Shareholder approval under Listing Rule 10.11 or 10.14 over the past three years.

Shareholder approval is sought to increase the total aggregate annual remuneration payable to Non-Executive Directors of the Company from $250,000 to a maximum aggregate amongst all Non-Executive Directors of $500,000 (to be divided between Non-Executive Directors as the Board determines).

It is important to note that whilst the Company is seeking approval to increase the maximum amount that may potentially be payable to Non-Executive Directors, the Board anticipates that the maximum payment limit will not be met in the short term.

The Board considers that this increase in the total aggregate annual remuneration payable to Non-Executive Directors is necessary to provide the Board with an ability to increase the remuneration payable to the current Non-Executive Directors and any additional Non-Executive Directors who might join the Board, as appropriate. Further details on the remuneration paid to Non-Executive Directors are set forth in the Remuneration Report contained in the Directors' Report section of the Annual Report.

The Company believes that all relevant information concerning Resolution 3 required in respect of Listing Rule 10.17 is included in the text, and accompanying notes, of this resolution in the Notice of Meeting

4.2 Voting Exclusion

A voting exclusion statement is set out in Resolution 3.

5. Resolutions, 4, 5, 6, 7, 8 and 9 – Issue of Shares under LR 10.11 in lieu of Outstanding Director Fees and Deferred Fees and Expenses

5.1 Background for Director Fee Shares

Pursuant to the Share Subscription Agreements the Directors have resolved to issue:

(a) up to 45,375,000 Shares each to Mr. Peter Ziegler at an issue price of $0.004 per Share at Completion in lieu of Outstanding Director Fees owed by the Company to Mr. Peter Ziegler;

(b) up to 27,225,000 Shares each to Mr. Paul Byrne at an issue price of $0.004 per Share at Completion in lieu of Outstanding Director Fees owed by the Company to Mr. Paul Byrne;

(c) up to 24,750,000 Shares each to Mr. Paul Ingram at an issue price of $0.004 per Share at Completion in lieu of Outstanding Director Fees owed by the Company to Mr. Paul Ingram; and

(d) up to 24,750,000 Shares each to Mr. Paul Ryan at an issue price of $0.004 per Share at Completion in lieu of Outstanding Director Fees owed by the Company to Mr. Paul Ryan,

(together, the **Outstanding Director Fee Shares**).

Approval for the issue of the Outstanding Director Fee Shares to each of Mr. Peter Ziegler, Mr. Paul Byrne, Mr. Paul Ingram and Mr. Paul Ryan is sought in accordance with Listing Rule 10.11. As approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

If Resolutions 4, 5, 6, and 7 are not approved by Shareholders the Outstanding Director Fees shall be paid in full, on completion of the issues of Shares contemplated by Resolutions 1 and 2.

5.2 Background for Deferred Fees and Expenses Shares

Pursuant to the Share Subscription Agreements the Directors have resolved to issue:

(a) 125,460,000 Shares each to Mr. Peter Ziegler at an issue price of $0.004 per Share at Completion in lieu of Deferred Fees and Expenses incurred and unpaid up to and including 31 July 2015; and

(b) 122,490,000 Shares each to Mr. Paul Byrne at an issue price of $0.004 per Share at Completion in lieu of Deferred Fees and Expenses incurred and unpaid up to and including 31 July 2015,

(together, the **Deferred Fees and Expenses Shares**).

Approval for the issue of the Deferred Fees and Expenses Shares to Mr. Peter Ziegler and Mr. Paul Byrne is sought in accordance with Listing Rule 10.11. As approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

If Resolutions 8 and 9 are not approved by Shareholders, the Deferred Fees and Expenses shall be paid in three equal instalments, the first instalment being paid on Completion of the issue of Shares to Trepang and Bentley contemplated by Resolutions 1 and 2, and the two subsequent instalments being made on each of the immediately following anniversaries of the first repayment. Any such fees accruing from 31 July 2015 will be paid in cash in full upon completion of the issue of Shares to Trepang and Bentley contemplated by Resolutions 1 and 2.

5.3 Directors' Recommendation

Mr Peter Ziegler has an interest in the outcome of Resolutions 4 and 8. Because of his interest in the outcome Mr Ziegler does not make a recommendation in relation to Resolutions 4 and 8. All Directors other than Mr Ziegler recommend that Shareholders vote in favour of Resolutions 4 and 8.

Mr Paul Byrne has an interest in the outcome of Resolutions 5 and 9. Because of his interest in the outcome Mr Byrne does not make a recommendation in relation to Resolutions 5 and 9. All Directors other than Mr. Byrne recommend that Shareholders vote in favour of Resolutions 5 and 9.

Mr Paul Ingram has an interest in the outcome of Resolution 6. Because of his interest in the outcome Mr Ingram does not make a recommendation in relation to Resolution 6. All Directors other than Mr Ingram recommend that Shareholders vote in favour of Resolutions 6.

Mr Paul Ryan has an interest in the outcome of Resolutions 7. Because of his interest in the outcome Mr Ryan does not make a recommendation in relation to Resolutions 7. All Directors other than Mr Ryan recommend that Shareholders vote in favour of Resolutions 7.

5.4 Listing Rules

Listing Rule 7.1 - Issues exceeding 15% of capital

Listing Rule 7.1 prohibits a listed company, except in certain cases, from issuing in any 12 month period new Equity Securities equivalent in number to more than 15% of the total number of ordinary securities on issue at the beginning of the twelve month period (**15% Capacity**) without the prior approval of a majority of disinterested Shareholders, or the issue otherwise comes within one of the exceptions to Listing Rule 7.1 (**15% Rule**). However, under Listing Rule 7.2 (Exception 14), if approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1. Therefore the issue of the Outstanding Director Fee Shares and Deferred Fees and Expenses Shares will not count towards the Company's 15% Capacity under Listing Rule 7.1.

Listing Rule 10.11

Listing Rule 10.11 requires that an entity must obtain the approval of Shareholders to issue Securities to a Related Party and in doing so must provide the information specified in Listing Rule 10.13, unless an exception applies.

Listing Rule 10.13

For the purposes of Listing Rule 10.13 and for all other purposes the following information is provided to Shareholders:

(a) **10.13.1 and 10.13.4: Name and relationship of the Related Party**

The Related Parties are:

(1) Peter Ziegler, being a Director of the Company;

(2) Paul Byrne, being a Director of the Company;

(3) Paul Ingram, being a Director of the Company; and

(4) Paul Ryan, being a Director of the Company.

(b) **10.13.2: Maximum Number of Securities to be issued (if known) or the formula for calculating the number of Securities to be issued**

The maximum number of Outstanding Director Fee Shares and Deferred Fees and Expenses Shares to be issued are:

(1) 45,375,000 Outstanding Director Fee Shares and 125,460,000 Deferred Fees and Expenses Shares to Peter Ziegler;

(2) 27,225,000 Outstanding Director Fee Shares and 122,490,000 Deferred Fees and Expenses Shares to Paul Byrne;

(3) 24,750,000 Outstanding Director Fee Shares to Paul Ingram; and

(4) 24,750,000 Outstanding Director Fee Shares to Paul Ryan.

(c) **10.13.3: Date by which the Securities will be issued**

The Company will issue the Outstanding Director Fee Shares and Deferred Fees and Expenses Shares at Completion, being within one month following this Meeting.

(d) **10.13.5: Issue price and terms of the Securities**

The relevant Outstanding Director Fee Shares and Deferred Fees and Expenses Shares will be issued at $0.004 per Share at Completion.

Any Outstanding Director Fee Shares and Deferred Fees and Expenses Shares issued will rank *pari passu* with all of the other fully paid ordinary Shares on issue in the Company.

(e) **10.13.6A: Intended use of funds raised**

No funds are being raised by the issue of the Outstanding Director Fee Shares or Deferred Fees and Expenses Shares.

(f) **10.13.6: Voting exclusion statement**

A voting exclusion statement is set out in each of Resolution 4, 5, 6, 7, 8 and 9 in the Notice of Meeting.

6. Resolution 10 – Ratification of Previous Placement to The Australian Special Opportunity Fund LP

As announced, on 5 December 2014 the Company successfully placed 10,000,000 Shares to The Australian Special Opportunity Fund LP to raise $60,000 (**ASOF Shares**).

In accordance with Listing Rule 7.4, Shareholder approval is sought to ratify the issue and allotment of the ASOF Shares, being issues of securities made by the Company on 5 December 2014 for which Shareholder approval has not already been obtained.

Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new equity securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its Shareholders. Securities issued with Shareholder approval under ASX Listing Rule 7.1 or 7.4 do not count towards the 15% limit under Listing Rule 7.1 or the 10% limit under Listing Rule 7.1A.

Listing Rule 7.4 provides that an issue of securities made without prior approval under Listing Rule 7.1 can be treated as having been made with that approval if Shareholders subsequently approve it.

If Resolution 10 is approved it will have the effect of refreshing the Company’s ability, to the extent of the ASOF Shares, to issue further capital during the next 12 months pursuant to Listing Rule 7.1 without the need to obtain further Shareholder approval (subject to the Listing Rules and the Corporations Act). If Resolution 10 is not passed, the ASOF Shares will be counted toward the 15% limit pursuant to Listing Rule 7.1 for a period of 12 months from the date of issue.

For the purposes of Listing Rule 7.5 the Company provides the following information:

(a) Number of Securities Issued:

10,000,000 ASOF Shares were issued.

(b) Issue Price of Securities:

The ASOF Shares were issued at $0.006 per Share.

(c) Terms of the Issued Securities:

The ASOF Shares are fully paid ordinary Shares and will rank equally with existing Share on issue.

(d) Recipients of the Issued Securities:

The Australian Special Opportunity Fund LP.

(e) Use of Funds:

The funds raised from the issue of the ASOF Shares were to be used to progress the Company's exploration program and provide additional working capital.

The Directors recommend that you vote in favour of Resolution 10.

7. Resolution 11 – Ratification of Previous Placement to Cape Coal Pty Ltd

As announced, on 18 June 2015 the Company successfully placed 6,600,000 Shares to Cape Coal Pty Ltd (**Cape Coal**), in consideration for consultancy services provided by Cape Coal to the Company (**Cape Coal Shares**).

In accordance with Listing Rule 7.4, Shareholder approval is sought to ratify the issue and allotment of the Cape Coal Shares, being issues of securities made by the Company on 18 June 2015 for which Shareholder approval has not already been obtained.

The Company issued the Cape Coal Shares in reliance on its capacity pursuant to Listing Rule 7.1A. In general terms, Listing Rule 7.1A restricts the Company to issuing securities representing a maximum of 10% of the number of securities on issue in the Company in any 12 month period unless it obtains the prior approval of its members.

Listing Rule 7.1 prohibits a company, except in certain cases and subject to Listing Rules 7.1A and 7.4, from issuing new equity securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its Shareholders. Securities issued with Shareholder approval under Listing Rules 7.1 or 7.4 do not count towards the 15% limit under Listing Rule 7.1 or the 10% limit under Listing Rule 7.1A.

Listing Rule 7.4 provides that an issue of securities made without prior approval under Listing Rule 7.1 can be treated as having been made with that approval if Shareholders subsequently approve it.

If Resolution 11 is approved it will have the effect of refreshing the Company's ability, to the extent of the Cape Coal Shares, to issue further Shares until the Company's next AGM pursuant to Listing Rule 7.1A without the need to obtain further Shareholder approval (subject to the Listing Rules and the Corporations Act). If Resolution 11 is not passed, the Cape Coal Shares will be counted toward the 10% limit pursuant to Listing Rule 7.1A for a period of 12 months from the date of issue.

For the purposes of Listing Rule 7.5 the Company provides the following information:

(a) Number of Securities Issued:

6,600,000 Cape Coal Shares were issued.

(b) Issue Price of Securities:

The Cape Coal Shares were issued at $0.004 per Share.

(c) Terms of the Issued Securities:

The Cape Coal Shares are fully paid ordinary Shares and will rank equally with existing Shares on issue.

(d) Recipients of the Issued Securities:

Cape Coal.

(e) Use of Funds:

As the Cape Coal Shares were issued in consideration for consultancy services provided by Cape Coal to the Company, no funds were raised from the issue of the Cape Coal Shares.

The Directors recommend that you vote in favour of Resolution 11.

8. Resolution 12 and 13 – Ratification of Previous Trepang Shares and Previous Bentley Shares

As announced, on 22 July 2015 the Company successfully placed 54,000,000 Shares to Trepang Services Pty Ltd, Bentley Resources Pte Ltd, VG Superannuation Fund, L&Z Tinkler Family Superannuation Fund and RJ Tinkler Family Trust to raise $216,000.

The Previous Trepang Shares and Previous Bentley Shares were issued in accordance with the table below:

Party	Shares Issued under Listing Rule 7.1	Shares Issued under Listing Rule 7.1A
Trepang Services Pty Ltd	5,165,914	21,834,086
Bentley Resources Pte Ltd	6,750,000	
VG Superannuation Fund	6,750,000	
L&Z Tinkler Family Superannuation Fund	6,750,000	
RJ Tinkler Family Trust	6,750,000	
Total	**32,165,914**	**21,834,086**

In accordance with Listing Rule 7.4, Shareholder approval is sought to ratify the issue and allotment of the Previous Trepang Shares and Previous Bentley Shares, being issues of securities made by the Company on 22 July 2015 for which Shareholder approval has not already been obtained.

Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new equity securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its Shareholders. Securities issued with Shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% limit. Listing Rule 7.1A restricts the Company to issuing securities representing a maximum of 10% of the number of securities on issue in the Company in any 12 month period unless it obtains the prior approval of its members.

Listing Rule 7.4 provides that an issue of securities made without prior approval under Listing Rule 7.1 can be treated as having been made with that approval if Shareholders subsequently approve it.

If Resolutions 12 and 13 are approved it will have the effect of refreshing the Company's ability, to the extent of the Previous Trepang Shares and Previous Bentley Shares:

(a) to issue further capital during the next 12 months pursuant to Listing Rule 7.1 without the need to obtain further Shareholder approval (subject to the Listing Rules and the Corporations Act); and

(b) to issue further Shares until the Company's next AGM pursuant to Listing Rule 7.1A without the need to obtain further Shareholder approval (subject to the Listing Rules and the Corporations Act).

If Resolutions 13 and 13 are not passed, the Previous Trepang Shares and Previous Bentley Shares will be counted toward the 15% limit pursuant to Listing Rule 7.1 and 10% limit pursuant to Listing Rule 7.1A (in the amounts detailed above) for a period of 12 months from the date of issue.

For the purposes of Listing Rule 7.5 the Company provides the following information:

(a) Number of Securities Issued:

27,000,000 Previous Trepang Shares and 27,000,000 Previous Bentley Shares were issued.

(b) Issue Price of Securities:

The Previous Trepang Shares were issued at $0.004 per Previous Trepang Share and the Previous Bentley Shares were issued at $0.004 per Previous Bentley Share.

(c) Terms of the Issued Securities:

The Previous Trepang Shares and Previous Bentley Shares are fully paid ordinary Shares and will rank *pari passu* with existing Shares on issue.

(d) Recipients of the Issued Securities:

Trepang Services Pty Ltd, Bentley Resources Pte Ltd, VG Superannuation Fund, L&Z Tinkler Family Superannuation Fund and RJ Tinkler Family Trust.

(e) Use of Funds

The funds raised from the issue of the Previous Trepang Shares and Previous Bentley Shares were to enable the Company to continue the focused exploration strategy of its key tenements as well as provide additional working capital.

The Directors recommend that you vote in favour of Resolutions 12 and 13.

9. Voting entitlement

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 5pm (Brisbane time) on 27 October 2015. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

10. Interpretation

The following terms used in the Notice of Meeting and the Explanatory Memorandum are defined as follows:

$ means Australian dollars, unless otherwise stated.

15% Capacity has the meaning given to that term in section 5.4 of the Explanatory Memorandum.

AGM means annual general meeting.

ASIC means the Australian Securities & Investments Commission.

ASOF has the meaning given to that term in Resolution 10 of the Notice.

ASOF Shares has the meaning given to that term in Resolution 10 of the Notice.

ASX means the ASX Limited.

Associates has the meaning given to that term in the Corporations Act, and **Associated** has a corresponding meaning.

Associated Entity has the meaning given to that term in the Corporations Act.

Bentley has the meaning given to that term in Resolution 2 of the Notice.

Bentley Convertible Loan has the meaning given to that term in section 3.4 of the Explanatory Memorandum.

Bentley Convertible Loan Deed has the meaning given to that term in section 3.1 of the Explanatory Memorandum.

Bentley Conversion Shares means 25,000,000 Shares at $0.004 per Share to be issued pursuant to the Bentley Convertible Loan Deed.

Bentley and its Nominees means Bentley and each of JVG Aust Pty Ltd as trustee for the VG Superannuation Fund, LN Tinkler and ZI Tinkler as trustees for the L&Z Tinkler Family Superannuation Fund, and RJ Tinkler Investments Pty Ltd as trustee for the RJ Tinkler Family Trust.

Bentley Subscription Agreement means the subscription agreement entered by the Company and Bentley on or about 26 August 2015 as varied on or about 8 September 2015 providing for Bentley or its nominees to subscribe for 1,625,000,000 Shares at $0.004 per Share.

Business Day means a day on which all banks are open for business generally in Brisbane.

BDO means BDO Corporate Finance (Qld) Ltd of Level 10, 12 Creek Street, Brisbane QLD 4000.

Cape Coal has the meaning given to that term in Resolution 11 of the Notice.

Cape Coal Shares has the meaning given to that term in Resolution 11 of the Notice.

Chair means the person chairing the Meeting.

Closely Related Party or **CRP** (as defined in the Corporations Act) of a member of the Key Management Personnel for an entity means:

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependant of the member or the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;

(e) a company the member controls; or

(f) a person prescribed by the regulations for the purposes of the definition of closely related party.

Company means Australian Pacific Coal Limited ABN 49 089 206 986 (ASX: AQC).

Constitution means the constitution of the Company from time to time.

Company Group means the Company and each of its Related Bodies Corporate.

Completion in respect of:

(a) the Proposed Trepang Securities means the issue and allotment of those Shares and payment of the subscription price pursuant to the Trepang Subscription Agreement; and

(b) the Proposed Bentley Securities means the issue and allotment of those Shares and payment of the subscription price pursuant to the Bentley Subscription Agreement.

Corporations Act means the *Corporations Act* 2001 (Cth).

Current Directors means Peter Ziegler, Paul Byrne, Paul Ingram and Paul Ryan.

Deferred Fees and Expenses means:

(a) all expenses incurred but unpaid to a Current Director in acting as a Director or executive of the Company or otherwise on behalf of the Company (or a member of the Company Group) until Completion, other than Reimbursable Expenses; and

(b) all unpaid fees for consulting services provided by a Current Director to the Company up until Completion.

Deferred Fees and Expenses Shares has the meaning given to that term in section 5.2 of the Explanatory Memorandum.

Directors or **Board** means the board of directors of the Company from time to time.

Entitlements Issue has the meaning given to that term in section 2.1 of the Explanatory Memorandum.

Equity Securities has the meaning given to that term in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice.

Financial Benefit has the meaning given to that term in section 229 of the Corporations Act.

Independent Expert means BDO.

Independent Expert Report means the Independent Expert report set out in Annexure A of the Notice.

Key Management Personnel or **KMP** has the definition given in the Accounting Standard AASB 124 *Related Party Disclosure* as 'those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity'.

Listing Rules means the official listing rules of the ASX as amended from time to time.

Meeting means the General Meeting to be held on Friday 30 October 2015 as convened by the accompanying Notice of Meeting.

Notice of Meeting or **Notice** means the notice of meeting giving notice to Shareholders of the Meeting, and accompanying this Explanatory Memorandum.

Non-Executive Directors means Peter Ziegler, Paul Ingram and Paul Ryan.

Option means an option to acquire Shares.

Ordinary Resolution means a resolution passed by more than 50% of the votes at a general meeting of Shareholders.

Outstanding Director Fees means all fees due and payable to the Current Directors by the Company in respect of them acting as Directors up to Completion.

Outstanding Director Fee Shares has the meaning given to that term in section 5.1 of the Explanatory Memorandum.

Placements mean the Proposed Trepang Placement and the Proposed Bentley Placement.

Proposed Bentley Placement means the issue of the Proposed Bentley Securities to Bentley or its nominees at an issue price of $0.004 per Share to raise $6,500,000 pursuant to the Bentley Subscription Agreement.

Proposed Bentley Securities means 1,625,000,000 Shares to be issued pursuant to the Bentley Subscription Agreement.

Proposed Trepang Placement means the issue of the Proposed Trepang Securities to Trepang or its nominees at an issue price of $0.004 per Share to raise $6,500,000 pursuant to the Trepang Subscription Agreement.

Proposed Trepang Securities means 1,625,000,000 Shares to be issued pursuant to the Trepang Subscription Agreement.

Previous Bentley Shares has the meaning given to that term in Resolution 13 of the Notice.

Previous Trepang Shares has the meaning given to that term in Resolution 12 of the Notice.

Reimbursable Expenses means expenses incurred by a Current Director in acting as a Director or executive of the Company or otherwise on behalf of the Company (or a member of the Company Group), for which the Company currently reimburses the Current Directors for on a regular basis, including, without limitation, for telephones, petrol, meals, entertainment and travel.

Related Body Corporate has the meaning given to it in the Corporations Act.

Related Party has the meaning in section 228 of the Corporations Act.

Relevant Interest has the meaning given to it in sections 608 and 609 of the Corporations Act.

Resolutions means a resolution set out in the Notice of Meeting.

Securities has the meaning in section 92(1) of the Corporations Act.

Share Subscription Agreements means the Trepang Subscription Agreement and Bentley Subscription Agreement.

Shares means fully paid ordinary shares in the Company from time to time.

Shareholder means a shareholder of the Company.

Subsidiaries has the meaning given to that term in the Corporations Act.

Term Sheet has the meaning given to that term in section 2.1 of the Explanatory Memorandum.

Trading Day has the meaning given to that term in the Listing Rules.

Trepang has the meaning given to that term in Resolution 1 of the Notice.

Trepang Convertible Loan has the meaning given to that term in section 2.4 of Explanatory Memorandum.

Trepang Convertible Loan Deed has the meaning given to that term in section 2.1 of the Explanatory Memorandum.

Trepang Conversion Shares means 25,000,000 Shares at $0.004 per Share to be issued pursuant to the Trepang Convertible Loan Deed.

Trepang Subscription Agreement means the subscription agreement entered by the Company and Trepang on or about 26 August 2015 as varied on or about 8 September 2015 providing for Trepang or its nominees to subscribe for 1,625,000,000 Shares at $0.004 per Share.

Voting Power has the meaning given to that term in the Corporations Act.

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Kevin J. Mischewski (Company Secretary):

Level 7, 10 Felix Street, Brisbane QLD 4000
+61 7 3221 0679

Explanatory Memorandum

Proxies and representatives

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a Shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the Shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a Shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under section 250D of the *Corporations Act 2001 (*Cth*).*

The proxy form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the *Corporations Act.*

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **deposited at, posted to, or sent by facsimile transmission to the address listed below , or the Share Registry, Link Market Services, Level 15, ANZ Building, 324 Queen Street, Brisbane Qld 4000** not less than 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

Australian Pacific Coal Limited
Level 7, 10 Felix Street, Brisbane QLD 4000

Telephone Phone**:** +61 7 3221 0679 Facsimile No: +61 7 3252 2111

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

A proxy form is attached to this Notice.

Voting entitlement

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm on 28 October 2015. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Signing instructions

You must sign the proxy form as follows in the spaces provided:

Individual:	Where the holding is in one name, the holder must sign.
Joint Holding:	Where the holding is in more than one name, all of the security holders should sign.
Power of Attorney:	To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies:	Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

I / We	....
of:	....

being Shareholder(s) of Australian Pacific Coal Limited ("Company")

hereby appoint:	....
of:	....
of failing him/her:	....
of:	....

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the extraordinary general meeting of the Company to be held at the offices of HopgoodGanim, Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Qld, 4000, Australia on Friday 30 October 2015 at 10am (Brisbane time) and at any adjournment thereof in respect of all of my/our shares in the Company unless otherwise specified below.

If you wish to indicate how your proxy is to vote, please tick the appropriate places below.

If the Chairman is appointed as your proxy, or may be appointed by default, and if you do **not** wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in this box: ☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he/she has an interest in the outcome of the resolution and votes cast by him/her other than as proxy holder will be disregarded because of that interest. The Chairman advises that it is his/her intention to vote in favour of all resolutions in respect of any undirected proxies which may be granted in favour of the Chairman.

If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is [ ]%. (An additional proxy form will be supplied by the Company on request.)

If you wish to appoint the proxy to exercise Voting Power over only some of your shares, the number of shares in respect of which this proxy is to operate is ……………….. shares (Note: proxy will be over all shares if left blank)

If no directions are given, the Proxy may vote as the Proxy thinks fit or may abstain. By signing this appointment you acknowledge that the Proxy (whether voting in accordance with your directions or voting in their discretion under an undirected Proxy) may exercise your proxy even if he/she has an interest in the outcome of the resolution and even if votes cast by him/her other than as proxy holder will be disregarded because of that interest.

I/we direct my/our proxy to vote as indicated below:

Resolution	For	Against	Abstain
Resolution 1 *"That in accordance with Chapter 2E and section 611 (Item 7) of the Corporations Act 2001 and for all other purposes and subject to approval of Resolution 2, the Company be authorised to issue:* (a) *25,000,000 Shares to Trepang Services Pty Ltd ACN 149 489 065 (**Trepang**), as a result of the conversion of the principal amount of a loan of $100,000 advanced to the Company by Trepang on or about 8 September 2015; and* (b) *1,625,000,000 Shares to Trepang*	☐	☐	☐

pursuant to the Trepang Subscription Agreement,

in each case at an issue price of $0.004 per Share, which would result in Trepang (a Related Party of the Company as described in the Explanatory Memorandum), acquiring a relevant interest in voting Shares such that Trepang's Voting Power in the Company would increase from below 20% to more than 20% upon the terms and conditions described in the Explanatory Memorandum."

Resolution 2 *"That in accordance with Chapter 2E and section 611 (Item 7) of the Corporations Act 2001 and for all other purposes and subject to approval of Resolution 1, the Company be authorised to issue:*	☐	☐	☐

(a) *25,000,000 Shares to Bentley Resources Pte Ltd Registration Number 210205273D (**Bentley**) or its nominees, as a result of the conversion of the principal amount of a loan of $100,000 advanced to the Company by Bentley on or about 8 September 2015; and*

(b) *1,625,000,000 Shares to Bentley or its nominees pursuant to the Bentley Subscription Agreement,*

in each case at an issue price $0.004 per Share, which would result in Bentley (a Related Party of the Company as described in the Explanatory Memorandum), and its nominees acquiring a relevant interest in voting Shares such that Bentley's Voting Power in the Company would increase from below 20% to more than 20% upon the terms and conditions described in the Explanatory Memorandum."

Resolution 3 *"That in accordance with Listing Rule 10.17 of the Official Listing Rules of the ASX Limited (**ASX**) and Article 16 of the Company's Constitution, the total aggregate annual remuneration payable to Non-Executive Directors of the Company be increased by* $250,000, *from $250,000 to a maximum of* $500,000."	☐	☐	☐
Resolution 4 *"That in accordance with Listing Rule 10.11 and for all other purposes, subject to approval of Resolutions 1 and 2, the Company be authorised to issue up 45,375,000 Shares at an issue price of $0.004 per share (in lieu of Outstanding Director Fees) at Completion to Mr. Peter Ziegler who is a Related Party of the Company as described in the*	☐	☐	☐

Explanatory Memorandum."

Resolution 5 *"That in accordance with Listing Rule 10.11 and for all other purposes, subject to approval of Resolutions 1 and 2, the Company be authorised to issue up to 27,225,000 Shares at an issue price of $0.004 per share (in lieu of Outstanding Director Fees) at Completion to Mr. Paul Byrne who is a Related Party of the Company as described in the Explanatory Memorandum."*	☐	☐	☐
Resolution 6 *"That in accordance with Listing Rule 10.11 and for all other purposes, subject to approval of Resolutions 1 and 2, the Company be authorised to issue up to 24,750,000 Shares at an issue price of $0.004 per share (in lieu of Outstanding Director Fees) at Completion to Mr. Paul Ingram who is a Related Party of the Company as described in the Explanatory Memorandum."*	☐	☐	☐
Resolution 7 *"That in accordance with Listing Rule 10.11 and for all other purposes, subject to approval of Resolutions 1 and 2, the Company be authorised to issue up to 24,750,000 Shares at an issue price of $0.004 per share (in lieu of Outstanding Director Fees) at Completion to Mr. Paul Ryan who is a Related Party of the Company as described in the Explanatory Memorandum."*	☐	☐	☐
Resolution 8 *"That in accordance with Listing Rule 10.11 and for all other purposes, subject to approval of Resolutions 1 and 2, the Company be authorised to issue 125,460,000 Shares at an issue price of $0.004 per share (in lieu of Deferred Fees and Expenses) at Completion to Mr. Peter Ziegler who is a Related Party of the Company as described in the Explanatory Memorandum."*	☐	☐	☐
Resolution 9 *"That in accordance with Listing Rule 10.11 and for all other purposes, subject to approval of Resolutions 1 and 2, the Company be authorised to issue 122,490,000 Shares at an issue price of $0.004 per share (in lieu of Deferred Fees and Expenses) at Completion to Mr. Paul Byrne who is a Related Party of the Company as described in the Explanatory Memorandum."*	☐	☐	☐
Resolution 10 *"That in accordance with the provisions of Listing Rule 7.4, and for all other purposes, the Shareholders ratify the previous issue and allotment of 10,000,000 fully paid ordinary Shares in the*	☐	☐	☐

*Company (**ASOF Shares**) on 5 December 2014 for a consideration of $60,000 (representing an issue price of $0.006 per Share) to The Australian Special Opportunity Fund LP (**ASOF**), which issue fell within one or more of the classes of exemptions specified in section 708 of the Corporations Act 2001 (Cth)."*

Resolution 11 *"That in accordance with the provisions of Listing Rule 7.4, and for all other purposes, the Shareholders ratify the previous issue and allotment of 6,600,000 fully paid ordinary Shares in the Company (**Cape Coal Shares**) on 18 June 2015 at an issue price of $0.004 per Share to Cape Coal Pty Ltd (**Cape Coal)**, which issue fell within one or more of the classes of exemptions specified in section 708 of the Corporations Act 2001 (Cth), in consideration for consultancy services provided by Cape Coal to the Company."*	☐	☐	☐
Resolution 12 *"That in accordance with the provisions of Listing Rule 7.4, and for all other purposes, the Shareholders ratify the previous issue and allotment of 27,000,000 fully paid ordinary Shares in the Company on 22 July 2015 for a consideration of $108,000 (representing an issue price of $0.004 per Share) to Trepang Services Pty Ltd (**Previous Trepang Shares**), which issue fell one or more of the classes of exemptions specified in section 708 of the Corporations Act 2001 (Cth)."*	☐	☐	☐
Resolution 13 *"That in accordance with the provisions of Listing Rule 7.4, and for all other purposes, the Shareholders ratify the previous issue and allotment of 27,000,000 fully paid ordinary Shares in the Company on 22 July 2015 for a consideration of $108,000 (representing an issue price of $0.004 per Share) to Bentley Resources Pte Ltd, VG Superannuation Fund, L&Z Tinkler Family Superannuation Fund and RJ Tinkler Family Trust (**Previous Bentley Shares**), which issue fell within one or more of the classes of exemptions specified in section 708 of the Corporations Act 2001 (Cth)."*	☐	☐	☐

Individual or Security holder 1	**Security holder 2**	**Security holder 3**
Sole Director and sole Company Secretary (If appointed)	**Director**	**Director/Company Secretary**

_______________	_______________	_______________
Contact Name	**Contact daytime telephone**	**Date**

Annexure A

BDO Independent Expert's Report

Annexure B

Substantial Shareholders Interest

Shareholder	Current Shares *	Current Relevant Interest **	Shares held directly if take up full entitlement (assumes100% take up under rights issue)	Relevant Interest following take up of entitlement (assumes100% take up under rights issue) **	Shares upon issue of Proposed Trepang Securities, Proposed Bentley Securities, Trepang Conversion Shares and Bentley Conversion Shares	Relevant Interest upon issue of Proposed Trepang Securities, Proposed Bentley Securities, Trepang Conversion Shares and Bentley Conversion Shares**
The Australian Special Opportunity Fund	57,054,377	14.82%	114,108,754	10.41%	114,108,754	2.80%
Trepang Services Pty Ltd and the Trepang Services Unit	27,000,000	14.02%	54,000,000	14.02%	1,704,000,000	84.00%
Nathan Tinkler (or his nominees)	27,000,000	14.02%	54,000,000	14.02%	1,704,000,000	84.00%
Mr Paul Byrne and Moray Holdings (Qld) Pty Ltd	22,667,304	5.89%	45,334,608	5.89%	45,334,608	1.11%

This Table assumes that all Shareholders take up all of their entitlements in the prior Entitlements Issue and that the Shares the subject of Resolution 1 and 2 are issued. This table does not take into account where either or both Trepang or Mr Tinkler (and his nominees) are the *only* Shareholders to take up their entitlements in the Entitlements Issue, and no Outstanding Director Fee Shares or Deferred Fees and Expenses Shares are issued. In those circumstances, they may both hold a Relevant Interest in up to approximately 92% of the Shares. Refer to the table on Annexure D for further detail. Further this table does not include Shares issued pursuant to the approval of Resolutions 4 to 9. If Resolutions 4 to 9 are approved by Shareholders, Mr Paul Byrne and Moray Holdings (Qld) Pty Ltd will hold 217,716,912 Shares, being an interest of 4.90% of the issued share capital of the Company.

*Shares held directly.

**This includes all Shares in which the relevant party holds a Relevant Interest - whether held directly or held by its Associates.

Annexure C

Director's interest in Shares of the Company

Director	Current Interest in Shares	Current Interest percentage	Shares if take up full entitlement (assumes100% take up under rights issue)	Percentage Interest following take up of entitlement (assumes100% take up under rights issue)	Shares upon issue of Proposed Trepang Securities, Proposed Bentley Securities*, Trepang Conversion Shares and Bentley Conversion Shares	Percentage Interest upon issue of Proposed Trepang Securities and Proposed Bentley Securities*, Trepang Conversion Shares and Bentley Conversion Shares	Shares upon the issue of Outstanding Director Fee Shares and Deferred Fees and Expenses Shares**	Percentage Interest upon the issue of Outstanding Director's Fees Shares and Deferred Fees and Expenses Shares**
Mr Peter Ziegler	3,284,167	0.85%	6,568,334	0.85%	6,568,334	0.16%	180,687,501	4.07%
Mr Paul Byrne	22,667,304	5.89%	45,334,608	5.89%	45,334,608	1.11%	217,716,912	4.90%
Mr Paul Ingram	1,150,000	0.30%	2,300,000	0.30%	2,300,000	0.006%	28,200,000	0.64%
Mr Paul Ryan	Nil	Nil	Nil	Nil	Nil	Nil	24,750,000	0.56%

*This assumes that all Shareholders take up all of their entitlements in the prior Entitlements Issue that the Shares the subject of Resolution 1 and 2 are issued.

** This assumes that all Shareholders take up all of their entitlements in the prior Entitlements Issue, that the Shares the subject of Resolution 1 and 2 are issued and that all Outstanding Director Fee Shares and Deferred Fees and Expenses Shares were approved (pursuant to Resolutions 4 to 9) and issued to the Current Directors.

Annexure D

Dilutionary effect of the issue of the Proposed Trepang Securities, Proposed Bentley Securities, Trepang Conversion Shares, Bentley Conversion Shares, Outstanding Director Fee Shares and Deferred Fees and Expenses Shares.

	Current		Post Entitlements Issue **		Post Share Issue **		Post Share Issue **** Percentage only, not numbers of shares	Post Issue of Outstanding Director Fee Shares and Deferred Fees and Expenses Shares***	
	Securities directly held	Percentage directly held	Securities directly held	Percentage directly held	Securities directly held	Percentage directly held	Percentage directly held	Securities directly held	Percentage directly held
Ordinary shares: Current Shareholders (excluding Trepang & Bentley and nominees)	330,940,869	85.97%	661,881,738	85.97%	661,881,738	16.26%	8.92%	1,031,931,738	23.24%
Ordinary shares: Trepang	27,000,000	7.01% (Relevant Interest is 14.02%)	54,000,000	7.01% (Relevant Interest is 14.02%)	1,704,000,000	41.87% (Relevant Interest is approximately 84%)	45.91% (45.18%) (Relevant Interest is approximately up to 92% depending on whether one or both of Bentley and Trepang take up their rights)	1,704,000,000	38.38% (Relevant Interest is approximately 77%)
Ordinary shares: Bentley*	27,000,000	7.01% (Relevant Interest is 14.02%)	54,000,000	7.01% (Relevant Interest is 14.02%)	1,704,000,000	41.87% (Relevant Interest is approximately 84%)	45.18% (45.91%) (Relevant Interest is up to approximately 92% depending on whether one or both of Bentley and Trepang take up their rights)	1,704,000,000	38.38% (Relevant Interest is approximately 77%)
Total ordinary shares	384,940,869	100%	769,881,738	100%	4,069,881,738	100%	100%	4,439,931,738	100%

**This assumes that all Shareholders take up all of their entitlements in the prior Entitlements Issue.

***This assumes that all Shareholders take up all of their entitlements in the Entitlements Issue, that the Shares the subject of Resolution 1 and 2 are issued and that all Outstanding Director Fee Shares and Deferred Fees and Expenses Shares are approved (pursuant to Resolutions 4 to 9) and issued to the Current Directors.

**** The numbers in brackets next to Trepang and Bentley show the percentage holding that each will have where only Bentley takes up its entitlements in the Entitlements Issue, and the numbers outside of the brackets show the reverse. In each case it is assumed that:

- no other Shareholder takes up its entitlements;
- the Shares the subject of Resolutions 1 and 2 are issued; and
- no Outstanding Director Fee Shares or Deferred Fees and Expenses Shares are issued.

AUSTRALIAN PACIFIC COAL LTD
Independent Expert's Report

11 September 2015

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Financial Services Guide

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ('BDO CFQ' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDO CFQ holds an Australian Financial Services Licence to provide the following services:

(a) financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and

(b) arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDO CFQ has been engaged to provide an independent expert's report to the shareholders of Australian Pacific Coal Ltd ('AQC' or 'the Company') in relation to a proposed capital raising in the form of placements to two cornerstone investors ('the Proposed Placements').

Further details of the Proposed Placements are set out in Section 3.0. The scope of this Report is set out in detail in Section 4.0. This Report provides an opinion on whether or not the Proposed Placements are fair and reasonable to AQC shareholders.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. A shareholder's decision to vote in favour of or against the Proposed Placements are likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this Report will be approximately $35,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Proposed Placements.

Except for the fees referred to above, neither BDO CFQ, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDO CFQ may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDO CFQ. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDO CFQ) are entitled to receive a salary. Where a director of BDO CFQ is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDO CFQ or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDO CFQ has not provided any services to AQC, Bentley and/or Trepang over the past two years.

The signatory to the Report does not hold any shares in AQC and no such shares have ever been held by the signatory.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which are publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investment Commission (ASIC) also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Contact Details

BDO Corporate Finance (QLD) Ltd

Location Address:	Postal Address:
Level 10 12 Creek Street BRISBANE QLD 4000	GPO Box 457 BRISBANE QLD 4001
Phone: (07) 3237 5999	Email: cf.brisbane@bdo.com.au
Fax: (07) 3221 9227	

Glossary

Reference	Definition
A$ or $	Australian dollars
ABV	Asset-based valuation
AQC	Australian Pacific Coal Ltd
Area Coal	Area Coal Pty Ltd, AQC's 100% owned subsidiary
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
BDO CFQ	BDO Corporate Finance (QLD) Ltd
BDO Persons	BDO CFQ, BDO (QLD) or any of its partners, directors, agents or associates
Bentley	Bentley Resources Pte Ltd
Blackwood	Blackwood Resources Pty Ltd
Blackwood JV	Tenement Sale and Joint Venture Exploration and Development agreement between AQC's 100% owned subsidiary Mining Investments One Pty Ltd and Blackwood
CME	Capitalisation of maintainable earnings
Company, the	Australian Pacific Coal Ltd
Convertible Loan Deeds, the	Convertible Loan Deeds in respect to the early release of $200,000 ($100,000 from each of Trepang and Bentley) from the funds being held in escrow with AQC's solicitors
Corporations Act, the	The Corporations Act 2001
DCF	Discounted cash flow
Entitlements Issue, the	A non-renounceable entitlements issue of up to 384,940,869 AQC Shares at a price of $0.004 per share to raise up to $1.54 million before costs
EPC	Exploration permit coal
EV/lease area	Enterprise value to lease area multiple
EV/resource	Enterprise value to resource tonne multiple
FSG	Financial Services Guide
FY	Financial year
High Entitlements Issue Scenario	A scenario in which the Entitlements Issue is fully subscribed for and the full amount of approximately $1.54 million is raised
JORC	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
km	Kilometre
Low Entitlements Issue Scenario	A scenario in which the subscription rate of the Entitlements Issue is 0% and no funds are raised
MBV	Market-based valuation
MDL	Mining development license
MEE	Multiples of Exploration Expenditure
Mid Entitlements Issue Scenario	A scenario that considers the mid-point between the Low Entitlements Issue Scenario and the High Entitlements Issue Scenario
Mt	Million tonnes

Reference	Definition
Notice of Meeting, the	The Notice of Extraordinary General Meeting and Explanatory Memorandum prepared by AQC expected to be dated on or about 11 September 2015
PCI	Pulverised coal injection
Proposed Bentley Placement	The proposed placement of 1,650,000,000 shares to Bentley at $0.004 per share for a subscription amount of $6.6 million in accordance with the relevant subscription agreement and convertible loan deed
Proposed Trepang Placement	The proposed placement of 1,650,000,000 shares to Trepang at $0.004 per share for a subscription amount of $6.6 million in accordance with the relevant subscription agreement and convertible loan deed
Proposed Placements, the	The proposed placement of 3,300,000,000 AQC shares to Bentley and Trepang at $0.004 per share for a total subscription amount of $13.2 million in accordance with the Subscription Agreements and the Convertible Loan Deeds
Regulations, the	The Corporation Regulations 2001
Report, this	This independent expert's report prepared by BDO CFQ and dated 11 September 2015
RG 111	Regulatory Guide 111: *Content of Expert Report*, issued by ASIC
RGs	Regulatory guides published by ASIC
Rio Tinto	Rio Tinto Exploration Pty Ltd
Rio Tinto JV	Exploration, Option and Joint Venture Agreement between AQC and Rio Tinto executed on 22 August 2011
Subscription Agreements, the	Subscription agreements in respect of the Proposed Placements to Bentley and Trepang
Trepang	Trepang Services Pty Ltd
US$	United States dollar
VWAP	Volume weighted average price
We, us, our	BDO Corporate Finance (QLD) Ltd
Xenith	Xenith Consulting
Xenith Report, the	Technical Specialist Report on Australian Pacific Coal Ltd Assets prepared by Xenith dated 14 August 2015

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GPO Box 457, Brisbane QLD 4001
AUSTRALIA

The Shareholders
C/- The Directors
Australian Pacific Coal Ltd
Level 7, 10 Felix St,
BRISBANE QLD 4000

11 September 2015

Dear Shareholders,

Independent Expert's Report

1.0 Introduction

BDO Corporate Finance (QLD) Ltd ('BDO CFQ', 'we', 'us' or 'our') has been engaged to provide an independent expert's report ('this Report') to the shareholders of Australian Pacific Coal Ltd ('AQC' or 'the Company') in relation to a proposed capital raising in the form of a placement to Bentley Resources Pte Ltd ('Bentley') ('Proposed Bentley Placement') and to Trepang Services Pty Ltd ('Trepang') ('Proposed Trepang Placement'). As the Proposed Bentley Placement and the Proposed Trepang Placement are conditional upon each other, we refer to them jointly as 'the Proposed Placements' and have assessed them as a single transaction. We are advised by AQC that Bentley and Trepang are presently regarded as associates.

The Proposed Placements will result in two cornerstone investors, Bentley and Trepang each increasing their relevant interest in AQC shares to a level greater than 20%. Section 606 of the Corporations Act states that, subject to the exceptions set out in section 611, a 'relevant interest' in issued voting shares in a listed company cannot be increased from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. Item 7 of section 611 is one such exemption in circumstances where the transaction is approved in advance by a resolution passed at a general meeting.

In this Report, BDO CFQ has expressed an opinion as to whether or not the Proposed Placements are 'fair and reasonable' to the non-associated AQC shareholders. The Proposed Placements can only proceed subject to the conditions precedent as set out in the Notice of Extraordinary General Meeting and Explanatory Memorandum prepared by AQC and expected to be dated on or about 11 September 2015 ('the Notice of Meeting').

A more detailed discussion of the Proposed Placements is set out in Section 3.0. The scope of this Report and the basis for assessing the Proposed Placements is set out in detail in Section 4.0.

We understand this Report will be provided to AQC shareholders to assist them to make an informed decision on whether to vote in favour of or against the Proposed Placements. This Report has been prepared solely for the use by AQC shareholders immediately prior to the Proposed Placements to provide them with information relating to the Proposed Placements. Apart from the purpose stated directly above, this Report cannot be used or relied on for any other purpose or by any other person or entity.

This Report should be read in full, including the assumptions underpinning our work together with the other information provided to AQC shareholders in conjunction with this Report, including the Notice of Meeting prepared by AQC in relation to the Proposed Placements.

This Report does not address circumstances specific to individual AQC shareholders. An AQC shareholder's decision to vote in favour of or against the Proposed Placements are likely to be influenced by their own particular circumstances including, for example, their taxation considerations and risk profile. AQC shareholders should obtain their own professional advice in relation to their own circumstances.

2.0 Summary of Opinion

This section is a summary of our opinion only and cannot substitute for a complete reading of this Report.

2.1 Fairness of the Proposed Placements

This section provides a summary of our assessment of the fairness of the Proposed Placements. A more detailed assessment of the fairness of the Proposed Placements is set out in Section 8.0 of this Report.

To assess the fairness of the Proposed Placements, we:

a) Calculated the value of a share in AQC on a controlling interest basis prior to the Proposed Placements to be in the following ranges:

- Our ABV of AQC is in the range of $0.0010 to $0.0111 with a preferred value of $0.0063 on a controlling interest basis under the Low Entitlements Issue Scenario;
- Our ABV of AQC is in the range of $0.0020 to $0.0087 with a preferred value of $0.0055 on a controlling interest basis under the Mid Entitlements Issue Scenario;
- Our ABV of AQC is in the range of $0.0025 to $0.0075 with a preferred value of $0.0051 on a controlling interest basis under the High Entitlements Issue Scenario; and
- Our MBV of AQC is $0.0052 on a controlling interest basis (as a result of the application of a control premium to our MBV of $0.0040 on a minority interest basis);

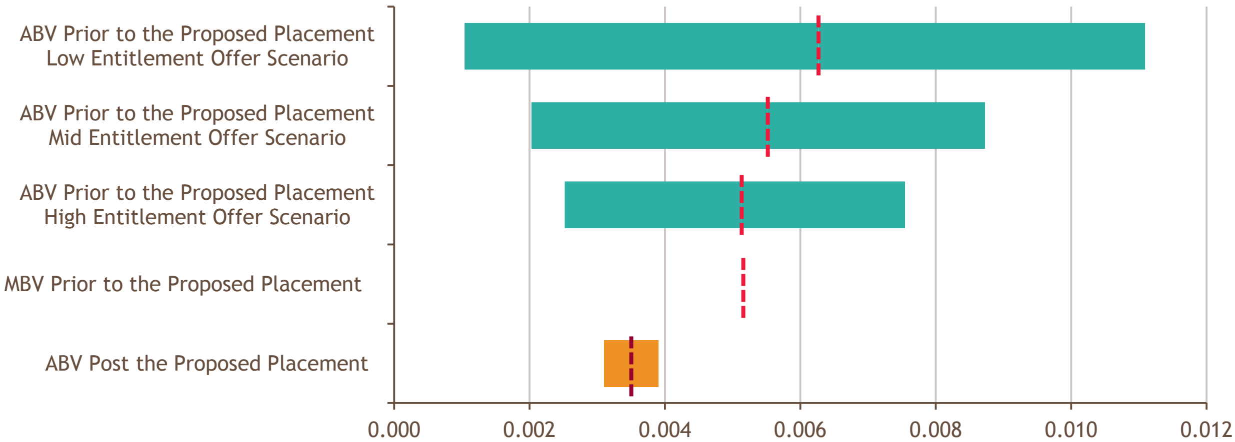
(refer Section 6.0 of this Report for our valuation of AQC prior to the Proposed Placements);

b) Calculated the value of a share in AQC on a minority interest basis post the Proposed Placements to be in the range of $0.0031 to $0.0039 with a preferred value of $0.0035 (refer Section 7.0 of this Report for our valuation of AQC post the Proposed Placements); and

c) Compared the value of an AQC share determined in (a) above (i.e. prior to the Proposed Placements on a controlling interest basis) to the value of an AQC share determined in (b) above (i.e. post the Proposed Placements on a minority interest basis). Our fairness assessment is set out in Section 8.0 of this Report.

The Proposed Placements are considered to be fair if the value of an AQC share post the Proposed Placements is equal to or greater than the value of an AQC share prior to the Proposed Placements. Figure 2.1 below summarises our assessment of the fairness of the Proposed Placements, setting out a graphical comparison of our valuation of an AQC share on a controlling interest basis prior to the Proposed Placements with our valuation of an AQC share on a minority interest basis post the Proposed Placements.

Figure 2.1: Assessment of the Fairness of the Proposed Placements



Source: BDO CFQ analysis

With reference to Figure 2.1 above, we note:

- Our valuation range for the ABV post the Proposed Placements are significantly narrower than the range for our ABV prior to the Proposed Placements under each of the three scenarios. This is being driven by the significant number of shares issued at $0.004 under the Proposed Placements;

- Our valuation range for the ABV post the Proposed Placements is between the low and preferred value for our ABV prior to the Proposed Placements under each of the three scenarios;

- Our valuation range for the ABV post the Proposed Placements is less than our MBV prior to the Proposed Placements. One reason for the difference is that we are comparing a minority interest post the Proposed Placements with a controlling interest prior to the Proposed Placements. As set out in Section 4.0 of this Report, we are required by RG 111 to assess the transaction by comparing a controlling interest valuation prior to the Proposed Placements to a minority interest valuation post the Proposed Placements; and

- The price being paid by Bentley and Trepang under the Proposed Placements for a controlling interest in AQC shares (as defined by RG 111) is the same price as our MBV on a minority interest basis.

Having regard to the above, in our view, the Proposed Placements are **Not Fair** to AQC shareholders as at the date of this Report.

2.2 Reasonableness of the Proposed Placements

Table 2.2 below summarises our view of the advantages and disadvantages associated with the Proposed Placements. AQC shareholders should refer to Sections 9.1 and 9.2 of this Report for a more detailed discussion of the advantages and disadvantages associated with the Proposed Placements.

Table 2.2: Summary of Potential Advantages and Disadvantages of the Proposed Placements

Advantages	Disadvantages
▪ The Proposed Placements are the best proposal available at the current time to fund the Company ▪ Funding for operations ▪ Settlement of amounts owing to AQC directors ▪ Equity funding without interest commitments implicit in hybrid or debt instruments ▪ Cornerstone investor with additional experience ▪ Support in the transition of AQC from an explorer to a producer	▪ The Proposed Placements are not fair ▪ Dilution of AQC shareholders' interests ▪ Ability to pass or block a special resolution ▪ Possible change in strategic direction in a way that AQC shareholders may not agree with ▪ Takeover offer may become more difficult ▪ Potential for a significant number of AQC shares to be sold on the open market ▪ Liquidity of AQC shares may reduce

Source: Table 9.1 and Table 9.2 of this Report

If the Proposed Placements are not approved then the potential position of AQC shareholders will include the following factors:

- The existing AQC shareholders will continue to own 100% of the Company;

- AQC will require an alternative capital raising and there is no guarantee that the price of any alternative capital raising will be in excess of the $0.004 of the Proposed Placements;

- AQC will be required to repay the $200,000 loan funds within five business days of 30 November 2015;

- AQC will not be able to recover the costs incurred in relation to the Proposed Placements; and

- The share price of AQC may differ materially from the share price in the period following the announcement on 27 July 2015.

The above factors are discussed in more detail in Section 9.3 of this Report.

After considering the advantages, disadvantages and other considerations summarised above and set out in further detail in the balance of this Report, it is our view that, in the absence of any other information, the Proposed Placements are **Reasonable** as at the date of this Report.

2.3 Expert's Opinion on the Proposed Placements

In our opinion, the Proposed Placements are **Not Fair but Reasonable** to AQC shareholders as at the date of this Report.

Notwithstanding our view that the Proposed Placements are Not Fair but Reasonable to AQC shareholders, we strongly recommend that AQC shareholders also have regard to the information set out in the balance of this Report.

2.4 Other Considerations for AQC Shareholders

Before forming a view on the Proposed Placements, we strongly recommend that AQC shareholders:

- Consult their own professional advisers;
- Carefully read all relevant documentation provided to them, including this Report, the Notice of Meeting, and all other information provided; and
- Consider their specific circumstances and assess the way in which those circumstances might impact their decision to vote in favour of or against the Proposed Placements.

The analysis set out in this Report has relied on certain economic, market and other conditions prevailing as at the date of this Report. We note that changes in these conditions may have a material impact on the information presented in this Report. BDO CFQ is not responsible for updating this Report in the event that these circumstances change.

3.0 The Proposed Placements

This section sets out an overview of the Proposed Placements and is structured as follows:

- Section 3.1 summarises the background of the Proposed Placements;
- Section 3.2 sets out the conditions precedent of the Proposed Placements;
- Section 3.3 provides a description of the parties involved in the Proposed Placements;
- Section 3.4 discusses the strategic rationale for the Proposed Placements; and
- Section 3.5 summarises the effects of the Proposed Placements on ownership interests.

3.1 Description of the Proposed Placements

On 29 July 2015 AQC announced that it had executed a binding term sheet with two cornerstone investors, Bentley and Trepang, to place 3,300,000,000 fully paid ordinary shares at $0.004 per share to raise a total of $13.2 million before costs. AQC announced on 27 August 2015 that subscription agreements in respect of the Proposed Placements to Bentley and Trepang ('the Subscription Agreements') have been executed, upon which Bentley and Trepang provided $13.2 million held in escrow in the Company's solicitors' trust account for settlement of the Proposed Placements in accordance with the terms of the Subscription Agreements.

For the purposes of item 7, section 611 of the Corporations Act, the Proposed Placements are subject to the Company obtaining shareholder approval for the following resolutions at the General Meeting:

- Bentley will increase its existing holding in the Company to an amount up to 45.91%[1] (depending on the participation rate of an entitlements issue and whether amounts owing to directors are converted into shares, as described below) as a result of being issued 1,650,000,000 shares at $0.004 each for a subscription amount of $6.6 million; and
- Trepang will increase its existing holding in the Company to an amount up to 45.91% (depending on the participation rate of an entitlements issue and whether amounts owing to directors are converted into shares, as described below) as a result of being issued 1,650,000,000 shares at $0.004 each for a subscription amount of $6.6 million.

As Bentley and Trepang are associates, they will be able to increase their relevant interest to an amount up to 91.15% if no other shareholder takes up the Entitlements Issue except for Bentley and Trepang and the amounts owing to the directors of AQC are not converted to shares.

On 9 September 2015, AQC announced that Bentley and Trepang have agreed to the early release of a total of $200,000 from the $13.2 million funds being held in escrow. The early release of funds was undertaken by way of a loan pursuant to a convertible loan deed between the Company and each of Trepang and Bentley ('the Convertible Loan Deeds'). In consideration for the advance, AQC will seek shareholder approval for the issue of AQC shares at an issue price of $0.004 at the Extraordinary General Meeting. If shareholder approval is not obtained then the Company will be required to repay the $200,000 loan funds within five business days of 30 November 2015. Irrespective of the outcome of shareholder approval, AQC will be required to pay interest on the $200,000 in the period following the Extraordinary General Meeting. Interest will accrue at a rate of 9.15%.

The term 'the Proposed Placements' in this Report refers to the issue of shares pursuant to both the Subscription Agreements and the Convertible Loan Agreements.

Prior to the Proposed Placements, AQC will undertake a non-renounceable entitlements issue ('the Entitlements Issue') to raise up to $1.54 million before costs. Under the Entitlements Issue, shareholders will be entitled to acquire one new ordinary share for every one ordinary share held at an issue price of $0.004 per share. As at the date of this Report, the number of shareholders taking up their rights in the entitlement offer is not known.

[1] Either one of the cornerstone investors will be able obtain a maximum shareholding of 45.91% if no other shareholder takes up the Entitlements Issue except for the investor in question and the amounts owing to the directors of AQC are not converted to shares. Under this scenario, the cornerstone investor that did not take up the Entitlements Issue will have a shareholding of 45.18%.

The Company's first priority upon the completion of the Proposed Placements and the Entitlements Issue is to investigate the potential for a standalone open cut metallurgical mine at the Hillalong Project area (comprising tenements Mount Hillalong, Mount Hess and Mount Hess West) formerly subject to an option agreement with Rio Tinto. AQC will also conduct detailed exploration and drilling programmes on AQC's key target areas, including Cooroorah, South Clermont and Dingo tenements. Subject to exploration results, AQC will commence a scoping study to investigate the Cooroorah Project as a low cost underground development to produce hard coking coal.

Refer to Sections 3.0 to 15.0 of the technical expert's report (attached as Appendix D) for more detailed discussion of AQC's projects and joint venture agreements.

3.1.1 Proposed Settlement of Amounts Owing to the Directors of AQC

It is proposed that upon completion of the Proposed Placements, payment of amounts owing to the directors of AQC will be made as follows:

- **Deferred fees and expenses in relation to consulting services**
  - In the event where shareholder approval has been given, the amount owing as at 31 July 2015 will be converted into ordinary shares at a conversion price of $0.004 per share;
  - In the event where shareholder approval has not been given, the amount owing as at 31 July 2015 will be paid in three equal instalments with the first instalment at completion; and
  - Deferred fees and expenses post 31 July 2015 will be paid in cash in full upon completion of the Proposed Placements; and
- **Outstanding directors' fees**
  - In the event where shareholder approval has been given, the amount owing as at completion of the Proposed Placements will be converted into ordinary shares at a conversion price of $0.004 per share; and
  - In the event where shareholder approval has not been given, the amount owing as at completion of the Proposed Placements will be paid in full in cash.

3.1.2 Proposed Board and Executive Positions

It is proposed that upon completion of the Proposed Placements, the board and executive positions of AQC will be as follows:

- Mr Nathan Tinkler, who controls Bentley, will join the board of AQC as managing director and chief executive officer;
- Mr John Robinson Jnr, who is an associate of Trepang, will join the board of AQC as non-executive director;
- Mr Shane Cranswick will join AQC as chief financial officer and company secretary;
- Mr Paul Byrne will resign as managing director and remain on the board as an executive director;
- Mr Peter Ziegler will remain on the board as non-executive chairman;
- Mr Paul Ryan and Mr Paul Ingram will retire from the board; and
- Mr Kevin Mischewski will resign as company secretary and continue with the Company as Financial Controller.

AQC shareholders should refer to sections 2 and 3 of the Explanatory Memorandum accompanying the Notice of Meeting for a more detailed discussion of the Proposed Placements.

3.2 Conditions Precedent to the Proposed Placements

Section 3.1 of the Subscription Agreements sets out conditions for the completion of the Proposed Placements, including:

- Approvals for the Proposed Placements and Entitlements Issue being passed, provided or approved, as the case may be, in accordance with the applicable laws;

- All other approvals and resolutions of shareholders of the Company necessary for completion of the Proposed Placements to occur being obtained or passed;

- All approvals required from, or other requirements of, Australian Securities and Investments Commission ('ASIC'), Australian Securities Exchange ('ASX') and any other Government Body for Completion to occur being obtained or met, as the case may be, excluding the Approving Resolution;

- The Company having entered into agreements with each of its current directors in respect of deferred fees and expenses of the current directors;

- The Company having entered into agreements with each of its current Directors in respect of unpaid directors' fees;

- The Company having entered into an agreement with Mr Nathan Tinkler, Mr John Robinson Jnr, Mr Shane Cranswick, Mr Paul Byrne, Mr Peter Ziegler, and Mr Kevin Mischewski in respect of their appointments to positions within the Company;

- The Company undertaking the Entitlements Issue; and

- The warranty in respect of the Exploration Option and Joint Venture Agreement in place with Rio Tinto Exploration Pty Ltd and the tenements subjected to the joint venture agreement, being true and correct in all material respects as at completion of the Proposed Placements.

AQC shareholders should refer to sections 2.3(a) and 3.3(a) of the Explanatory Memorandum accompanying the Notice of Meeting for a more detailed discussion of the conditions precedent to the Proposed Placements.

3.3 Description of the Key Parties Involved in the Proposed Placements

3.3.1 Australian Pacific Coal Limited

AQC is an Australian publicly listed company focusing on acquiring and developing coking, pulverised coal injection ('PCI') and thermal coal deposits in Queensland, Australia.

Refer to Section 5.0 of this Report for further information in relation to AQC.

3.3.2 Bentley Resources Pte Ltd

Bentley is an entity controlled by Mr Nathan Tinkler and was set up in Singapore in 2012. Mr Nathan Tinkler co-founded Aston Resources Limited and was significantly involved in the development of Whitehaven Coal Limited and the Middlemount Project.

3.3.3 Trepang Services Pty Ltd

Trepang is an entity controlled by Mr John Robinson Snr and Mr Nick Paspaley (of the Paspaley Pearling Company, the largest and oldest pearling company operating in Australia). Mr John Robinson Jnr has led numerous private equity acquisitions in the property and retail sectors and has experience with mining support services.

3.4 Strategic Rationale for the Proposed Placements

The directors are of the view that the funds raised from the Proposed Placements will place the Company in a strong financial position to progress and expedite the exploration programmes planned for AQC's existing suite of coal assets in Queensland. The Proposed Placements will also provide working capital to the Company.

3.5 Effect on Ownership Interests

Table 3.1 below assists to estimate the change in ownership interests following the Entitlements Issue and the Proposed Placements. For details on the current equity structure of AQC refer to Section 5.3 of this Report.

Table 3.1: Effects of the Entitlements Issue and the Proposed Placements on Ownership Interests in AQC

	Before Issue and Placement	0% Issue take up and Placement	50% Issue take up and Placement	100% Issue take up and Placement	Only Bentley takes up Issue and Placement	Only Trepang takes up Issue and Placement	Only Trepang and Bentley takes up Issue and Placement
Other AQC shareholders	85.97%	8.17%	11.70%	14.92%	8.92%	8.92%	8.85%
Bentley Resources Pte Ltd and its nominees	7.01%	41.39%	39.83%	38.41%	45.91%	45.18%	45.57%
Trepang Services Pty Ltd	7.01%	41.39%	39.83%	38.41%	45.18%	45.91%	45.57%
Conversion of outstanding directors' fees	n/a	2.92%	2.79%	2.67%	0.00%	0.00%	0.00%
Conversion of deferred consulting fees	n/a	6.12%	5.84%	5.59%	0.00%	0.00%	0.00%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Relevant interest of Bentley and Trepang	14.03%	82.79%	79.67%	76.82%	91.08%	91.08%	91.15%

Source: BDO CFQ analysis

4.0 Scope of Report and Methodology for Assessment

4.1 Scope of Report

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Corporations Act 2001 ('the Corporations Act'), the Corporation Regulations 2001 ('the Regulations'), the regulatory guides ('RGs') published by the ASIC and the listing requirements of the stock exchanges on which a company is listed. The requirements relevant to this Report are summarised in Sections 4.2 and 4.3 below.

The sole purpose of this Report is to express BDO CFQ's opinion on whether the Proposed Placements are fair and reasonable to AQC shareholders. This Report cannot be used by any other person for any other reason or for any other purpose. A copy of this Report will accompany the Notice of Meeting sent to AQC shareholders by the Company.

This Report is general financial product advice only and has been prepared without taking into account the objectives, risk profile, financial situation or needs of individual AQC shareholders. Before deciding whether to vote in favour of or against the Proposed Placements, individual AQC shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs, including their own taxation consequences. AQC shareholders should read in full the Notice of Meeting.

Whether to vote in favour of or against the Proposed Placements are a matter for individual AQC shareholders based on their expectations as to value and future market conditions and their own particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. AQC shareholders who are in doubt as to the action they should take in relation to the Proposed Placements should consult their own professional adviser.

4.2 Requirements of the Corporations Act and Regulations

Section 606 of the Act states that, subject to the exceptions set out in section 611, a 'relevant interest' in issued voting shares in a public company cannot be increased from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. Broadly, a 'relevant interest' is defined as an interest giving the holder the power to control the right to vote or dispose of shares.

If the Proposed Placements are approved, the following will occur:

- Bentley will increase its direct holding in the Company to an amount up to 45.91% (depending on the participation rate of the Entitlements Issue and whether amounts owing to directors are converted into shares) as a result of being issued 1,650,000,000 shares at $0.004 each for a subscription amount of $6.6 million; and

- Trepang will increase its direct holding in the Company to an amount up to 45.91% (depending on the participation rate of the Entitlements Issue and whether amounts owing to directors are converted into shares) as a result of being issued 1,650,000,000 shares at $0.004 each for a subscription amount of $6.6 million.

As Bentley and Trepang are associates, they will be able to increase their relevant interest to an amount up to 91.15% if no other shareholder takes up the Entitlements Issue except for Bentley and Trepang and the amounts owing to the directors of AQC are not converted to shares.

As Bentley and Trepang will obtain a relevant interest of more than 20% each in AQC, it is appropriate for AQC to seek an exemption from section 606 under item 7 of section 611 of the Act.

Item 7 of section 611 allows a party to gain a relevant interest in shares of a public company that would otherwise be prohibited under section 606 of the Act if the Proposed Placements are approved in advance by a resolution passed at a general meeting of the Company, and:

- No votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares; and

- There was full disclosure of all information known by both the party proposing to make the acquisition, their associates and the Company in relation to the Proposed Placements which was material to a decision on how to vote on the resolution.

Regulatory Guide 74 'Acquisitions agreed to by Shareholders' states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of AQC by either:

- Undertaking a detailed examination of the Proposed Placements themselves if they consider that they have sufficient expertise; or

- Commissioning an independent expert's report.

We have been requested to prepare this independent expert’s report to provide additional information to the non-associated shareholders of AQC to assist them to form a view on whether to vote in favour of or against the Proposed Placements.

4.3 Requirements of the ASX Listing Rules

ASX Listing Rule 7.1 states that, subject to Rules 7.1A and 7.1B, an entity must not issue or agree to issue greater than 15% of the number of fully paid ordinary securities on issue without the approval of holders of ordinary securities. However, under Listing Rule 7.2 (exception 16), an issue of securities approved for the purposes of section 611 (item 7) does not require further approval under Listing Rule 7.1. Therefore any shares issued to Bentley and Trepang will not count towards the Company’s 15% Capacity under Listing Rule 7.1. This Report has not been prepared for the purpose of complying with ASX Listing Rule 7.1 and 7.2. The requirements of ASX Listing Rule 7.1 and 7.2 are set out in more detail in the Notice of Meeting.

4.4 Methodology for Assessment

The Act does not provide any specific guidance in relation to the principles and content of an expert’s report relating to the approval of a sale of securities under item 7 of section 611 of the Act. However ASIC are of the view that the report should follow the requirements of other expert reports under the Act and ASIC have set out specific guidance in RG 111 ‘Content of Expert Reports’ (‘RG 111’) in relation to the approval of the issue of securities under item 7 of section 611 of the Act.

We have referred to RG 111 when determining the appropriate assessment methodology to adopt in this Report. RG 111 provides guidance in relation to independent expert’s reports in a range of circumstances, including those where the expert is required to provide an opinion on whether a transaction is ‘fair’ and ‘reasonable’ to shareholders.

RG 111 states that the independent expert’s report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation. The report should provide an opinion by the expert stating whether or not, in the opinion of the expert, the proposal is fair and reasonable. RG 111 also provides guidance on common valuation methodologies as well as other matters which should be considered by an expert when completing a valuation.

To meet the ASIC requirements, an expert seeking to determine whether a proposal is ‘fair and reasonable’ should complete the steps set out below.

4.4.1 Step 1 - Assessment of Fairness

RG 111 states that an issue of shares by a company prohibited under section 606 of the Act but which may be approved under item 7 of section 611 has an effect on the company’s shareholding that is comparable to a takeover bid. RG 111 states that such transactions should be analysed as if they were takeover bids under Chapter 6 of the Act.[2]

RG 111 states that a takeover bid can be considered fair if the value of the Proposed Placements price or consideration is equal to or greater than the value of the securities the subject of the Proposed Placements. In making this comparison, the expert should not consider the percentage holding of the allottee or its associates in the company. Rather, the expert should assume the allottee obtains control of 100% of the company. For this reason, it is inappropriate for an expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares. An issue of shares by a company prohibited under section 606 of the Act but which may be approved under item 7 of section 611 of the Act is required to be analysed as though it were a control transaction.

[2] RG 111 states that references to the ‘bidder’ and the ‘target’ should be taken to mean the ‘allottee’ and the ‘company’ respectively when considering issues of shares prohibited by section 606 of the Act but which may be approved under item 7 section 611 of the Act.

The Proposed Placements involve allowing Bentley and Trepang to increase their relevant interests in AQC from a starting point that is below 20%, to a relevant interest in excess of 20% via the Proposed Placements. The Proposed Placements therefore involve an issue of shares prohibited under section 606 of the Act but which may be approved under item 7 of section 611 of the Act. As a result, the Proposed Placements are required to be analysed as though it were a control transaction in accordance with the requirements of RG 111.

While AQC shareholders are required to vote on each of the Proposed Bentley Placement and the Proposed Trepang Placement separately, we have assessed the Proposed Placements in this Report as a single transaction as they are conditional upon each other.

Based on the above, in our view, the fairness of the Proposed Placements to AQC shareholders can be assessed by:

a) Calculating a value per share for AQC on a controlling interest basis prior to the Proposed Placements;

b) Calculating a value per share for AQC on a minority interest basis following the Proposed Placements; and

c) Comparing our value from a) above with b) above to allow us to conclude on whether or not the Proposed Placements are ‘fair’.

Our work will be completed using publicly available information and other information provided to us by the directors of AQC.

4.4.2 Step 2 - Assessment of Reasonableness

To assess whether the Proposed Placements are ‘reasonable’, in our view, it is appropriate to examine other significant factors to which AQC shareholders may give consideration to prior to deciding whether to vote in favour of or against the Proposed Placements. This evaluation may involve comparing the likely advantages and disadvantages of approving the Proposed Placements with the position of an AQC shareholder if the Proposed Placements are not approved, as well as consideration of other significant factors.

4.4.3 Step 3 - Expert’s Opinion

Upon completion of steps 1 and 2 above, we will conclude on whether the Proposed Placements are ‘fair’ and/or ‘reasonable’ to AQC shareholders. We note that under RG 111, the Proposed Placements are considered to be ‘reasonable’ if it is ‘fair’. It may also be possible to conclude that the Proposed Placements are ‘reasonable’ if there are sufficient valid reasons for the approval, notwithstanding that the Proposed Placements may not be ‘fair’ to the AQC shareholders.

This Report will conclude by providing our opinion as to whether or not the Proposed Placements are ‘fair and reasonable’. While all relevant issues must be considered prior to forming an overall opinion, we will assess the fairness and reasonableness issues separately for clarity.

In this Report we have not provided any taxation, legal or other advice in relation to the Proposed Placements. Other advisors have provided advice on those matters to AQC in relation to the Proposed Placements.

In the process of assessing the Proposed Placements, we have relied on certain economic, market and other conditions prevailing at the date of this Report. We note that changes in these conditions may have a material impact on the results presented in this Report. BDO CFQ is not responsible for updating this Report in the event that these circumstances change.

This Report has been prepared in accordance with professional standard APES 225 ‘Valuation Services’ issued by the Accounting Professional and Ethical Standards Board Limited.

5.0 Background of AQC

This section is set out as follows:

- Section 5.1 sets out an overview of AQC;
- Section 5.2 sets out an overview of AQC's projects;
- Section 5.3 sets out an overview of the equity structure of AQC;
- Section 5.4 sets out an overview of the recent performance of AQC's shares; and
- Section 5.5 sets out a summary of the historical financial information of AQC.

5.1 Overview

AQC is an Australian publicly listed company focusing on acquiring and developing coking, PCI and thermal coal deposits in Queensland, Australia. AQC listed on the ASX in 1999 and currently trades under the stock ticker AQC.

The focus of AQC's operations is to add value to its coal projects through evaluation of resource potential followed up with drilling as required to prove up the resource. AQC has a strategic holding of coal exploration tenements located in Queensland's Bowen, Galilee, Surat and Clarence-Moreton basins. These basins contain large reserves of thermal coal and currently produce coal for export and domestic use. The philosophy of AQC's management has been to secure strategic tenure by identifying available tenements close to operating mines or in areas with proven or potential in-ground resources in regions suitable for short term development.

Having identified prospective areas for further exploration, AQC is now focused on exploiting the commercial value of the coal projects. Exploitation opportunities include farm-in, joint venture exploration and joint venture development. AQC has a joint venture arrangement in place with major miner Cuesta Coal. Further information in relation to AQC's projects is set out in Section 5.2 below.

5.2 AQC Projects Overview

AQC holds interests in ten coal exploration permits ('EPC') (one of which is under application) and one mineral development license ('MDL') in the Bowen Basin, three EPCs in the Surat Basin and one EPC in the Galilee Basin. AQC also holds a mining lease over a small bentonite mine, Mantuan Downs No. 1, which has been on care and maintenance since 2009. The Company's coal tenements cover areas that are mostly close to rail and road infrastructure and some are down-dip or along strike of operating coal mines or known coal resources.

The tenements have been largely grouped into project areas which target similar coal seams within a close geographical proximity. EPCs cover areas AQC believes are prospective for both metallurgical and thermal coal and exploitable by both open cut and underground mining.

In recent years, AQC has focused on the review of its exploration tenements and future drilling programs. The Company has identified the following projects as the primary areas for further exploration and exploitation.

Refer to Sections 3.0 to 15.0 of the technical expert's report (attached as Appendix D) for more detailed discussion of AQC's projects and joint venture agreements.

5.2.1 Cooroorah (MDL 453) (AQC 100%)

Cooroorah is located approximately 15 kilometres ('km') northeast of Blackwater in eastern central Queensland's Bowen Basin, between the operating mines of Curragh and Jellinbah. The project is located in close proximity to key supporting infrastructure such as the Central Queensland rail line and the Capricorn Highway and was granted January 2014.

This project targets PCI and semi-soft coking coal from the Aries, Castor, Pollux and Pieces seams. 125 million tonnes ('Mt') of JORC Resource (comprising 70Mt Indicated and 55Mt Inferred Resource) has been identified according to JORC Code 2012. The Cooroorah project is proposed as an underground operation.

5.2.2 South Clermont (EPC 2011) (AQC 100%)

The South Clermont project is located to the south of Clermont Mine in the North Western Bowen Basin. The project targets the Permian Balir Athol Coal Measures and Back Creek Group coal seams. While historical drilling within and surrounding the tenement indicate Permian sediments in the area, the coal seams intersected have been considered to be of limited prospectivity.

Prospectivity of the project is constrained given it is located within the restricted area surrounding the town of Clermont, which prohibits coal applications;

5.2.3 Dingo (EPC 1859) (AQC 100%)

Dingo is located approximately 140km west of Rockhampton in Central Queensland, targeting Rangal Coal Measures. The Central Queensland Railway and Capricorn Highway passes through Dingo.

Coal analysis results from the project's exploration activity indicate potential for high yielding low volatile PCI coal. No JORC Resource estimate has been completed as at the date of this Report.

5.2.4 Mount Hillalong (EPC 1824) (AQC 100%)

The Mount Hillalong project targets the Rangal and Fort Cooper Coal Measures in the northern Bowen Basin, in close proximity to Hail Creek Mine which is managed by Rio Tinto Coal Australia.

The tenement comprises 15 sub-blocks (approximately 46km^2) centred on the Mount Hillalong homestead. Past work has shown isolated drill hole intercepts within tenements and geophysical surveys that defined good drilling targets as the basis for further exploration by the Company.

5.2.5 Other AQC Projects

Other projects held by AQC include:

- Mount Hess (EPCa 1645) and Mount Hess West (EPC 1867) (AQC 100%) – Proximal to Mount Hillalong (EPC 1824) and were granted to Rio Tinto under a joint venture agreement;
- Kemmis Creek (EPC 1773) (AQC 100%) – Located approximately 8km southwest of Rio Tinto's Hail Creek Mine and was granted to Rio Tinto under a joint venture agreement;
- Bee Creek (EPC 1566) (AQC 100%) – Located to the west of Oaky Creek Mine in the central Bowen Basin;
- Almoola (EPC 2037) (AQC 100%) – Located in the northern Bowen Basin, to the northeast of Collinsville Mine;
- Churchyard Creek (EPC 1996) (AQC 100%) – Located approximately 40km south of Middlemount in the central Bowen Basin;
- Kanga Creek (EPC 1956) (AQC 100%) – Located in the southern Bowen Basin, to the west of Moura;
- Mantuan Downs (ML 70360) (AQC 100%) – A bentonite mining lease that operated briefly until 2009. It is currently not economic and in care and maintenance;
- Blackwood tenements (EPC 1955, EPC 1957 and EPC 1987) (AQC 10%) – Under a joint venture agreement with Blackwood Resources Pty Ltd ('Blackwood'). EPC 1955 has Estimated JORC Resource of 44Mt (comprising 22Mt Indicated and 22Mt Inferred Resource); and
- Bottle Tree Creek (EPC 1896) (AQC 50%) – 50% interest transferred to Cape Coal Pty Ltd under an agreement, where Cape Coal Pty Ltd manages and funds 100% of exploration expenditure. Once the exploration phase is completed any further development of the tenement is to be funded in equal shares.

5.2.6 Joint Venture Agreements

Rio Tinto Exploration and Joint Venture Agreement

AQC entered to an Exploration and Joint Venture Agreement with Rio Tinto Exploration Pty Ltd ('Rio Tinto') ('Rio Tinto JV') executed on 22 August 2011. The Rio Tinto JV covered four of AQC's tenements, with key terms including:

- AQC's 100% owned subsidiary Area Coal Pty Ltd ('Area Coal') will transfer three tenements (EPC 1645, EPC 1773 and EPC 1867) to Rio Tinto;
- Rio Tinto will make an initial payment to AQC of $2.3 million;
- Area Coal retains ownership of Mount Hillalong (EPC 1824); and
- Rio Tinto's commitment period under Rio Tinto JV expired on 23 August 2015. Prior to the expiry of the commitment period, Rio Tinto was able to exercise an option to acquire a 75% interest in EPC 1824 for a specified sum. On exercise of the option the Agreement then provided AQC with a number of additional options for the further sale to Rio Tinto of its remaining 25% or for continued participation in a joint venture. If Rio Tinto does not exercise their option, ownership of all the transferred tenements reverts to Area Coal.

Rio Tinto's commitment period expired on 23 August 2015 and they have formally terminated the Rio Tinto JV with AQC. Consequently, Rio Tinto is obliged to return all of their interests in the other three tenements including exploration data, to Area Coal. AQC will continue the exploration and development of its Mt Hillalong project areas.

Blackwood Tenement Sale and Joint Venture Agreement

AQC, through its 100% owned subsidiary Mining Investments One Pty Ltd, has entered into a Tenement Sale and Joint Venture Exploration and Development agreement with Cuesta Coal Limited's subsidiary, Blackwood Resources Pty Ltd ('Blackwood JV').

Under the agreement, Blackwood acquired a 90% interest in the tenements EPC 1979, EPC 1955, EPC 1987 and EPC 1957 for a total cash consideration of $500,000 (Blackwood pays $125,000 upon grant of each EPC).

AQC holds a 10% free carried interest in the tenements up until bankable feasibility. AQC will then have the option to enter into a joint venture agreement with Blackwood to further explore and develop these tenements. Blackwood can withdraw at any time and offer the project back to AQC at no cost and is required to expend at least the minimum exploration commitment with the aim to prove up a coal resource.

The four EPCs cover large areas over the Clarence-Moreton, Surat and Galilee Basins. Blackwood Resources Pty Ltd and AQC have made the decision not to renew the tenement EPC 1979.

5.3 Equity Structure

As at 14 August 2015, AQC has 384,940,869 fully paid ordinary shares on issue.

5.3.1 Top 20 Shareholders in AQC

Table 5.1 summarises the top twenty shareholders of AQC as at 24 August 2015.

Table 5.1: Top 20 Shareholders in AQC

	Shareholder	Number of Shares	Percentage Holding
1	BNP Paribas Nominees Pty Ltd	40,054,400	10.41%
2	Trepang Services Pty Ltd	27,000,000	7.01%
3	Mr Paul Byrne	18,498,970	4.81%
4	BBY Nominees Limited	15,050,615	3.91%
5	Mr Boutros Saad & Mrs Mariam Saad	9,021,010	2.34%

	Shareholder	Number of Shares	Percentage Holding
6	Gordon Holdings (Qld) Pty Ltd	8,554,191	2.22%
7	Shemariah Pty Ltd <Kirkwood Family Super A/C>	8,320,000	2.16%
8	Shemariah Pty Ltd	8,000,000	2.08%
9	RJ Tinkler Investments Pty Ltd	6,750,000	1.75%
10	Leslie Norman Tinkler & Zelda Irene Tinkler	6,750,000	1.75%
11	JVG Aust Pty Ltd	6,750,000	1.75%
12	Bentley Resources Pte Ltd	6,750,000	1.75%
13	Mr James Glen Foley & Mrs Karen Veronica Ruby Foley	6,463,500	1.68%
14	Mr Peter Graham Wells	6,046,708	1.57%
15	Dr Elizabeth Anne Byrne Henderson	5,701,311	1.48%
16	Cape Coal Pty Ltd	5,271,557	1.37%
17	Mr Heath Barry Bourke	5,000,000	1.30%
18	MoodyCorp Pty Ltd	4,790,000	1.24%
19	Muskrat Pty Ltd	4,387,500	1.14%
20	Alcom Constructions Pty Ltd	4,386,056	1.14%
	Other shareholders	181,395,051	47.12%
	Total shares on issue	384,940,869	**100.00%**

Source: AQC

Having regard to Table 5.1 above, we note:

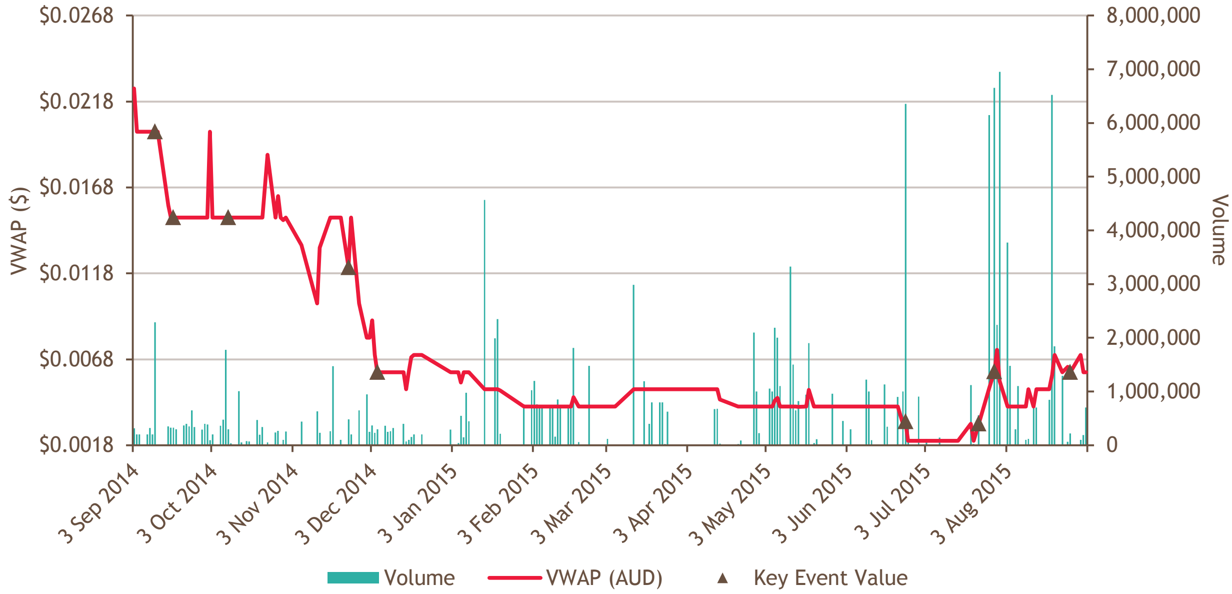
- Trepang holds 27,000,000 AQC shares (7.01% interest in AQC) as at 24 August 2015; and
- Bentley and its nominees hold 27,000,000 AQC shares (7.01% interest in AQC as at 24 August 2015, through RJ Tinkler Investments Pty Ltd, Leslie Norman Tinkler & Zelda Irene Tinkler, JVG Aust Pty Ltd and Bentley Resources Pte. Ltd.

5.4 Share Performance

5.4.1 Share Price Performance

Figure 5.1 shows the daily volume weighted average price ('VWAP') and daily volume of AQC shares traded on the ASX over the period from 3 September 2014 to 2 September 2015 inclusive.

Figure 5.1: Daily VWAP and Volume of AQC Shares Traded from 3 September 2014 to 2 September 2015



Source: Capital IQ as at 3 September 2015

Over the period graphed in Figure 5.1 above, AQC's daily VWAP shows a period low of $0.002 on 26 June 2015 and a period high of $0.0225 on 3 September 2014.

In addition to the share price and volume data of AQC shown above, we have also provided additional information in Table 5.8 below to assist readers to understand the possible reasons for movements in AQC's share price over the period analysed. The selected ASX announcement references in Table 5.2 below correspond to those displayed in Figure 5.1 above.

Table 5.2: Selected AQC ASX Announcements between 3 September 2014 and 2 September 2015

Date	Announcement
11/09/2014	AQC announced an Equity Offering to existing AQC shareholders to participate in a share purchase plan which will raise a maximum of $925,000.
18/09/2014	AQC announced that it has completed the allotment of 10,214,285 fully paid AQC ordinary shares raising $50,050 at $0.49 cents per share.
09/10/2014	AQC announced that it raised $188,414.88 under its share purchase plan.
24/11/2014	Shareholders approved a proposed 1 for 5 consolidation of share capital.
5/12/2014	1 for 5 consolidation of share capital completed.
25/06/2015	Rio Tinto Exploration Pty Ltd had decided not to exercise the option to acquire the tenement in relation to Mt Hillalong project. Consequently, the Exploration, Option and Joint Venture Agreement lapsed.
23/07/2015	AQC announced that it has completed a placement of 54 million shares at 0.4 cents per share for a total cash consideration of $216,000.
29/07/2015	AQC announced that it has executed a Binding Term Sheet with two cornerstone investors, Bentley and Trepang, to place 3,300,000,000 fully paid ordinary shares at $0.004 per share to raise a total of $13.2 million before costs. The Proposed Placements are subject to regulatory and shareholder approval. AQC also advised that it will undertake a non-renounceable entitlements issue to raise up to $1.42 million before costs. Shareholders will be entitled to acquire one new ordinary share for every one ordinary share held at the record date (to be determined) at an issue price of $0.004 per new share. Due to a subsequent issuance of shares, the Entitlements Issue has been increased to an amount up to $1.54 million before costs.

Date	Announcement
27/08/2015	AQC announced that it has executed the Subscription Agreements with Bentley and Trepang in relation to the Proposed Placements. AQC confirms that the $13.2 million funds to be raised pursuant to the Proposed Placements have been deposited into an escrow account operated by the Company's lawyers.

Source: AQC ASX Announcements

In Table 5.3 below we have set out AQC's VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 27 July 2015, being the date AQC entered into a trading halt pending the release of the announcement of the Proposed Placements and the Entitlements Issue, and 2 September 2015. We have set out AQC's VWAP prior to 27 July 2015 to provide additional information regarding AQC's share price performance excluding the effects of the Proposed Placements and the Entitlements Issue.

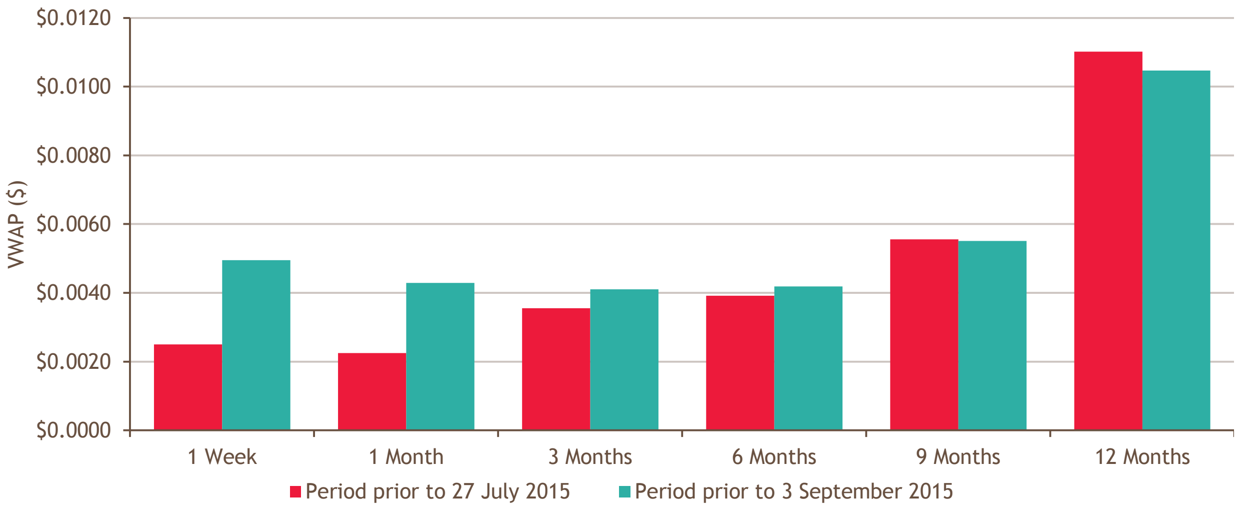
Table 5.3: AQC's VWAP for Specified Periods Prior to 27 July 2015 and 2 September 2015

Period Prior to 27 July 2015	VWAP	Period Prior to 14 August 2015	VWAP
1 Week	$0.0025	1 Week	$0.0050
1 Month	$0.0023	1 Month	$0.0043
3 Months	$0.0036	3 Months	$0.0041
6 Months	$0.0039	6 Months	$0.0042
9 Months	$0.0056	9 Months	$0.0055
12 Months	$0.0110	12 Months	$0.0105

Source: Capital IQ as at 3 September 2015

The information presented in Table 5.3 is shown graphically in Figure 5.2 below.

Figure 5.2: AQC's VWAP for Specified Periods Prior to 27 July 2015 and 2 September 2015



Source: Capital IQ as at 3 September 2015

5.4.2 Share Liquidity

The rate at which equity instruments are traded is generally referred to as the 'liquidity' of the equity instruments. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

Table 5.4 summarises the monthly liquidity of AQC shares from 1 September 2014 to 31 August 2015. Liquidity has been summarised by considering the following:

- Volume of AQC share trades per month;
- Value of total trades in AQC shares per month;
- Number of shares traded per month as a percentage of total shares outstanding at the end of the month; and
- Volume weighted average price per month.

Table 5.4: Liquidity of AQC Shares on the ASX

Month	Volume	Turnover	Shares Outstanding	Volume per Shares Outstanding	Monthly VWAP
August 2015	19,190,960	100,470	384,940,870	4.99%	$0.0052
July 2015	23,961,960	157,460	309,940,870	7.73%	$0.0066
June 2015	14,054,750	40,010	297,387,020	4.73%	$0.0028
May 2015	17,594,640	75,420	275,293,250	6.39%	$0.0043
April 2015	4,808,800	20,590	261,007,540	1.84%	$0.0043
March 2015	7,744,890	38,600	258,784,170	2.99%	$0.0050
February 2015	12,593,260	50,380	239,151,860	5.27%	$0.0040
January 2015	12,320,160	62,540	228,747,820	5.39%	$0.0051
December 2014	4,404,620	30,650	220,189,280	2.00%	$0.0070
November 2014	4,465,140	54,960	212,998,340	2.10%	$0.0123
October 2014	6,755,680	102,920	207,252,830	3.26%	$0.0152
September 2014	8,044,760	141,250	195,055,060	4.12%	$0.0176
Total	**135,939,620**	**875,250**	**257,562,409**	**52.78%**	**$0.0064**

Source: Capital IQ as at 3 September 2015

Assuming a weighted average number of 257,562,409 AQC shares on issue over the period, approximately 52.78% of the total shares on issue were traded over the period from 1 September 2014 to 31 August 2015. In our view, this indicates that AQC shares display a moderate level of liquidity.

5.5 Historical Financial Information

This section sets out the historical financial information of AQC. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in AQC's annual reports, including the full statements of comprehensive income, statements of financial position and statements of cash flows.

AQC's annual reports have been audited by Sothertons L.L.P. Chartered Accountants. BDO CFQ has not performed any audit or review of any type on the historical financial information of AQC. We make no statement as to the accuracy of the information provided. However, we have no reason to believe that any of the information provided is false or misleading.

5.5.1 Statement of Comprehensive Income

Table 5.5 summarises the consolidated statement of comprehensive income of AQC for the 12 month periods ('FY') ended 30 June 2012, 2013 and 2014 and for the 6 month period ended 31 December 2014.

Table 5.5: Summarised AQC Statements of Comprehensive Income

	12 Months Ended 30-Jun-12 Audited ($)	12 Months Ended 30-Jun-13 Audited ($)	12 Months Ended 30-Jun-14 Audited ($)	6 Months Ended 31-Dec-14 Audited ($)
Sale of goods	-	-	7,664	-
Interest received	55,747	13,389	16,556	4,509
Government subsidies received	4,000	-	-	-
Rental revenue	3,300	-	-	-
Sale of interest in tenements	2,425,000	400,000	-	5,000
Total Revenue	**2,488,047**	**413,389**	**24,220**	**9,509**
Raw materials and consumables	-	-	(20,757)	-
Loss on disposal of fixed assets	-	-	(381)	-
Employee benefits expense	(523,619)	(201,181)	(211,183)	(110,062)
Depreciation and amortisation expense	(120,778)	(113,073)	(48,350)	(18,087)
Exploration, evaluation and development expenses	(2,261)	(36,797)	(36,878)	(37,064)
Finance costs	(2,615)	(20,000)	-	-
Capitalised exploration written off on sale of tenement	-	(156,608)	-	(30,700)
Capitalised exploration written off on surrender of tenement	-	-	-	(179,608)
Impairment of trade and other receivables	-	-	-	(84,910)
Impairment of investments	-	-	(26,000)	-
Impairment of loans receivable	(214,931)	(383,125)	(181,950)	-
Impairment of exploration and evaluation	(109,890)	(68,108)	(71,171)	(2,501)
Impairment of other financial assets	-	-	-	(74,000)
Administration and consulting expenses	(860,835)	(1,310,925)	(1,218,042)	(567,825)
Profit before income tax	**653,118**	**(1,876,428)**	**(1,790,492)**	**(1,095,248)**
Income tax benefit / (expense)	-	133	-	-
Profit/(Loss) for the period	**653,118**	**(1,876,561)**	**(1,790,492)**	**(1,095,248)**

Source: AQC 2012 - 14 Annual Reports and 2015 Half Year Report

Regarding Table 5.5 above, we note the following:

- AQC's revenue was significantly higher in FY2012 relative to other years largely as a result of a $2.3 million payment to AQC following the execution of an Exploration, Option and Joint Venture Agreement with Rio Tinto Exploration Pty Ltd covering four of the Group's Mt Hillalong tenements in 2012; and
- During the half-year ended 31 December 2014, AQC incurred non-recurring expenses totalling $369,218 with the majority relating to write-offs of capitalised exploration and evaluation costs of $210,308, as a result of certain coal exploration tenements being surrendered or sold in late 2014.

5.5.2 Statement of Financial Position

Table 5.6 summarises AQC's statement of financial position as at 30 June 2012, 30 June 2013, 30 June 2014, and 31 December 2014.

Table 5.6: Summarised AQC Statements of Financial Position

	As at 30-Jun-12 Audited ($)	As at 30-Jun-13 Audited ($)	As at 30-Jun-14 Audited ($)	As at 31-Dec-14 Audited ($)
ASSETS				
Current assets				
Cash and cash equivalents	1,042,761	497,865	451,226	336,969
Trade and other receivables	64,163	16,632	102,589	38,066
Other assets	26,493	28,493	27,867	46,306
Total current assets	**1,133,417**	**542,990**	**581,682**	**421,341**
Non-current assets				
Trade and other receivables	797,108	385,363	213,646	154,896
Investments accounted for using the equity method	110,000	-	-	-
Other financial assets	-	100,000	74,000	-
Property, plant and equipment	340,664	228,311	185,448	174,122
Exploration and evaluation expenditure	1,220,354	2,008,892	2,741,917	2,726,484
Total non-current assets	**2,468,126**	**2,722,566**	**3,215,011**	**3,055,502**
Total assets	**3,601,543**	**3,265,556**	**3,796,693**	**3,476,843**
LIABILITIES				
Current liabilities				
Trade and other payables	267,627	554,348	1,307,581	1,504,200
Borrowings	-	325,000	175,000	250,000
Total current liabilities	**267,627**	**879,348**	**1,482,581**	**1,754,200**
Total liabilities	**267,627**	**879,348**	**1,482,581**	**1,754,200**
Net assets	**3,333,916**	**2,386,208**	**2,314,112**	**1,722,643**
EQUITY				
Issued capital	34,310,319	35,239,172	36,957,568	37,461,347
Retained earnings	(30,976,403)	(32,852,964)	(34,643,456)	(35,738,704)
Total equity	**3,333,916**	**2,386,208**	**2,314,112**	**1,722,643**

Source: AQC 2012 - 14 Annual Reports and 2015 Half Year Report

Regarding Table 5.6 above, we note the following:

- Capitalised exploration and evaluation expenditure increased significantly in FY2013 and FY2014 from $1,220,354 as at 30 June 2012. AQC capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, AQC believes that such expenditure should not be written off since feasibility studies in these areas have not yet concluded;

- Capitalised exploration and evaluation expenditure decreased as at 31 December 2014 as a result of write offs totalling $210,308, as a result of certain coal exploration tenements being surrendered or sold in late 2014;

- AQC issued two additional convertible securities with face values of $50,000 and $75,000 respectively in the half year ended 31 December 2014. 25,000,000 ordinary shares were issued on conversion of convertible securities having a face value of $50,000 in the same period. For completeness we note that AQC no longer has any outstanding convertible securities as a result of the conversion of the remaining convertible securities into ordinary shares on 3 August 2015; and

- Approximately $1.38 million of trade and other payables as at 30 June 2015 relate to amounts owing to the directors of the Company in relation to deferred directors fees and consulting fees.

5.5.3 Statement of Cash Flows

Table 5.7 summarises AQC's statement of cash flows for the 12 month periods ended 30 June 2012, 30 June 2013, 30 June 2014 and for the half-year ended 31 December 2014.

Table 5.7: Summarised AQC Statements of Cash Flow

	12 Months Ended 30-Jun-12 Audited ($)	12 Months Ended 30-Jun-13 Audited ($)	12 Months Ended 30-Jun-14 Audited ($)	6 Months Ended 31-Dec-14 Audited ($)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	7,630	-	2,864	-
Payments to suppliers and employees	(1,574,320)	(1,150,531)	(1,094,864)	(498,408)
Interest received	55,747	13,389	16,556	4,509
Finance costs	(2,615)	-	-	-
Income tax paid	-	(133)	-	-
Net cash (used in)/provided by operating activities	**(1,513,558)**	**(1,137,275)**	**(1,075,444)**	**(493,899)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for exploration, evaluation and development assets	(941,090)	(1,013,254)	(451,098)	(197,376)
Proceeds from sale of exploration, evaluation and development assets	2,425,000	262,500	-	5,000
Payments for investments	-	-	-	-
Proceeds from sale of investments	-	110,000	-	-
Purchase of non-current assets	(41,332)	(720)	(5,868)	(6,761)
Net cash used in investing activities	**1,442,578**	**(641,474)**	**(456,966)**	**(199,137)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	700,000	950,000	1,550,250	498,390
Capital raising costs	(45,431)	(241,147)	(64,479)	(44,611)
Proceeds from borrowings	-	525,000	-	125,000
Repayment of borrowings	(126,272)	-	-	-
Net cash used in/(provided by) financing activities	**528,297**	**1,233,853**	**1,485,771**	**578,779**
Net increase/(decrease) in cash held	**457,317**	**(544,896)**	**(46,639)**	**(114,257)**
Cash and cash equivalents at beginning of period	585,444	1,042,761	497,865	451,226
Cash and cash equivalents at end of period	**1,042,761**	**497,865**	**451,226**	**336,969**

Source: AQC 2012 - 14 Annual Reports and 2015 Half Year Report

Regarding Table 5.7 above, we note the following:

- Over the three and a half years ended 31 December 2014, AQC has funded its operating activities through the issue of new shares, issue of convertible securities and sale of interests in tenements;
- Positive net investing cash flows for FY2012 were primarily due to proceeds from sale of interests in tenements, in particular by the receipt of an initial cash payment of $2,300,000 in accordance with the Exploration, Option and Joint Venture agreement with Rio Tinto Exploration Pty Ltd covering four of its Mt Hillalong tenements;
- Capital raising cost of $241,147 incurred in FY2013 were in relation to the facilitation of the Share Purchase and Convertible Security Agreement with the Australian Special Opportunities Fund, with the main aim of providing ongoing capital injections to the Company by way of monthly tranche payments continuing through to October 2014; and
- In FY2013, AQC issued convertible securities with a face value of $545,000 to raise $525,000 net of costs. 19,583,333 ordinary shares were subsequently issued on the conversion of convertible securities with a face value of $220,000. AQC issued two additional convertible securities with face values of $50,000 and $75,000 in the 6 months period ended 31 December 2014, raising a total of $125,000.

6.0 Value of AQC Shares on a Controlling Interest Basis Prior to the Proposed Placements

This section sets out our valuation of the shares in AQC prior to the completion of the Proposed Placements. This section is set out as follows:

- Section 6.1 sets out our view of the most appropriate valuation methodologies to adopt for the purpose of valuing AQC;
- Section 6.2 sets out our asset based valuation of AQC prior to the Proposed Placements;
- Section 6.3 sets out our market based valuation of AQC prior to the Proposed Placements; and
- Section 6.4 sets out our view of the most appropriate value to adopt for each AQC share for the purpose of this Report.

6.1 Our Valuation Approach

RG 111 outlines a number of methodologies that a valuer should consider when valuing securities or assets for the purposes of, among other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The valuation methodologies we have considered in this Report include discounted cash flow ('DCF'), capitalisation of maintainable earnings ('CME'), asset-based valuation ('ABV') and market-based valuation ('MBV') methodologies. Further details on each of these valuation methodologies are set out in Appendix B of this Report.

RG 111 does not prescribe which methodology should be used by the expert but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued. We have considered each of the valuation methodologies outlined above and determined, in our view, the most appropriate methodology for calculating the value of AQC prior to the Proposed Placements. Table 6.1 below summarises our view of the most appropriate valuation methodology to adopt to value AQC in this Report.

Table 6.1: Common Valuation Methodologies

Methodology	Appropriate?	Explanation
DCF Valuation	×	The DCF methodology relies on the ability to forecast future cash flows with a reasonable degree of certainty over a sufficiently long period of time. The future cash flows of AQC are unable to be forecast with an appropriate degree of accuracy as at the date of this Report. In particular, we note that the mineral exploration assets held by AQC are in early stages of development and are unlikely to generate any positive cash flows in the near term. In our view, a DCF methodology is not appropriate for the purposes of valuing AQC shares in this Report.
CME Valuation	×	The assets owned by AQC do not currently generate an earnings stream that is suitable for use in a CME valuation methodology. In our view, a CME valuation methodology is not appropriate for the purposes of valuing AQC shares in this Report.
Asset Based Valuation	✓	In our view, it is appropriate to have regard to an asset based valuation methodology for the purposes of valuing AQC shares in this Report. The assets and liabilities of AQC can be identified and it is possible to determine the fair value of the identifiable assets and liabilities with a reasonable degree of accuracy. Xenith Consulting ('Xenith'), a specialist valuation expert, has prepared a valuation of the mining exploration assets held by AQC. We have had regard to a valuation report prepared by Xenith when determining an appropriate value to adopt for the mining exploration assets held by AQC.

Methodology	Appropriate?	Explanation
Market Based Valuation	✓ Cross check	The shares of AQC are listed on the ASX. It is possible to cross-check the valuation of AQC using the market based valuation methodology as there is a readily observable market for the trading of shares in AQC (refer to Section 5.4). We note that the MBV methodology provides a valuation of AQC shares on a minority interest basis. There have been recent transactions relating to the issue of shares in AQC, in the form of share placements and share issues on conversion of convertible notes issued by AQC. Information relating to these transactions is available and has been referred to in this Report (refer to Section 6.3.3). In our view, it is appropriate to have regard to the market based valuation methodology as a cross-check to our asset based valuation methodology in this Report.

Source: BDO CFQ analysis

With reference to Table 6.1 above, in our view it is appropriate to adopt the ABV methodology to value AQC. We have adopted the MBV methodology as a cross-check to our ABV of AQC in this Report.

6.2 Asset Based Valuation of AQC Prior to the Proposed Placements

In order to complete an asset based valuation of AQC we have considered the value of AQC's assets and liabilities as set out in AQC's statement of financial position as at 30 June 2015 (based on management accounts) and the value of AQC's mineral exploration assets as determined by Xenith. BDO CFQ has not performed any audit or review work on the historical financial information of AQC. Accordingly, we make no statement as to the accuracy of the information provided however we have no reason to believe that the information is false or misleading.

Our asset based valuation of AQC is set out as follows:

- Section 6.2.1 sets out the value adopted for AQC's mineral exploration assets;
- Section 6.2.2 sets out the value adopted for AQC's other assets and liabilities;
- Section 6.2.3 sets out the impact of the Entitlements Issue under various scenarios; and
- Section 6.2.4 sets out the asset based valuation of AQC prior to the Proposed Placements on a controlling interest basis.

6.2.1 Xenith's Valuation of the Mineral Exploration Assets held by AQC

We have engaged the services of Xenith to assist with a valuation of the mineral exploration assets held by AQC. Xenith are specialist technical valuers of mineral assets and, in our opinion, are suitably qualified to complete a valuation of the mineral exploration assets held by AQC.

Xenith have set out their view of the fair value of the mineral exploration assets held by AQC in a report addressed to BDO CFQ titled "Technical Specialist Report on Australian Pacific Coal Ltd Assets", dated 14 August 2015 ('the Xenith Report'). We are of the view that it is appropriate for us to refer to the Xenith Report when determining an appropriate value for the mineral exploration assets held by AQC. The Xenith Report is attached as Appendix D of this Report.

Xenith have adopted a cost approach using the Multiples of Exploration Expenditure ('MEE') method and a market approach using comparable transactions as their principle valuation methodologies. Further details in relation to the valuation methodologies considered by Xenith are as follows:

- Multiples of Exploration Expenditure method (cost approach)
  - This method values an asset by applying a prospectivity enhancement multiplier (typically between 0.5 to 3.0) to an estimate of the appraised value of the asset. The appraised value of an asset is estimated as the sum of productive past exploration expenditure plus warranted future exploration costs. Generally up to five years of past expenditure is included; and

— This method is suitable for very early to early stage exploration projects that are active; and

- Comparable transactions approach (market approach)
  - This approach considers transaction values observed for exploration assets considered broadly comparable to the mineral exploration assets held by AQC, on the basis of size and grade;
  - This method is suitable for very early stage exploration projects to late stage producing mines;
  - Xenith has applied comparable transaction multiples on the basis of enterprise value to resource tonne ('EV/resource') and enterprise value to lease area ('EV/lease area') to certain assets held by AQC; and
  - In selecting comparable transaction multiples for the AQC coal assets, Xenith have had regard to factors including status of exploration, resource classification, quality of coal, nature of resource, location of the tenement, market potential for the coal and forecast coal price trends at the time of the transaction.

Table 6.2 summarises the preferred valuation method adopted by Xenith and the range of values that Xenith have determined for the mineral exploration assets held by AQC.

Table 6.2: Summary Valuations for the Mineral Exploration Assets held by AQC

Tenement	Project Name	Preferred Valuation Method	AQC Ownership	Low Value ($m)	Preferred Value ($m)	High Value ($m)
EPC 1566	Bee Creek	Average of MEE and EV/lease area	100%	0.00	0.00	0.01
EPCa 1645	Mount Hess	MEE	100%	0.00	0.00	0.00
EPC 1773	Kemmis Creek	MEE	100%	0.01	0.01	0.01
EPC 1824	Mount Hillalong	MEE	100%	0.47	1.01	1.35
EPC 1859	Dingo	MEE	100%	0.25	0.28	0.33
EPC 1867	Mount Hess West	MEE	100%	0.02	0.03	0.05
EPC 1896	Bottle Tree Creek	Average of MEE and EV/lease area	50%	0.00	0.00	0.01
EPC 1955	Bungaban Creek	EV/resource	10%	0.06	0.19	0.31
EPC 1957	Laguna Creek	EV/ lease area	10%	0.00	0.00	0.00
EPC 1965	Kanga Creek	Average of MEE and EV/lease area	100%	0.01	0.01	0.01
EPC 1987	Quandong	EV/ lease area	10%	0.00	0.00	0.00
EPC 1996	Churchyard Creek	MEE	100%	0.02	0.03	0.05
EPC 2011	South Clermont	MEE	100%	0.21	0.25	0.32
EPC 2037	Almoola	Average of MEE and EV/lease area	100%	0.01	0.01	0.01
MDL 453	Cooroorah	EV/resource	100%	0.62	1.87	3.12
	Total			**1.70**	**3.71**	**5.57**

Source: Table 16.5 of the Xenith Report
1 The low, preferred and high values set out in the table relate solely to AQC's interest in the assets.

With regards to Table 6.2, we note the following:

- The Cooroorah and Mount Hillalong tenements make up a large proportion of the total value of AQC's assets, with preferred values of $1.87 million and $1.01 million respectively;
- Xenith has adopted a value of zero for AQC's bentonite mining lease Mantuan Downs (ML 70360) as it is a small and uneconomic asset, with AQC having no immediate plans for exploration or redevelopment and receiving limited interest when it is considered for divestment;

- Xenith adopted an EV/resource of $0.005/t to $0.025/t with a preferred value of $0.015/t in its valuation of Cooroorah and Bungaban Creek. Xenith have had regard to recent transactions and comparable ASX-listed coal exploration companies in its estimate of EV/resource multiple;
- Xenith adopted different ranges of EV/lease area multiples for different AQC tenements, having regard to the aforementioned valuation factors; and
- Xenith considers the value of the mineral exploration assets held by AQC to be within the range of $1.70 million to $5.57 million, with a preferred value of $3.71 million. Xenith note in their report that the wide range in value reflects the uncertainty in the coal market, the precision of the valuation methods and the underlying valuation assumptions.

We note that Xenith's valuation is on a fair value basis, which provides the "estimate of the amount of money, or cash equivalent, which would be likely to change hands between a willing buyer and a willing seller in an arms-length transaction, wherein each party had acted knowledgeably, prudently and without compulsion" as at 14 August 2015, being the date of the Xenith Report.

6.2.2 Value of Other Assets and Liabilities

We have been provided with AQC's statement of financial position as at 30 June 2015 (based on management accounts) which sets out the value of AQC's other assets and liabilities. In order to determine an appropriate value for AQC's other assets and liabilities, we have considered the values set out in AQC's statement of financial position (based on management accounts) as at 30 June 2015 and have made enquiries of the directors and management of AQC in relation to any material adjustments required to reflect the fair market value of these assets and liabilities for the purposes of this Report.

Table 6.2 below summarises our view, based on our enquiries of the directors and management of AQC, of an appropriate value to adopt for AQC's other assets and liabilities for the purpose of the valuation work set out in this Report.

Table 6.2: Value of AQC's Other Assets and Liabilities

	Value ($)
Assets	
Cash [1]	517,201
Trade and other receivables	88,161
Property, plant and equipment	137,169
Other assets	95,263
Liabilities [2]	
Trade and other payables [3]	(1,956,936)
Net assets / (deficiency) excluding mineral exploration assets	**(1,119,142)**

Source: AQC management accounts for the period ended 30 June 2015 and BDO CFQ analysis

1 *Cash include proceeds from a share placement on 23 July 2015 of $216,000 and the $200,000 advanced by Bentley and Trepang on or about 8 September 2015.*

2 *Liabilities have been adjusted to exclude a convertible security of $60,000, which was converted into ordinary shares on 3 August at $0.002 per share.*

3 *Trade and other payables include amounts owing to AQC directors up to 30 June 2015 of $1,381,400, amounts estimated to accrue from 1 July 2015 to the completion of the Proposed Placements of $84,000 and the $200,000 owing to Bentley and Trepang as a result of money advanced to the Company on or about 8 September 2015.*

With reference to Table 6.2 above, we have calculated the net value of AQC's other assets and liabilities to be a net asset deficiency of approximately $1.1 million.

6.2.3 *Impact of the Entitlements Issue*

Under the Entitlements Issue, shareholders will be entitled to acquire one new ordinary share for every one ordinary share held at an issue price of $0.004 per share. The maximum number of shares to be issued is 384,940,869 to raise up to $1,539,763 before costs. The cost of the Entitlements Issue is estimated at $45,000 as at the date of this Report.

We note the Entitlements Issue is proposed to complete prior to the completion of the Proposed Placements. As at the date of this Report however, the Entitlements Issue remains open to AQC shareholders eligible to take up their entitlement. The total number of shares in AQC issued and the total amount raised under the Entitlements Issue is therefore uncertain as at the date of this Report.

To allow for the uncertain outcome of the Entitlements Issue, we have completed our valuation of AQC with reference to the following three scenarios in this Report:

- A scenario in which the subscription rate of the Entitlements Issue is 0% and no funds are raised. We refer to this scenario as the 'Low Entitlements Issue Scenario' in this Report;
- A scenario in which the Entitlements Issue is fully subscribed for and the full amount of approximately $1.54 million is raised. We refer to this scenario as the 'High Entitlements Issue Scenario' in this Report; and
- A scenario that considers the mid-point between the Low Entitlements Issue Scenario and the High Entitlements Issue Scenario. We refer to this scenario as the 'Mid Entitlements Issue Scenario' in this Report.

Table 6.3 below sets out information on the number of shares and the total amount of capital raised under each of the scenarios considered.

Table 6.3: Entitlements Issue Scenarios Considered

Scenario	Number of Shares Issued	Net Capital Raised[1] ($)
Low Entitlements Issue Scenario	-	(45,000)
Mid Entitlements Issue Scenario	192,470,435	724,882
High Entitlements Issue Scenario	384,940,869	1,494,763

Source: AQC, BDO CFQ Analysis

1 Amounts quoted are net of estimated capital raising costs of $45,000.

6.2.4 *Asset Based Valuation of AQC on a Controlling Interest Basis Prior to the Proposed Placements*

Our asset based valuation of AQC under each of the Entitlements Issue scenarios considered are set out in this section of the Report.

Asset Based Valuation under the Low Entitlements Issue Scenario

Table 6.4 below summarises our asset based valuation of AQC on a controlling interest basis prior to the Proposed Placements, under the Low Entitlements Issue Scenario.

Table 6.4: ABV of AQC Prior to the Proposed Placements under the Low Entitlements Issue Scenario

	Section Reference	Low Value ($)	Preferred ($)	High Value ($)
Mineral exploration assets	6.2.1	1,700,000	3,710,000	5,570,000
Other assets and liabilities	6.2.2	(1,119,142)	(1,119,142)	(1,119,142)
Net proceeds from the Entitlements Issue	6.2.3	(45,000)	(45,000)	(45,000)
Estimated placement costs[1]	6.2.4	(135,000)	(135,000)	(135,000)

	Section Reference	Low Value ($)	Preferred ($)	High Value ($)
Asset based value of AQC - controlling interest basis		**400,858**	**2,410,858**	**4,270,858**
Number of AQC shares on issue[2]	5.2 & 6.2.3	384,940,869	384,940,869	384,940,869
Value per AQC share - controlling interest basis		**0.0010**	**0.0063**	**0.0111**

Source: BDO CFQ Analysis

1 *Estimated placement costs set out in this table are costs that will be incurred by AQC irrespective of whether or not the Proposed Placements are approved and which have not been accrued as at 30 June 2015.*

2 *Number of AQC shares equal to 384,940,869 shares plus nil shares issued under the Entitlements Issue.*

With reference to Table 6.4 above, our asset based valuation equates to a value range of $0.0010 to $0.0111 per AQC ordinary share on a controlling interest basis under the Low Entitlements Issue Scenario.

Asset Based Valuation under the Mid Entitlements Issue Scenario

Table 6.5 below summarises our asset based valuation of AQC on a controlling interest basis prior to the Proposed Placements under the Mid Entitlements Issue Scenario.

Table 6.5: ABV of AQC Prior to the Proposed Placements under the Mid Entitlements Issue Scenario

	Section Reference	Low Value ($)	Preferred ($)	High Value ($)
Mineral exploration assets	6.2.1	1,700,000	3,710,000	5,570,000
Other assets and liabilities	6.2.2	(1,119,142)	(1,119,142)	(1,119,142)
Net proceeds from the Entitlements Issue	6.2.3	724,882	724,882	724,882
Estimated placement costs[1]	6.2.4	(135,000)	(135,000)	(135,000)
Asset based value of AQC - controlling interest basis		**1,170,739**	**3,180,739**	**5,040,739**
Number of AQC shares on issue[2]	5.2 & 6.2.3	577,411,304	577,411,304	577,411,304
Value per AQC share - controlling interest basis		**0.0020**	**0.0055**	**0.0087**

Source: BDO CFQ Analysis

1 *Estimated placement costs set out in this table are costs that will be incurred by AQC irrespective of whether or not the Proposed Placements are approved and which have not been accrued as at 30 June 2015.*

2 *Number of AQC shares equal to 384,940,869 shares plus 192,470,435 shares issued under the Entitlements Issue.*

With reference to Table 6.5 above, our asset based valuation equates to a value range of $0.0020 to $0.0087 per AQC ordinary share on a controlling interest basis under the Mid Entitlements Issue Scenario.

Asset Based Valuation under the High Entitlements Issue Scenario

Table 6.6 below summarises our asset based valuation of AQC on a controlling interest basis prior to the Proposed Placements under the High Entitlements Issue Scenario.

Table 6.6: ABV of AQC Prior to the Proposed Placements under the High Entitlements Issue Scenario

	Section Reference	Low Value ($)	Preferred ($)	High Value ($)
Mineral exploration assets	6.2.1	1,700,000	3,710,000	5,570,000
Other assets and liabilities	6.2.2	(1,119,142)	(1,119,142)	(1,119,142)
Net proceeds from the Entitlements Issue	6.2.3	1,494,763	1,494,763	1,494,763
Estimated placement costs[1]	6.2.4	(135,000)	(135,000)	(135,000)
Asset based value of AQC - controlling interest basis		**1,940,621**	**3,950,621**	**5,810,621**
Number of AQC shares on issue[2]	5.2 & 6.2.3	769,881,738	769,881,738	769,881,738
Value per AQC share - controlling interest basis		**0.0025**	**0.0051**	**0.0075**

Source: BDO CFQ Analysis

1 *Estimated placement costs set out in this table are costs that will be incurred by AQC irrespective of whether or not the Proposed Placements are approved and which have not been accrued as at 30 June 2015.*

2 *Number of AQC shares equal to 384,940,869 shares plus 384,940,869 shares issued under the Entitlements Issue.*

With reference to Table 6.6 above, our asset based valuation equates to a value range of $0.0025 to $0.0075 per AQC ordinary share on a controlling interest basis under the High Entitlements Issue Scenario.

Conclusion on Asset Based Valuation of AQC Shares

Our asset based valuations of an AQC share are summarised in Table 6.7 below.

Table 6.7: Summary of Asset Based Valuations of a AQC Share (Controlling Interest)

	Low Value ($)	Preferred ($)	High Value ($)
Asset based valuation [1] (Low Entitlements Issue Scenario)	0.0010	0.0063	0.0111
Asset based valuation [1] (Mid Entitlements Issue Scenario)	0.0020	0.0055	0.0087
Asset based valuation (High Entitlements Issue Scenario)	0.0025	0.0051	0.0075

Source: BDO CFQ Analysis

1 *In our view, caution should be used when considering value under the low and mid entitlements issue scenarios. If shareholders are unwilling to take up material portions of their entitlement at $0.004, this is an indicator that they may believe the value of AQC to be less than $0.004 (i.e. this is a counter-intuitive result in the context of our asset based valuations for these two scenarios which are significantly higher than $0.004).*

We note that our value per AQC share at the low end of our asset based valuations increases from the Low Entitlements Issue Scenario ($0.0010) to the High Entitlements Issue Scenario ($0.0025). This is because the shares issued under the Entitlements Issue are issued at a price of $0.0040 per share, being a price that is higher than the low value of an AQC share. The greater the number of shares issued under the Entitlements Issue, the higher the low end of our asset based valuation is calculated to be. In other words, the Entitlements Issue is not value dilutive at the low end of our asset based valuation range.

Similarly, we note that our value per AQC share at the high end of our asset based valuations decreases from the Low Entitlements Issue Scenario ($0.0111) to the High Entitlements Issue Scenario ($0.0075). This is because the shares issued under the Entitlements Issue are issued at a price of $0.0040 per share, being a price that is lower than the high value of an AQC share. The greater the number of shares issued under the Entitlements Issue, the lower the high end of our asset based valuation is calculated to be. In other words, the Entitlements Issue value dilutive at the high end of our asset based valuation range. As more shares are issued, the value per share at the high end of our valuation range is diluted and the overall value decreases.

The Entitlements Issue would be neither dilutive nor antidilutive in circumstances where our asset based valuation is exactly equal to $0.0040 per share.

6.3 Market Based Valuation of AQC Prior to the Proposed Placements

We have cross-checked our asset based valuation of an AQC share with a market based valuation. We note that a market based valuation generally provides a value per share on a minority interest basis.

This section sets out our market based valuation of AQC ordinary shares by considering:

- The recent share market performance of AQC ordinary shares;
- The liquidity of AQC ordinary shares; and
- Recent transactions relating to large parcels of AQC ordinary shares.

6.3.1 Analysis of AQC's Share Market Performance

AQC's ordinary shares are listed on the ASX. Information on the recent share market performance of AQC shares along with an analysis of recent announcements made by AQC to the ASX are set out in Section 5.4.1 of this Report.

For the purposes of our market based valuation, we have assessed the AQC VWAP over the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 27 July 2015, being the date AQC entered into a trading halt pending the release of the announcement of the Proposed Placements and the Entitlements Issue, and 2 September 2015. We have set out AQC's VWAP prior to 27 July 2015 to provide additional information regarding AQC's share price performance excluding the effects of the Proposed Placements and the Entitlements Issue.

Table 6.8: AQC's VWAP for Specified Periods Prior to 27 July 2015 and 2 September 2015

Period Prior to 27 July 2015	VWAP	Period Prior to 2 September 2015	VWAP
1 Week	$0.0025	1 Week	$0.0050
1 Month	$0.0023	1 Month	$0.0043
3 Months	$0.0036	3 Months	$0.0041
6 Months	$0.0039	6 Months	$0.0042
9 Months	$0.0056	9 Months	$0.0055
12 Months	$0.0110	12 Months	$0.0105

Source: Capital IQ as at 3 September 2015

Table 6.8 shows that the VWAP of AQC shares over the periods specified ranges from $0.0023 to $0.0110.

6.3.2 Liquidity of AQC Shares

Information on the liquidity of AQC shares is set out in Section 5.4.2 of this Report.

Assuming a weighted average number of 257,562,409 AQC shares on issue over the period, approximately 52.78% of the total shares on issue were traded over the twelve month period to 31 August 2015. In our view, this indicates that AQC shares display a moderate level of liquidity.

6.3.3 *Recent Significant Transactions in AQC Shares*

AQC has completed numerous share placements and issue of shares on conversion of convertible notes over the twelve month period to 14 August 2015. These transactions have primarily related to capital raisings to fund the Company's exploration program and provide additional working capital. In addition, AQC performed a consolidation of its issued capital on the basis of 1 AQC share for every 5 AQC shares on issue on 5 December 2014.

Table 6.9 below summarises AQC's past share issues. For transactions prior to the 1:5 share consolidation completed on 5 December 2014, we have presented information in relation to the implied share prices of the transactions assuming the 1:5 share consolidation had occurred to improve comparability across the periods before and after the 1:5 share consolidation.

Table 6.9: AQC Movements in Ordinary Share Capital

Date	Transaction	Ordinary Shares Issued	% of AQC Shares Outstanding Prior to Transaction	Transaction Share Price ($)	Transaction Value ($)
21-Aug-14	Share placement[1]	3,333,333	1.75%	0.015	50,000
18-Sep-14	Share placement[2]	2,042,857	1.05%	0.025	50,050
09-Oct-14	Share purchase plan[3]	11,775,930	6.00%	0.016	188,415
10-Oct-14	Conversion of convertible security[4]	5,000,000	2.40%	0.010	50,000
05-Dec-14	1 for 5 share consolidation	n.a.	n.a.	n.a.	n.a.
05-Dec-14	Share placement	10,000,000	4.69%	0.006	60,000
19-Dec-14	Share placement	3,931,102	1.76%	0.013	49,925
21-Jan-15	Conversion of convertible security	10,000,000	4.41%	0.004	40,000
20-Feb-15	Conversion of convertible security	16,666,667	7.03%	0.003	50,000
13-Mar-15	Share placement	7,411,229	2.92%	0.004	28,450
11-May-15	Conversion of convertible security	16,666,667	6.39%	0.003	50,000
20-May-15	Conversion of convertible security	16,666,667	6.00%	0.003	50,000
18-Jun-15	Share placement	6,600,000	2.24%	0.004	26,400
23-Jul-15	Share placement	54,000,000	17.94%	0.004	216,000
3-Aug-15	Conversion of convertible security	30,000,000	8.45%	0.002	60,000

Source: ASX Announcements, BDO CFQ Analysis

1 Information presented is on a post-consolidation basis. Actual number of shares issued was 16,666,667 at $0.003 per share.
2 Information presented is on a post-consolidation basis. Actual number of shares issued was 10,214,285 at $0.005 per share.
3 Information presented is on a post-consolidation basis. Actual number of shares issued was 58,879,650 at $0.003 per share.
4 Information presented is on a post-consolidation basis. Actual number of shares issued was 25,000,000 at $0.002 per share.

With reference to Table 6.9 above, we note the following:

- The share issues set out above have occurred since August 2014;
- The share trades have separately represented between 1.05% and 17.94% of the total shares outstanding prior to the completion of each issue of shares. We consider the transactions to relate to minority parcels of shares;
- There have been approximately 194.1 million AQC shares issued at between $0.003 and $0.025 per share on a post-consolidation basis since August 2014. The majority of the share issues at above $0.010 (on an implied post-consolidation basis) were in the period from August 2014 to October 2014 while the share issues after December 2014 were at a significantly lower price of between $0.002 and $0.004; and

- The largest transaction is the share placement on 23 July 2015 at $0.004 representing 17.94% of shares outstanding prior to the issue and it is reasonably recent. For completeness we note that these shares were issued to Bentley and Trepang.

6.3.4 Conclusion on MBV

Having regard to the information set out above, in our view it is appropriate to adopt a value of $0.004 per AQC ordinary share on a minority interest basis for our market based valuation. This value broadly correlates with:

- The 6 month VWAP prior to the announcement of the Proposed Placements of $0.0039;
- The share placements on 13 March 2015, 18 June 2015 and 23 July 2015 for 68 million shares at $0.004; and
- The Entitlements Issue at $0.004. For completeness we note that the Entitlements Issue is:
  - not yet completed as at the date of this Report and caution is required when inferring a value based on the Entitlements Issue until the level of participation amongst shareholders is known; and
  - not subject to successful completion of the Proposed Placements.

6.4 Value per AQC Share Prior to the Proposed Placements

The results of our asset based valuation and market based valuation of AQC shares are summarised in Table 6.10. We have referred to the valuation ranges set out in Table 6.10 for the purposes of determining our opinion on the fairness of the Proposed Placements to AQC Shareholders in this Report.

Table 6.10: AQC Share Valuation Summary

	Section Reference	Low ($)	Mid ($)	High ($)
Asset based valuation (Low Entitlements Issue Scenario)	6.2.4	0.0010	0.0063	0.0111
Asset based valuation (Mid Entitlements Issue Scenario)	6.2.4	0.0020	0.0055	0.0087
Asset based valuation (High Entitlements Issue Scenario)	6.2.4	0.0025	0.0051	0.0075
Market based valuation				
Minority interest	6.3.4	0.0040	0.0040	0.0040
Controlling interest[1]		0.0052	0.0052	0.0052

Source: BDO CFQ Analysis

1 For the purposes of the analysis set out in this table we have adopted a control premium of 30%. Empirical research suggests that control premiums are typically within the range of 20% to 40% which is consistent with recent transactions in Australia (refer to Appendix C for our control premium research).

For the purposes of the analysis set out in this Report and to assess the Proposed Placements, in our view it is appropriate to consider the following valuation ranges:

- Our ABV of AQC is in the range of $0.0010 to $0.0111 with a preferred value of $0.0063 on a controlling interest basis under the Low Entitlements Issue Scenario;
- Our ABV of AQC is in the range of $0.0020 to $0.0087 with a preferred value of $0.0055 on a controlling interest basis under the Mid Entitlements Issue Scenario;
- Our ABV of AQC is in the range of $0.0025 to $0.0075 with a preferred value of $0.0051 on a controlling interest basis under the High Entitlements Issue Scenario; and
- Our MBV of AQC is $0.0052 on a controlling interest basis (as a result of the application of a control premium to our MBV of $0.0040 on a minority interest basis).

For completeness we note that the asset based valuation range calculated above is a relatively wide range. It is our view that it is appropriate to adopt a relatively wide range having regard to the relatively early stage of development of the key assets of AQC, the speculative nature of exploration companies generally and the valuation range (i.e. minimum, preferred, and maximum) of the mineral exploration assets as set out in the Xenith Report.

7.0 Value of AQC Shares Post the Proposed Placements

This section sets out our valuation of AQC shares on a minority interest basis post the Proposed Placements and is structured as follows:

- Section 7.1 sets out our view of the most appropriate methodology to adopt to value each AQC share;
- Section 7.2 sets out our calculation of the value of each AQC share using the asset based valuation methodology; and
- Section 7.3 sets out our view of the most appropriate value to adopt for each AQC share for the purpose of this Report.

7.1 Our Valuation Approach

In our view, it is appropriate to adopt similar valuation methodologies to value AQC assuming the Proposed Placements are approved as the valuation methodologies we adopted to value AQC prior to the Proposed Placements.

7.2 Asset Based Valuation of AQC Post the Proposed Placements

7.2.1 Value of AQC's Assets and Liabilities

In our view it is appropriate to adopt:

- the same values as were set out in Section 6.2.1 above for AQC's mineral exploration assets;
- the same values as were set out in Section 6.2.2 above for AQC's other assets and liabilities. With reference to Table 6.2 above, we calculated the net value of AQC's other assets and liabilities to be a net asset deficiency of approximately $1.1 million; and
- the same three scenarios for the Entitlements Issue.

7.2.2 Impact of the Proposed Placements

If the Proposed Placements are approved, there will be the following changes to AQC's net assets balance:

- Proceeds from the Proposed Bentley Placement of $6.5 million;
- Proceeds from the Proposed Trepang Placement of $6.5 million;
- Reduction in the value of liabilities of $200,000 as a result the principal being repaid through the issue of shares; and
- Estimated placement expenses of $10,000 in relation to ASX listing fees for new issue of shares, registry maintenance and update costs.

Having regard to the information set out above, AQC is expected to increase net assets by an amount of $13,190,000.

Under the Proposed Placements, 1,650,000,000 shares will be issued to Bentley and Trepang each, resulting in 3,300,000,000 new shares being issued. Further, assuming shareholder approval is given, the amounts owing to the AQC directors for consulting fees as at 31 July 2015 and directors' fees owing as at 30 September 2015 is estimated to be converted into a total of 366,350,000 shares at a conversion price of $0.004 per share. Table 7.1 below sets out the number of shares outstanding post the Proposed Placements under the various Entitlements Issue scenarios.

Table 7.1: Number of Shares Outstanding

	Low Entitlements Issue Scenario	Mid Entitlements Issue Scenario	High Entitlements Issue Scenario
Shares outstanding prior to the Entitlements Issue and the Proposed Placements	384,940,869	384,940,869	384,940,869
Shares to be issued under the Entitlements Issue	-	192,470,435	384,940,869
Shares to be issued under the Proposed Placements	3,300,000,000	3,300,000,000	3,300,000,000
Shares to be issued under the conversion of directors' fees	118,400,000	118,400,000	118,400,000
Shares to be issued under the conversion of consulting fees	247,950,000	247,950,000	247,950,000
Total number of shares outstanding	**4,051,290,869**	**4,243,761,304**	**4,436,231,738**

Source: AQC, BDO CFQ Analysis

7.2.3 Application of a Minority Interest Discount

An asset based valuation typically calculates the value of a company on a controlling interest basis. As the valuation of AQC set out in this section is an asset based valuation (i.e. a controlling interest basis) we are required to apply a minority discount to calculate the value on a minority interest basis. We note that a minority interest in a company is generally regarded as being less valuable than that of a controlling interest as a controlling interest may provide the owner with the following:

- Control over the operating and financial decisions of the company;
- The right to set the strategic direction of the company;
- Control over the buying, selling and use of the company's assets; and
- Control over the appointment of staff and setting of financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. Empirical research suggests that control premiums are typically within the range of 20% to 40% which is consistent with recent transactions in Australia (refer to Appendix C for our control premium research). The inverse of this range to apply for a minority discount is 16.7% to 28.6%.[3]

For the purposes of this Report, in our view it is appropriate to adopt a minority discount of 16.7% to calculate the value of AQC on a minority interest basis. We have adopted a minority discount at the low end of our range as the Merged Entity will hold a large cash balance post the Proposed Placements relative to the value of the other assets in the Merged Entity.

7.2.4 Asset Based Valuation of AQC on a Minority Interest Basis Post the Proposed Placements

Table 7.2 below summarises our asset based valuation of AQC on a minority interest basis post the Entitlements Issue and the Proposed Placements. We have calculated the values set out in Table 7.2 below as follows:

- Adopted the asset based values of AQC on a controlling basis prior to the Proposed Placements from Section 6.2, including the net proceeds from the Entitlements Issue under the various scenarios considered;
- Increase the value of AQC's assets by $13,190,000, the net proceeds from the Proposed Placements (refer to Section 7.2.2);
- Increase the number of shares outstanding by 3,300,000,000, the number of new shares issued in the Proposed Placements (refer to Section 7.2.3);

[3] Calculated as: 1 – 1/(1 + control premium)

- Reduce the value of AQC's liabilities by $1,465,400, the sum of estimated consulting fees owing as at 31 July 2015 and estimated directors' fees owing as at 30 September 2015;
- Increase the number of shares outstanding by 366,350,000, the number of new shares estimated to be issued in the conversion of directors fees and consulting fees outstanding; and
- Apply a minority discount of 16.7% (refer to Section 7.2.3).

Table 7.2 below sets out our asset based valuation of AQC post the Proposed Placements. For ease of reference we have only set out the values for the mid entitlement scenario. In Table 7.3 below we have set out the per share value for each of the Low, Mid and High Entitlements Issues scenarios.

Table 7.2: Asset Based Valuation of AQC Post the Proposed Placements on a Minority Interest Basis - Mid Entitlement Scenario

	Section Reference	Low Value ($)	Preferred ($)	High Value ($)
ABV of AQC prior to the Proposed Placements	6.2.4	1,170,739	3,180,739	5,040,739
Net proceeds from the Proposed Placements	7.2.4	13,190,000	13,190,000	13,190,000
Reduction of liability from conversion of amounts owing to AQC directors into shares	7.2.4	1,465,400	1,465,400	1,465,400
ABV of AQC - controlling interest basis		**15,826,139**	**17,836,139**	**19,696,139**
Less: Minority interest discount	7.2.3	-16.7%	-16.7%	-16.7%
ABV of AQC - minority interest basis		**13,183,174**	**14,857,504**	**16,406,884**
Number of AQC shares on issue	5.2 & 7.2.2	4,243,761,304	4,243,761,304	4,243,761,304
Value per AQC share - minority interest basis		**0.0031**	**0.0035**	**0.0039**

Source: BDO CFQ Analysis

Table 7.3: Per Share Asset Based Valuation of AQC Post the Proposed Placements on a Minority Interest Basis

	Low Value ($)	Preferred ($)	High Value ($)
Asset based valuation (Low Entitlements Issue Scenario)	0.0031	0.0035	0.0039
Asset based valuation (Mid Entitlements Issue Scenario)	0.0031	0.0035	0.0039
Asset based valuation (High Entitlements Issue Scenario)	0.0031	0.0035	0.0038

Source: BDO CFQ analysis

Table 7.3 shows that there is minimal difference between the Low, Mid and High Entitlements Issues scenarios. The reason for this is that relative to the 3.3 billion shares being issued under the Proposed Placements (and the resulting dilution), the approximate 385 million shares being issued under the Entitlements Issue pales in significance.

7.3 Value per AQC Share Post the Proposed Placements

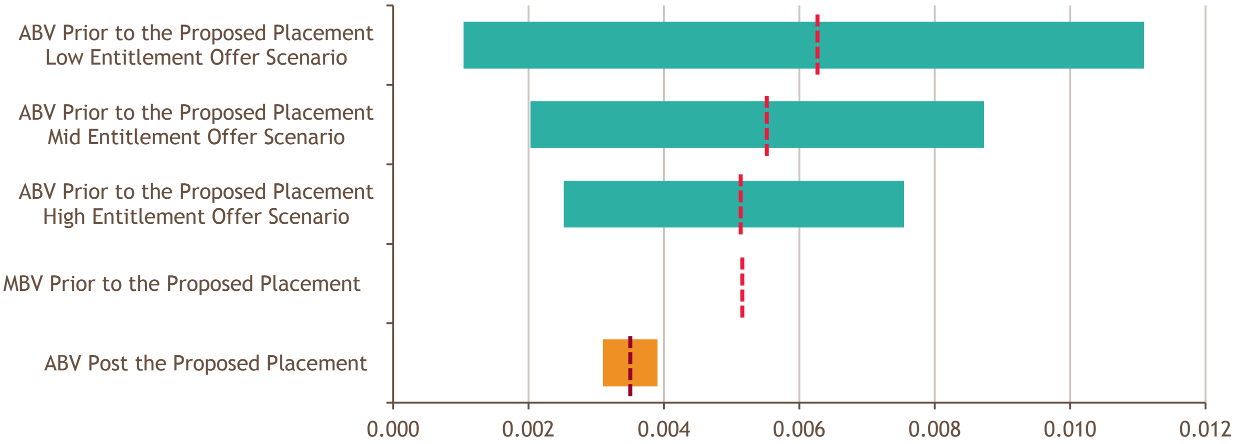
In our view, for the purposes of the analysis set out in this Report, it is appropriate to adopt a value per AQC ordinary share on a minority interest basis in the range of $0.0031 to $0.0039, with a preferred value of $0.0035 post the Proposed Placements.

8.0 Fairness of the Proposed Placements

In order to assess the fairness of the Proposed Placements we have compared the value per AQC share on a controlling interest basis prior to the Proposed Placements to the value per AQC share on a minority interest basis post the Proposed Placements. Pursuant to RG 111, the Proposed Placements are considered to be fair if the value of an AQC share post the Proposed Placements is equal to or greater than the value of an AQC share prior to the Proposed Placements.

Figure 8.1 below summarises our assessment of the fairness of the Proposed Placements, setting out a graphical comparison of the our valuation of an AQC share on a controlling interest basis prior to the Proposed Placements from Table 6.9 with our valuation of an AQC share on a minority interest basis post the Proposed Placements from Table 7.3.

Figure 8.1: Assessment of the Fairness of the Offer



Source: BDO CFQ analysis

With reference to Figure 8.1 above, we note:

- Our valuation range for the ABV post the Proposed Placements is significantly narrower than the range for our ABV prior to the Proposed Placements under each of the three scenarios. This is being driven by the significant number of shares issued at $0.004 under the Proposed Placements;
- Our valuation range for the ABV post the Proposed Placements is between the low and preferred value for our ABV prior to the Proposed Placements under each of the three scenarios;
- Our valuation range for the ABV post the Proposed Placements is less than our MBV prior to the Proposed Placements. One reason for the difference is that we are comparing a minority interest post the Proposed Placements with a controlling interest prior to the Proposed Placements. As set out in Section 4.0 of this Report, we are required by RG 111 to assess the transaction by comparing a controlling interest valuation prior to the Proposed Placements to a minority interest valuation post the Proposed Placements; and
- The price being paid by Bentley and Trepang under the Proposed Placements for a controlling interest in AQC shares (as defined by RG 111) is the same price as our MBV on a minority interest basis.

Having regards to the above, in our view, the Proposed Placements are **Not Fair** to AQC shareholders as at the date of this Report.

9.0 Reasonableness of the Proposed Placements

This section is set out as follows:

- Section 9.1 outlines the advantages of the Proposed Placements to AQC shareholders;
- Section 9.2 outlines the disadvantages of the Proposed Placements to AQC shareholders;
- Section 9.3 considers the position of AQC shareholders if the Proposed Placements are not approved; and
- Section 9.4 provides our assessment of the reasonableness of the Proposed Placements.

9.1 Advantages of the Proposed Placements

Table 9.1 below outlines the potential advantages to AQC shareholders of approving the Proposed Placements.

Table 9.1: Potential Advantages of the Proposed Placements

Advantage	Explanation
The Proposed Placements are the best proposal available at the current time to fund the Company	AQC requires immediate funding to further progress its exploration program and meet exploration and evaluation expenditure commitments to maintain current rights of tenure over its exploration tenements. The directors of AQC have considered a range of alternative strategies for recapitalising the Company. The directors are of the view that the Proposed Placements are the best proposal available for recapitalising the Company as at the date of this Report, given the certainty of the execution of the Proposed Placements and the quantum of funding to be received. We note AQC has previously attempted to raise funds via various avenues, including a share purchase plan announced on 11 September 2014 to raise a maximum of $925,000 at a share price of $0.0032 ($0.016 on a post consolidation basis). The share purchase plan was completed on 9 October 2014 and only $188,415 was raised. For completeness we note that the price for the Proposed Placements of $0.004 is consistent with the Entitlements Issue price which is AQC's most recent attempt to raise capital from shareholders.
Funding for operations	If the Proposed Placements are approved, AQC will secure net funding of approximately $13.2 million for its operations (refer to Section 7.2.2). The capital raised will principally be used to fund the development of AQC's mineral exploration assets, particularly the Hillalong Project and Cooroorah Project. The development of these assets has the potential to add value to AQC shareholders.
Settlement of amounts owing to AQC directors	If the Proposed Placements are approved, AQC shareholders will be able approve resolutions to settle amounts owing to AQC directors via the issuance of new shares instead of cash repayments. AQC may therefore be able to commit additional funds to the continued exploration and development of its assets.
Equity funding without interest commitments implicit in hybrid or debt instruments	The Proposed Placements are a form of equity funding for AQC. AQC will be able to focus on developing its operations without concern about interest commitments and other obligations associated with servicing debt and/or other hybrid instruments such as convertible notes. Another advantage of equity financing is that there is less likely to be a claim on the assets of AQC in circumstances of financial distress.
Cornerstone investors with additional experience	If the Proposed Placements are approved, Bentley and Trepang will become cornerstone investors of the Company. As cornerstone investors, Bentley and Trepang may provide additional skills/experience/expertise to AQC via the addition of Mr Nathan Tinkler from Bentley (as chief executive officer and managing director), who has experience in the development of mining assets, and Mr John Robinson Jnr, an associate of Trepang (as non-executive director) who has experience with private equity acquisitions and mining support services.

Advantage	Explanation
Support in the transition of AQC from an explorer to a producer	Mr Nathan Tinkler's knowledge of mining and mine development in Australia could provide AQC with support, subject to success in its exploration program, to progress with the development of AQC's coal resources.

Source: BDO CFQ analysis

9.2 Disadvantages of the Proposed Placements

Table 9.2 below outlines the potential disadvantages to AQC shareholders of approving the Proposed Placements.

Table 9.2: Potential Disadvantages of the Proposed Placements

Disadvantage	Explanation
The Proposed Placements are not fair	As set out in Section 8.0, in our view the Proposed Placements are not fair to the AQC shareholders as at the date of this Report.
Dilution of AQC shareholders' interests	If the Proposed Placements are accepted, AQC shareholders will hold a diluted interest in AQC's assets and will have to share any development or exploration upside in the asset portfolio with Bentley and Trepang.
Ability to pass or block a special resolution	In order to pass a special resolution a company is required to obtain votes from 75% or more of its shareholders. Prior to the Proposed Placements and as set out in Table 5.1 above, AQC's largest shareholder had an interest below 20% (the level often regarded as providing a shareholder with significant influence). If the Proposed Placements are approved, there will be two shareholders with a relevant interest up to 91.15% (depending on the participation rate of the Entitlements Issue and whether amounts owing to directors are converted into shares) of AQC shares each. With shareholdings of this level, they will be able to pass any special resolutions if they both vote in favour or individually block a special resolution if one votes against.
Possible change in strategic direction in a way that AQC shareholders may not agree with	By accepting the Proposed Placements, a nominee of Bentley will be appointed as chief executive officer and managing director and a nominee of Trepang will be appointed as non-executive director of AQC. This could change the strategic direction of the Company in a way that AQC shareholders may not agree with. For completeness we note that Bentley and Trepang have stated to the directors of AQC that they have no intention of changing AQC's strategic direction.
Takeover offer may become more difficult	If the Proposed Placements are approved, Bentley and Trepang will become major shareholders. In this circumstance, any takeover offer for 100% of the shares in AQC will require the support of two major shareholders. In our view, this may reduce the likelihood of AQC receiving a takeover offer in the foreseeable future.
Potential for a significant number of AQC shares to be sold on the open market	If the Proposed Placements are approved, Bentley and Trepang will be issued 3.3 billion new shares in AQC. While Bentley and Trepang have stated to the directors of AQC that they have no intention to sell their new AQC shares for 12 months from the date of issue, under the terms of the Proposed Placements, there is no binding restriction on Bentley and Trepang selling the new AQC shares they are entitled to receive on the open market. If the Proposed Placements are approved, Bentley and Trepang may elect to sell some of the new AQC shares it has received on the open market. This may place downward pressure on the share trading price of AQC if the increased supply of AQC shares sufficiently outweighs the demand for AQC shares.
Liquidity of AQC shares may reduce	If the Proposed Placements are approved, the liquidity of AQC shares may reduce as there will be two shareholders holding a large proportion of total AQC shares outstanding (up to 91.15%). Pending the intentions of the major shareholders in relation to their shareholdings, this may result in a lower proportion of the total equity on issue being available for trade on market.

Source: BDO CFQ analysis

9.3 Potential Position of AQC Shareholders if the Proposed Placements are Not Approved

Table 9.3 below outlines the potential position of AQC shareholders if the Proposed Placements are not approved.

Table 9.3: Potential Position of AQC Shareholders if the Proposed Placements are Not Approved

Position of Shareholders	Explanation
AQC shareholders will continue to own 100% of the Company	AQC shareholders will continue to own 100% of the Company and be entitled to any potential upside or downside risks associated with the future earnings and value of AQC. AQC shareholders will receive any benefits or losses that may arise from AQC's operations and future endeavours.
AQC will require alternative capital raising	AQC will be required to seek alternative methods of capital raising in order to finance the development of its assets, fund its operations in the short term and repay the $200,000 loan funds within five business days of 30 November 2015. In circumstances where AQC is unable to raise additional capital, the Company may not be in a position to further develop its assets. In relation to its primary assets this may lead to AQC not fulfilling the minimum work and expenditure requirements, invalidating the licenses and the renewal thereof. Based on discussions with the directors of AQC, we understand that the alternatives available to AQC in circumstances where the Proposed Placements are not approved include: ▪ **Raising equity capital** – We understand that this option has been considered by the directors of AQC and was previously attempted in the form of a share purchase plan. Having regard to the participation rate of previous capital raisings and current coal market conditions, the directors of AQC are of the view that there is significant uncertainty as to whether the amounts raised in a rights issue or an open market capital raising would be sufficient enough to recapitalise AQC. AQC shareholders should note that further attempts to identify an alternative suitable cornerstone investor may require considerable amounts of time and even if a suitable cornerstone investor was able to be identified, there is no guarantee that they would invest in the Company at a share price higher than the $0.004 under the Proposed Placements; ▪ **Raising debt capital** - AQC may attempt to establish a new debt facility to raise capital. However, we understand that AQC directors are of the view that they will be unable to attract an alternative debt facility on terms acceptable to the Company given current coal market conditions. ▪ **An orderly realisation of the Company's assets** – The directors of AQC may decide to sell the assets of the Company where they are unable to improve the financial position of the Company through alternatives including the above. There is a risk that the value ultimately realised will not exceed the value implied by the Proposed Placements.
AQC will not be able to recover the costs incurred in relation to the Proposed Placements	If the Proposed Placements are not approved, AQC will not be able to recover the costs incurred in relation to the Proposed Placements.
Effect on AQC share price	In the event that the Proposed Placements are not approved, the share price of AQC may differ materially from the share price in the period following the announcement on 27 July 2015.

Source: BDO CFQ analysis

9.4 Assessment of the Reasonableness of the Proposed Placements

In our opinion, after considering all of the issues set out in this Report, it is our view that in the absence of any other information, the Proposed Placements are **Reasonable** to AQC shareholders as at the date of this Report.

10.0 Sources of Information

This Report has been prepared using information obtained from the following sources:

- AQC ASX announcements;
- AQC annual report for the year ended 30 June 2012;
- AQC annual report for the year ended 30 June 2013;
- AQC annual report for the year ended 30 June 2014;
- AQC half year report for the 6 months ended 31 December 2014;
- AQC management accounts for the year ended 30 June 2015;
- AQC company website (www.aqcltd.com);
- Technical Valuation Report prepared by Xenith dated 14 August 2015;
- Capital IQ;
- Australian Bureau of Statistics;
- Australian Coal Association;
- World Coal Association;
- World Energy Council;
- IBISWorld;
- Various transaction documents including the Subscription Agreements and Notice of Meeting;
- Various other research publications and publicly available data as sourced throughout this Report; and
- Various discussions and other correspondence with AQC directors, management and its advisers.

11.0 Representations, Indemnities and Warranties

AQC has agreed to our usual terms of engagement in addition to the indemnities and representations set out below.

11.1 Indemnities

In connection with BDO CFQ's engagement to prepare this Report, AQC agrees to indemnify and hold harmless BDO CFQ, BDO (QLD) or any of the partners, directors, agents or associates (together 'BDO Persons'), to the full extent lawful, from and against all losses, claims, damages, liabilities and expenses incurred by them. AQC will not be responsible, however, to the extent to which such losses, claims, damages, liabilities or expenses result from the negligent acts or omissions or wilful misconduct of any BDO Persons.

AQC agrees to indemnify BDO Persons in respect of all costs, expenses, fees of separate legal counsel or any other experts in connection with investigating, preparing or defending any action or claim made against BDO Persons, including claims relating to or in connection with information provided to or which should have been provided to BDO CFQ by AQC (including but not limited to the directors and advisers of AQC) as part of this engagement.

11.2 Representations and Warranties

AQC recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDO Persons will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by AQC, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

AQC management represent and warrant to BDO Persons that all information and documents furnished by AQC (either directly or through its advisors) in connection or for use in the preparation of this Report will not, at the time so furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein.

AQC has acknowledged that the Company's engagement of BDO CFQ is as an independent contractor and not in any other capacity including a fiduciary capacity.

12.0 Experience, Disclaimers and Qualifications

BDO CFQ has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDO CFQ holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDO CFQ and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Steven Sorbello and Mark Whittaker have prepared this Report with the assistance of staff members. Mr Sorbello and Mr Whittaker are directors of BDO CFQ and have extensive experience in corporate advice and the provision of valuation and business services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations.

This Report has been prepared at the request of the directors of AQC to provide AQC shareholders with information to assist them to decide whether to vote in favour of or against the Proposed Placements. BDO CFQ hereby consents to this Report being used for that purpose. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular, resolution, statement, or letter without the prior written consent of BDO CFQ.

BDO CFQ takes no responsibility for the contents of other documents supplied in conjunction with this Report. BDO CFQ has not audited or reviewed the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or a review of any of the entities mentioned in this Report. However we have no reason to believe that any of the information or explanations so supplied is false or that material information has been withheld.

Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions, which may or may not occur. Accordingly, BDO CFQ cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved.

With respect to taxation implications of the Proposed Placements, it is strongly recommended that AQC shareholders obtain their own taxation advice, tailored to their own particular circumstances.

APES 225 'Valuation Services' issued by the Accounting Professional & Ethical Standards Board sets out mandatory requirements for the provision of quality and ethical valuation services. BDO CFQ has complied with this standard in the preparation of this Report.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete. This Report is current as at 11 September 2015.

BDO Corporate Finance (QLD) Ltd

Steven Sorbello
Director

Mark Whittaker
Director

Appendix A: Industry Information: Overview of the Coal Industry

This section of this Report is set out as follows:

- Section A.1 provides a brief overview of coal; and
- Section A.2 provides a brief overview of the coal industry in Australia.

The information presented in this appendix has been compiled from a range of publicly available sources, together with information taken from various databases to which we subscribe to.

A.1 Coal Overview

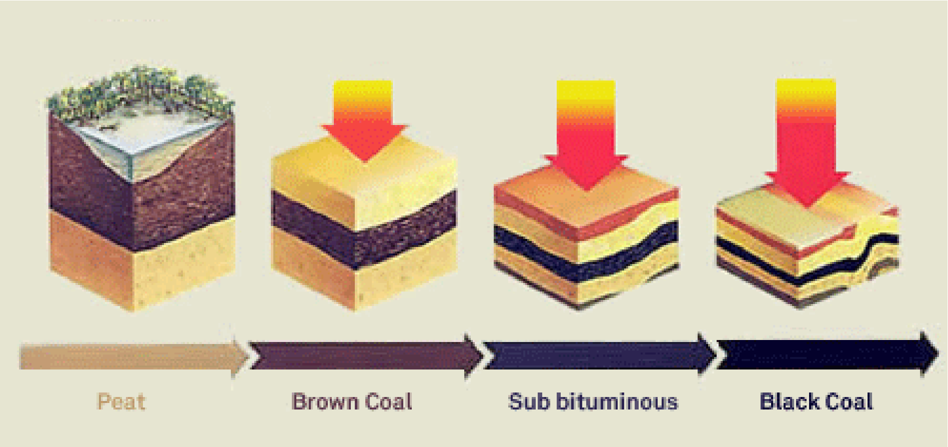
A.1.1 Coal Properties and Uses[4]

Coal is combustible, sedimentary, organic rock formed from ancient vegetation that has been compressed and transformed by the combined effects of microbial action, pressure, and heat over millions of years. This process is known as 'coalification'.

Peat, the precursor of coal, is initially converted into lignite or brown coal and is considered to have low organic 'maturity'. Over many more millions of years, the continuing effects of temperature and pressure progressively change the lignite and increase its maturity, transforming it into the range known as sub-bituminous coals. As this process continues, further chemical and physical changes take place until these coals become blacker, harder, and more mature, at which point they are classified as bituminous or hard coals. Under the right conditions and after a sufficient period of time, progressive increases in organic maturity will ultimately lead to anthracite.

Figure A.1 below illustrates the coalification process.

Figure A.1: Coalification Process



Source: Australian Coal Association

The degree of coalification undergone by a coal, as it matures from peat to anthracite, has an important bearing on its physical and chemical properties, and is typically referred to as the 'rank' of the coal.

Lower rank coals, such as lignite and sub-bituminous coal are typically softer, friable materials with a dull, earthy appearance. They have low energy content due to high moisture levels and low carbon content.

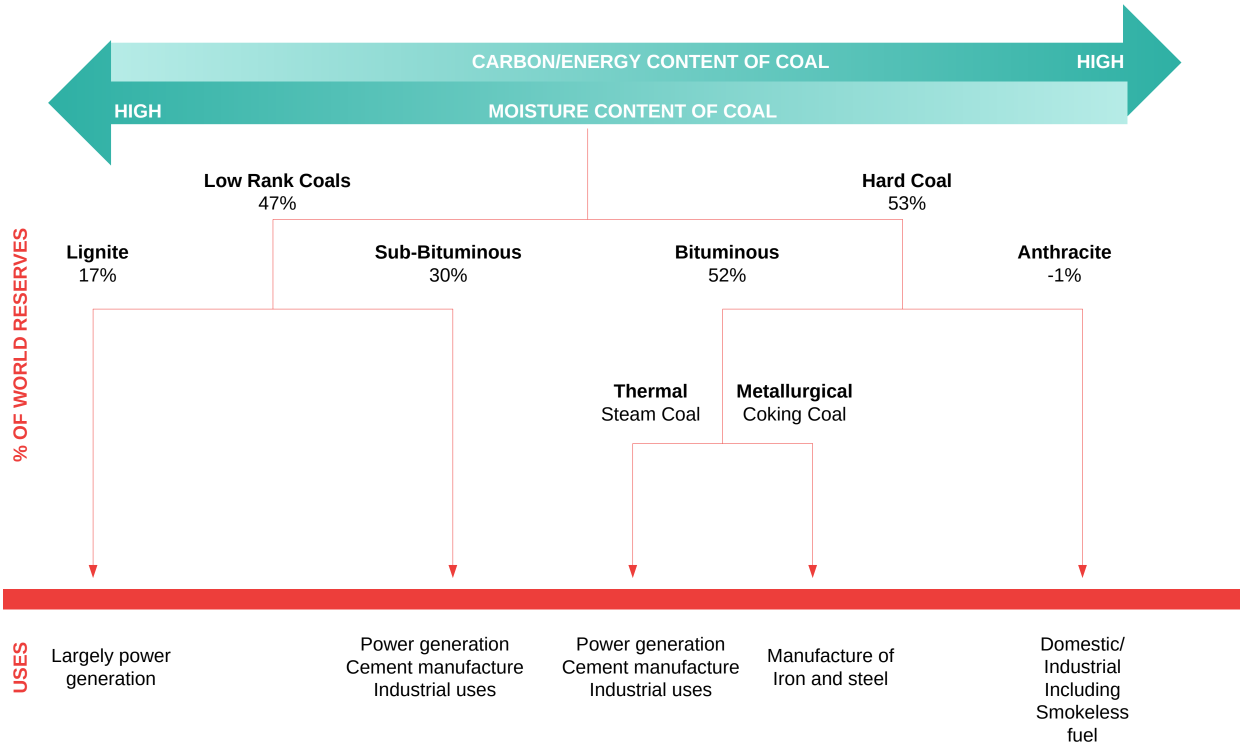
Sub-bituminous coal is generally unlikely to be of sufficient energy or combustion characteristic to satisfy export markets. Further, sub-bituminous coal is difficult to stockpile and/or transport due to its tendency to self-combust and its high moisture content. Accordingly, sub-bituminous coal is typically consumed at the point at which it is mined.

Higher rank coals, such as bituminous coal and anthracite, are typically harder and stronger and tend to have a black vitreous lustre. Higher rank coals have high energy content due to low moisture levels and high carbon content. Anthracite is the type of coal with the highest carbon content and the lowest moisture level and is therefore the type of coal with the highest energy content.

[4] Information sourced from Australian Coal Association, World Coal Association and World Energy Council

Figure A.2 below illustrates the coal classification spectrum.

Figure A.2: Coal Classification Spectrum



Source: World Coal Association

The world market for coal primarily consists of higher rank coals, including thermal coal and coking coal.

Coking (or Metallurgical) coal, due to its high carbon content and coking characteristics, is generally used for the production of metallurgical coke, which is used as a reductant in the production of iron and steel. Coking coal is further categorised in order of its level of carbon content as follows:

- Hard coking coal (which has the highest carbon content) is more favoured in the production of coke and therefore trades at a premium to lower grade coking coals; and
- Semi-soft coking coals and PCI (which has lower carbon content) are predominantly used for blending with hard coking coal where they are used as an auxiliary fuel source to increase the effectiveness of blast furnaces, ultimately resulting in lower production costs.

Thermal (or steam) coal, which generally contains less carbon than all types of coking coal, is used in the generation of electricity.

The markets for coking coal and thermal coal generally have different demand determinants and operate independently.

A.1.2 Global Coal Reserves

As at the end of 2014, it is estimated that there are over 892 billion metric tonnes of proved coal reserves worldwide.[5] Approximately 72.4% of the world's proven recoverable coal reserves are located in the following five countries:

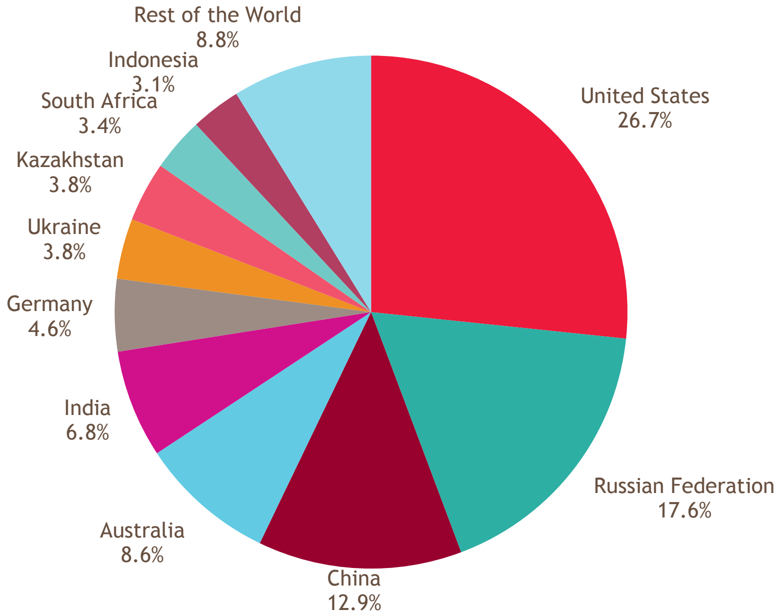
- United States (26.6%);
- Russian Federation (17.6%);
- China (12.8%);

[5] Proved reserves include reserves that are not only considered to be recoverable but that can also be recovered economically. This means that proved reserves take into account what current mining technology can achieve and the economics of recovery. Proved reserves will therefore change according to the price of coal. If the price of coal is low, proved reserves will decrease.

- Australia (8.6%); and
- India (6.8%).

Figure A.3 below shows the geographic spread of proven coal reserves by country as at the end of 2014.

Figure A.3: Global Proven Coal Reserves by Country



Source: BP Statistical Review of World Energy June 2015

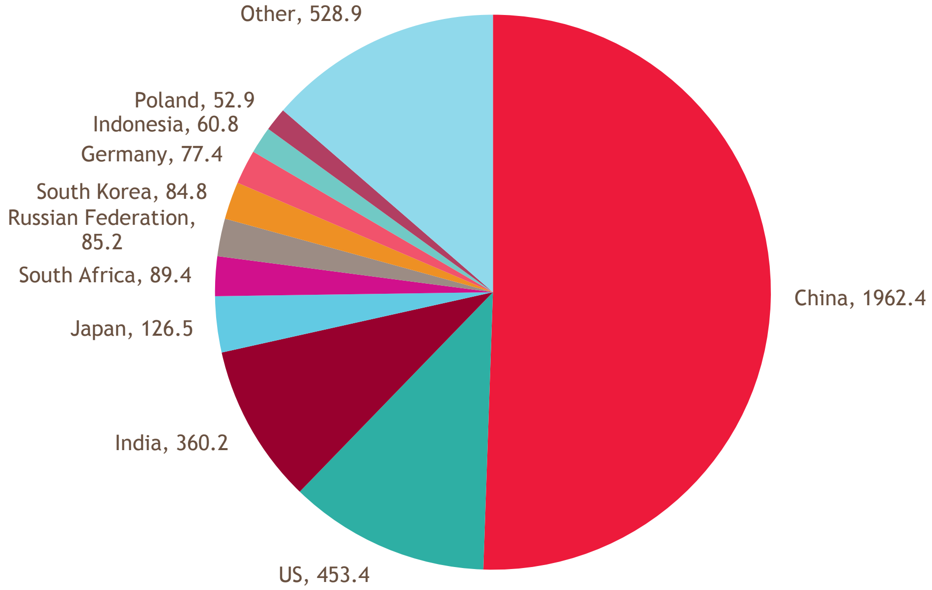
A.1.3 Global Coal Consumption

Coal's share of global primary energy consumption was 30.0% in 2014. The five largest users of coal – China, the United States, India, Japan and South Africa – account for approximately 77% of total global coal use. The biggest market for coal is in Asia-Pacific which accounted for 71.5% of global coal consumption in 2014.

Global coal consumption grew by 0.4% in 2013, well below the ten year average of 2.9%. The weak growth in consumption was driven by a decline in the growth of consumption in China (+0.1%), the largest user of coal accounting for more than half the global consumption. OECD consumption fell by 1.5%, whereas non-OECD consumption grew by 1.1%.

Figure A.4 below sets out coal consumption in 2014 by the top coal users.

Figure A.4: Coal Consumption in 2014 (million tonnes)



Source: BP Statistical Review of World Energy June 2015

A.1.4 Coal Prices[6]

Most coal traded in international markets is bought and sold pursuant to term contract arrangements between the world's major producers (such as BHP Billiton, Xstrata, Rio Tinto and Vale) and the world's major buyers (such as Indian, Chinese, Korean and Japanese steel mills). The term contract arrangements set out a number of key terms including:

- The benchmark prices at which coal will be traded;
- The volume of coal to be traded;
- The energy content of the coal to be traded;
- The method and cost of transportation; and
- Any other specifications as required.

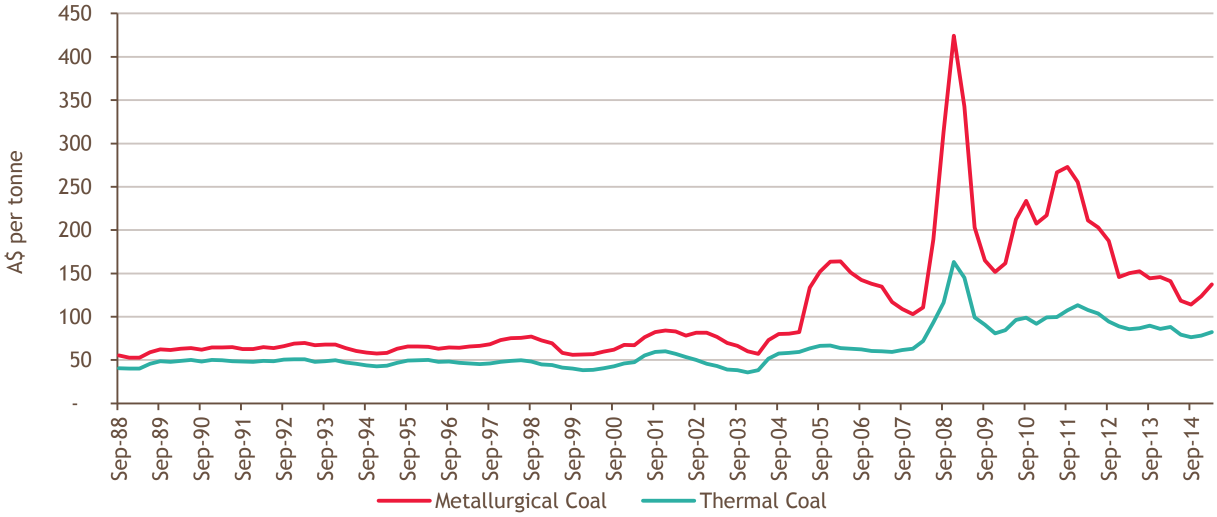
Existing term contracts generally serve as the reference point when negotiating updated term contract arrangements.

The benchmark prices negotiated and agreed between the major producers and buyers generally determine the price at which subsequent coal contracts will settle at following adjustments for the specific energy specifications of the coal.

Figure A.5 below shows the average export price for thermal coal and metallurgical coal from the quarter ended September 1988 to the quarter ended March 2015 in A$ per tonne.

[6] Information primarily sourced from Office of the Chief Economist, Australian Department of Industry and Science

Figure A.5: Average Export Price of Coal (September 1988 – March 2015)



Source: Resources and Energy Quarterly, Australian Department of Industry and Science

Figure A.5 above shows that the average spot price of thermal and metallurgical coal has been highly volatile over the last ten years.

Reasons for the observed spike in coal prices include disruptions in supply and the surge in demand for coal from India and China. However, prices decreased significantly in 2009 following the impact of the global financial crisis on the demand for power generation and steel. Coal prices recovered in 2010 and 2011 as supply disruptions in Australia, Indonesia and South Africa limited export growth at a time of strong import demand. However, coal prices (in terms of US$) trended downward throughout most of 2013 and the first half of 2014 and 2015, reflecting surplus supply, lower demand and lower production costs that reduced the price required for operations to remain viable. Coal prices in terms of A$ per tonne in Figure A.5 above appear to have increased in the first half of 2015 due to a significantly weaker Australian dollar.

Despite announcements from several companies for plans to close capacities or reduce output, analysts from the Bureau of Resources and Energy Economics expect the global coal supply overhang to persist in the near term until demand growth recovers and announced production cuts materialise. Furthermore, China's efforts to reduce the use of coal in response to concerns about deteriorating air quality may lower China's imports, placing downward pressure on prices.

A.2 Australian Coal Industry[7]

Australia is naturally endowed with coal resources providing an advantage for its coal production over its competitors. Australia's share in proven coal resources is the fourth-largest in the world.

Exploration and production of coal has slightly declined in Australia due to lower coal prices encouraging a reduction in capacity by Australian producers. Cost-cutting activities are being implemented nation-wide to remain viable and maintain profitability. The decline in coal prices has caused a number of operations to close down with more possible closures to occur. The decline in coal production from the closure of coal operations will be offset by the forecast increase in coal production at existing operations in the medium term.

Australia is one of the world's largest exporters of coal having exported an estimated 375 million tonnes of coal in 2013 out of its total production of 428 million tonnes.

QLD and NSW coal accounted for approximately 97.8% of total Australian black coal production in 2014. Japan is the main destination of Australian coal product, accounting for approximately 38.1% of coal exports in 2014-15, closely followed by China at 31.8%. Other major importers of Australian coal include India, Taiwan, South Korea, as well as various countries within the European Union.

[7] Information sourced from Minerals Council of Australia, Department of Industry and Science – June 2015 Resources and Energy Quarterly, IBISWorld and World Coal Association

In Queensland, coal for export is railed along five major rail networks, namely the Newlands, Goonyella, Blackwater, Moura, and West Moreton coal rail systems. In total, the networks have a haulage capacity in excess of 250 million tonnes per annum. Using these systems, coal for export is railed to a number of ports along the Queensland coastline, including:

- Abbott Point Coal Terminal, located approximately 25kms north of Bowen, North Queensland;
- Hay Point, located approximately 40km south of Mackay, the Port of Hay Point comprises Dalrymple Bay Coal Terminal and the Hay Point Coal Terminal;
- Gladstone, located approximately 525km north of Brisbane; and
- Queensland Bulk Handling, located at the Port of Brisbane, servicing mines from the West Moreton and Darling Downs coalfields.

Appendix B: Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

There are a number of methodologies available to value an entity at fair market value. In preparing this Report, we have considered, amongst other metrics, the valuation methodologies recommended by ASIC in *RG 111: Content of Expert Reports*. The methodologies include those mentioned directly below.

B.1 Discounted Cash Flows (DCF)

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

B.2 Capitalisation of Maintainable Earnings (CME)

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

B.3 Asset Based Valuation (ABV)

An ABV is used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets, however, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

B.4 Market Based Valuation (MBV)

An MBV methodology determines a value for an entity by having regard to the value at which securities in the entity have recently been purchased. This approach is particularly relevant to:

- Entities whose shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares is traded and the shares are traded over a sufficiently long period of time; and/or
- Entities for which it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

B.5 Industry Specific Metrics

It is often appropriate to have regard to industry specific valuation metrics in addition to the traditional valuation approaches outlined above. These metrics are particularly relevant in circumstances where it is reasonably common for market participants to have regard to the alternative measures of value.

For resource companies, it is common for market analysts to have regard to multiples related to resources and tenement size.

Appendix C: Control Premium Analysis

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with control over the operating and financial decisions of the company, the right to set the strategic direction of the company, control over the buying, selling and use of the company's assets, and control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

The control premium observed in a given takeover bid may be impacted by a range of factors, including:

- The specific value that may have been applicable to the acquirer at the time of the transaction;
- The level of ownership already held by the acquirer in the target;
- The level of speculation in the market about a transaction between the target and the acquirer;
- The presence of competing bids for the target; and
- The prevailing strength of the market and the economy more broadly at the time of the transaction.

To determine an appropriate control premium range to apply to AQC in this Report, we have considered the following information:

- Control premiums implied in merger and acquisition transactions of coal exploration companies operating in Australia, which indicate median control premiums in the range of 19.14% to 34.79%;
- Recent independent expert's reports which apply control premiums in the range of 20% to 40%;
- Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- Various valuation textbooks; and
- Industry practice.

Having regard to the information set out above, in our view, it is appropriate to consider control premiums within the range of 20% to 40% for the purposes of assessing the Proposed Placements in this Report.

Appendix D: Technical Expert's Report

Xenith

Australian Pacific Coal Ltd

TECHNICAL SPECIALIST'S REPORT

Australian Pacific Coal Assets

August 2015

14th August 2015

BDO Corporate Finance (QLD) Pty Ltd
Level 10, 12 Creek St
Brisbane QLD 4000
AUSTRALIA

Dear Sirs,

RE: TECHNICAL SPECIALIST REPORT
ON AUSTRALIAN PACIFIC COAL LTD ASSETS

This Independent Technical Specialist Report ('ITSR') has been prepared by Xenith Consulting Pty Ltd ('Xenith') at the request of BDO Corporate Finance (QLD) Ltd ('BDO') for inclusion in the Independent Expert's report being prepared by BDO in relation to the APC capital raising announced 29 July 2015.

The purpose of the report is to document Xenith's Technical Assessment of the Australian Pacific Coal ('APC') including the confirmation of current resource estimates and an assessment of the technical suitability of proposed exploration plans.

In addition, Xenith has estimated the Technical Value of the APC Coal Assets.

Xenith has conducted its technical review in recognition of the requirements of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves" (2012) published by the Joint Ore Reserves Committee ('JORC') of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia (the 'JORC Code') and also with the requirements of the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy (the 'Valmin Code').

Xenith has not audited the information provided to it, but has aimed to satisfy itself that all of the information has been prepared in accordance with proper industry standards and is based on data that Xenith considers to be of acceptable quality and reliability. Where Xenith has not been so satisfied, Xenith has included comment in this ITSR and considered this in the estimated Technical Value.

This Mineral Asset Valuation included in this ITSR has been prepared to conform to the Australian VALMIN Code (2005). The valuation of Mineral Assets is not a precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgement. There is therefore no indisputable single value and Xenith normally expresses an opinion on the value as falling within a likely range, as required by the Code.

Xenith has adopted various valuation methods to estimate the current market value of the APC Coal Assets. Using these methods, Xenith estimates the market value of APC Coal Assets resides between A$1.70M and A$5.57M, with a preferred value of A$3.71M. The wide range in value reflects the uncertainty in the coal market, the precision of the valuation methods and the underlying valuation assumptions. The valuation is driven predominantly from 4 of the most advanced projects – Cooroorah, Dingo, South Clermont and Mt Hillalong.

Valuation Summary

Tenement	Project Name	Preferred Valuation Method	APC Ownership	Value Low (APC Share)	Value High (APC Share)	Value Preferred (APC Share)
			%	A$M	A$M	A$M
EPC 1566	Bee Creek	Average of MEE & EV/lease area	100.0%	0.00	0.01	0.00
EPCa 1645	Mount Hess	Multiples of Exploration Expenditure	100.0%	0.00	0.00	0.00
EPC 1773	Kemmis Creek	Multiples of Exploration Expenditure	100.0%	0.01	0.01	0.01
EPC 1824	Mount Hillalong	Multiples of Exploration Expenditure	100.0%	0.47	1.35	1.01
EPC 1859	Dingo	Multiples of Exploration Expenditure	100.0%	0.25	0.33	0.28
EPC 1867	Mount Hess West	Multiples of Exploration Expenditure	100.0%	0.02	0.05	0.03
EPC 1896	Bottle Tree Creek	Average of MEE & EV/lease area	50.0%	0.00	0.01	0.00
EPC 1955	Bungaban Creek	Comparable Transactions EV/resource	10.0%	0.06	0.31	0.19
EPC 1957	Laguna Creek	Comparable Transactions EV/lease area	10.0%	0.00	0.00	0.00
EPC 1965	Kanga Creek	Average of MEE & EV/lease area	100.0%	0.01	0.01	0.01
EPC 1987	Quandong	Comparable Transactions EV/lease area	10.0%	0.00	0.00	0.00
EPC 1996	Churchyard Creek	Multiples of Exploration Expenditure	100.0%	0.02	0.05	0.03
EPC 2011	South Clermont	Multiples of Exploration Expenditure	100.0%	0.21	0.32	0.25
EPC 2037	Almoola	Average of MEE & EV/lease area	100.0%	0.01	0.01	0.01
MDL 453	Cooroorah	Comparable Transactions EV/resource	100.0%	0.62	3.12	1.87
			Total Value	**1.70**	**5.57**	**3.71**

For definitions of abbreviations used in this ITSR, refer to Appendix A, and for contributors to this ITSR, refer to Appendix B.

Xenith has been paid, and has agreed to be paid, professional fees for its preparation of this report. However, none of Xenith or its directors, staff or sub-consultants who contributed to this report has any interest in:

- APC, Trepang Services, Bentley Resources or the relevant parties and companies associated with these entities; or
- The mining assets reviewed; or
- The outcome of the BDO report.

Yours sincerely

Troy Turner
MAusIMM (CP)

Xenith

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1 INTRODUCTION

1.1 Context

On 29 July 2015, Australian Pacific Coal ('APC') announced a share placement of 3.3 billion shares in total (74.39% of APC shares on issue post-raising) equally to Bentley Resources Pte Ltd ('Bentley Resources') and Trepang Services Pty Ltd ('Trepang Services'). This transaction is subject to shareholder approval.

1.2 Purpose of Report

This Independent Technical Specialist Report ('ITSR') has been prepared by Xenith Consulting Pty Ltd ('Xenith') at the request of BDO Corporate Finance (QLD) Ltd ('BDO') for inclusion in the Independent Expert's report being prepared by BDO in relation to the APC capital raising announced 29 July 2015.

The purpose of the report is to document Xenith's Technical Assessment of the Australian Pacific Coal ('APC') including a review of the prospectivity of each asset, review of current resource estimates and an assessment of the technical suitability of proposed exploration plans. In addition, Xenith has estimated the Technical Value of the APC Coal Assets.

1.3 Scope of Work

Xenith carried out the following scope of work for the Technical Assessment:

- A review of the current title and ownership for the APC Coal Assets.
- A review of the geological reports, resources, estimation methods, and coal quality data;
- Assessment of resource statements for JORC Code [1] compliance and commenting on geological implications for mining and coal product types;
- Assessment of the future exploration work program planned for the APC Coal Assets;
- Assessment of other factors which may affect future development of the APC Coal Assets;
- Preparation of valuations of the APC Coal Assets;
- Documenting the Technical Assessment in a formal Technical Specialist Report.

Xenith has not audited the information provided to it, but has aimed to satisfy itself that all of the information has been prepared in accordance with proper industry standards and is based on data that Xenith considers to be of acceptable quality and reliability. Where Xenith has not been so satisfied, Xenith has included comment in this ITSR and considered this in the estimated Technical Value.

1.4 Location of Assets

APC has established a portfolio of coal exploration tenement areas in Queensland, Australia. APC's tenements cover approximately 1,350 square kilometres and are located in the Surat, Bowen and Galilee Basins.

1.5 Capability and Independence

This report was prepared on behalf of Xenith by the signatories to this report, details of whose qualifications and experience are set out in Appendix B to this report.

Xenith operates as an independent technical consultant providing resource evaluation, mining engineering and mining project valuation services to the resources and financial services industry. Xenith has not carried out assignments for APC in the last three years. Xenith believes its independence has in no way been compromised.

Xenith has been paid, and has agreed to be paid, professional fees for its preparation of this report. However, none of Xenith or its directors, staff or sub-consultants who contributed to this report has any interest in:

- APC, Trepang Services, Bentley Resources or the relevant parties and companies associated with these entities; or
- The mining assets reviewed; or
- The outcome of the BDO report.

Drafts of this report were provided to APC, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in the report.

The Specialists who contributed to the findings within this Report have each consented to the matters based on their information in the form and context in which it appears.

Information in this report that relates to Mineral Resources based on Resource Statements prepared by Competent Persons as defined by the JORC Code [1]. This report conforms in all aspects, unless an aspect is specifically excluded, with the requirements of the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy (the "Valmin Code") [2].

For the purposes of this report, value is defined as fair market value, being the amount for which a mineral asset should change hands between a willing buyer and a willing seller in an arm's length transaction where each party is assumed to have acted knowledgeably, prudently and without compulsion.

1.6 Methodology

1.6.1 Technical Assessment

The following points cover the main areas that the review focussed on and a brief description of the methodology used:

- Review the ownership status of the asset;
- Review the geology, particularly the exploration completed or planned and any laboratory results showing coal quality or coal characteristics;
- Review other factors which may affect future development, such as the regulatory restrictions;
- Review the Mineral Resources for the deposit, where applicable;
- Comment on the key points for each asset, and make an assessment of the asset's prospectivity based on the reviewed information; and
- Determine a valuation for each asset based on a credible valuation methodology, the asset's prospectivity and other relevant information.

1.7 Site Inspection

For the purpose of this ITSR, Xenith has not visited the APC Coal Assets. However, as Xenith has previously undertaken extensive technical evaluation work of coal assets in the Galilee, Bowen, and Surat, it has a good understanding of the assets and has no reason to question the validity of the technical information supplied. Xenith is satisfied that APC has provided sufficient information for Xenith's informed appraisal to be made without such site visits.

1.8 Limitations and Exclusions

This Report specifically excludes all aspects of legal issues, commercial and financing matters, land titles, agreements, excepting such aspects as may directly influence technical, operational or cost issues. Xenith has not undertaken an evaluation of marketing or coal pricing forecasts.

In Xenith's opinion, the information provided by APC was reasonable and nothing discovered during the preparation of this report suggested that there was any significant error or misrepresentation in respect of that information. Information generated by third parties, consultants or contractors to APC has not been independently validated by Xenith through the generation of new work or new data. Xenith has relied upon the accuracy of this information for this report.

1.9 Inherent Minerals Exploration Risk

Coal exploration is carried out in an environment where not all events are predictable. Whilst an effective management team can identify the known risks and take measures to manage and mitigate those risks, there is still the possibility for unexpected and unpredictable events to occur. It is not possible therefore to totally remove all risks or state with certainty that an event that may have a material impact on the execution of coal exploration, development and mining, will not occur.

1.10 Information Sources

In developing our assumptions for this report, Xenith has relied upon information provided by APC, and information available in the public domain. Key sources are outlined in this report and all data included in the preparation of this report has been detailed in the references section.

In the execution of its mandate, Xenith reviewed all relevant pertinent technical and corporate information made available by the management of APC, which has been accepted in good faith as being true, accurate and complete, after having made due enquiry. Specifically, Xenith has reviewed company announcements, quarterly reports and JORC Code resource estimates provided by APC and its JV partners [3-9].

2 AUSTRALIAN PACIFIC COAL OVERVIEW

2.1 Key Outcomes

- Australian Pacific Coal (APC) has full or partial interest in potential coking, PCI and thermal coal projects in the Bowen, Surat, and Galilee Basins in Queensland, Australia.
- The projects are at various stages of development but none are in production.
- The Mount Hillalong (EPC 1824), Dingo (EPC 1859), South Clermont (EPC 2011) and Cooroorah (MDL 453) projects are identified as APC's advanced projects.
- APC has JV agreements on three tenements with Blackwood Resources (a 100% owned subsidiary of Cuesta Coal Ltd), and Cape Coal Pty Ltd.

2.2 APC Asset Summary

APC is exploring for bulk open-cut and underground mineable resources of high quality thermal and metallurgical coal for export markets. The company has a strategic holding of coal exploration tenements located in Queensland's Bowen, Galilee and Surat Basins as listed in Table 2.1 and mapped in Figure 2.1. APC also holds a mining lease over a small bentonite mine, Mantuan Downs No. 1, which has been on care and maintenance since 2009. Area Coal Pty Ltd and Mining Investments One Pty Ltd are 100% owned subsidiaries of APC.

APC holds interests in 10 EPCs and one MDL in the Bowen Basin (see Figure 2.2 and Figure 2.3), two EPCs in the Surat Basin (see Figure 2.4) and one EPC in the Galilee Basin (see Figure 2.2).

Table 2.1 - APC Asset List

Type	No.	Name	Held by	Sub-blocks/ area	Basin	Target Formation(s)	Nearby
EPC	1566	Bee Creek	Area Coal	4	Central Bowen Basin	Back Creek GP	Oaky Creek
EPCa	1645	Mount Hess	Area Coal - Application	10	North Bowen Basin	Fort Cooper, Moranbah CM	Hail CK,Hillalong
EPC	1773	Kemmis Creek	RTX -> Area Coal	2	North Bowen Basin	Fort Cooper	Hail Creek, Kemmis Walker
EPC	1824	Mount Hillalong	RTX -> Area Coal	15	North Bowen Basin	Rangal CM	Hail Creek
EPC	1859	Dingo	Area Coal	5	Central Bowen Basin	Rangal CM/Burngrove FM	Dingo West
EPC	1867	Mount Hess West	RTX -> Area Coal	2	North Bowen Basin	Moranbah CM	Hail CK,Hillalong
EPC	1896	Bottle Tree Creek	Cape Coal	8	NE Surat Basin	Juandah CM, Taroom CM	Back Creek, Bushranger
EPC	1955	Bungaban Creek (Thorn Hill)	Blackwood Resources	64	NE Surat Basin	Taroom CM	The Range, Bottletree
EPC	1957	Laguna Creek	Blackwood Resources	120	Galilee	Betts Creek Beds, Bandanna CM	Carmichael et.
EPC	1965	Kanga Creek	Area Coal	5	South Bowen Basin	Baralaba CM	Dawson, Belvedere
EPC	1987	Quandong	Blackwood Resources	115	NE Surat Basin	Taroom CM	The Range, Back Creek
EPC	1996	Churchyard Creek	Mining Investments One	5	Central Bowen Basin	Fairhill FM	Between Middlemount and Blackwater
EPC	2011	South Clermont	Area Coal	18	W Bowen	Blair Athol CM/Back Creek GP	Clermont, Blair Athol
EPC	2037	Almoola	Mining Investments One	6	North Bowen Basin	Lizzie Creek Volcanics	Collinsville
MDL	453	Cooroora	Area Coal	16.7km2	Central Bowen Basin	Rangal CM/Burngrove FM	Curragh/Jellinbah
ML	70360	Mantuan Downs No. 1	IPOH Pacific Resources	2.74km2	North Surat/South Eromanga	-	-

Figure 2.1 - APC Tenements Overview

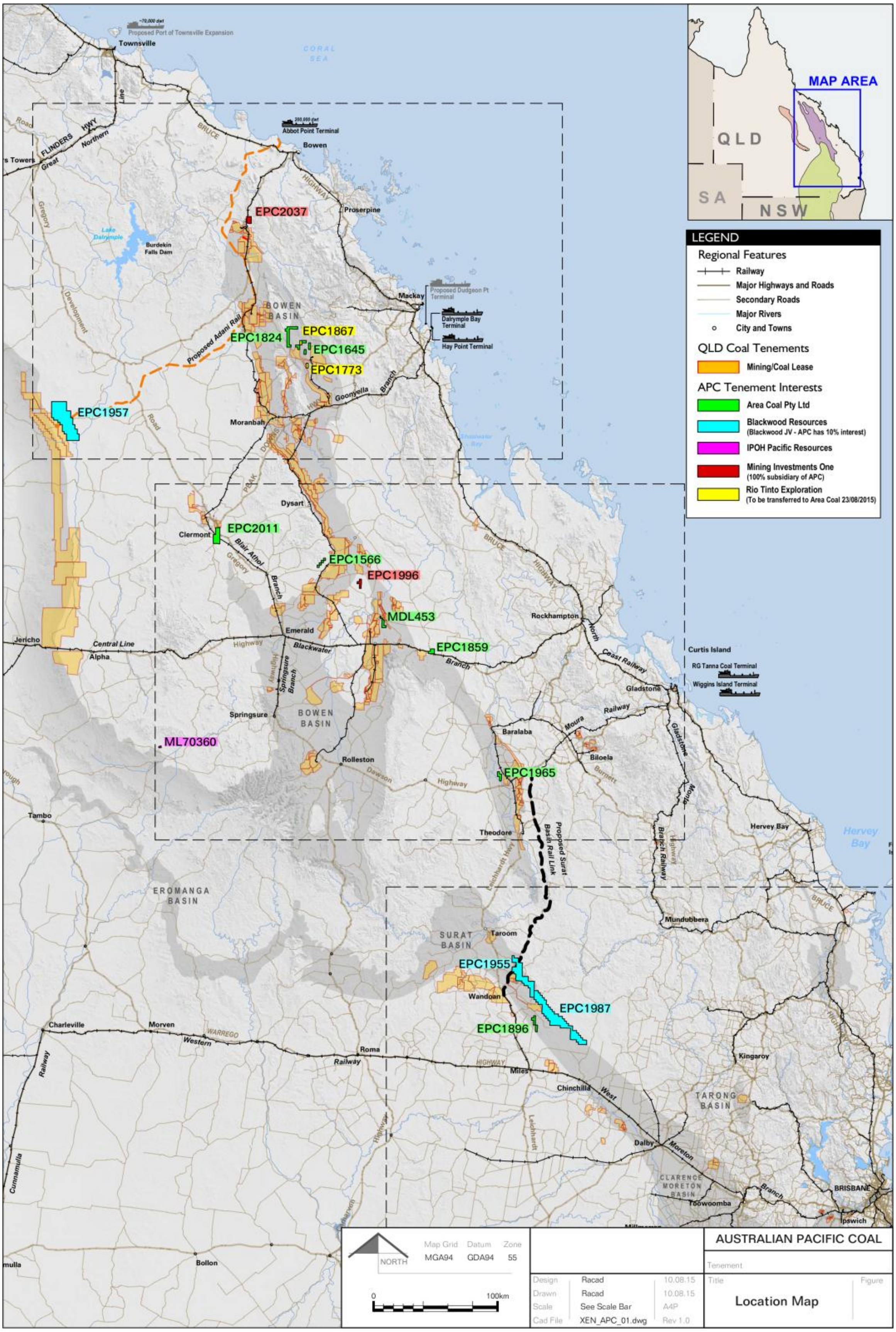


Figure 2.2 – Northern Bowen Basin and Galilee Basin Tenements

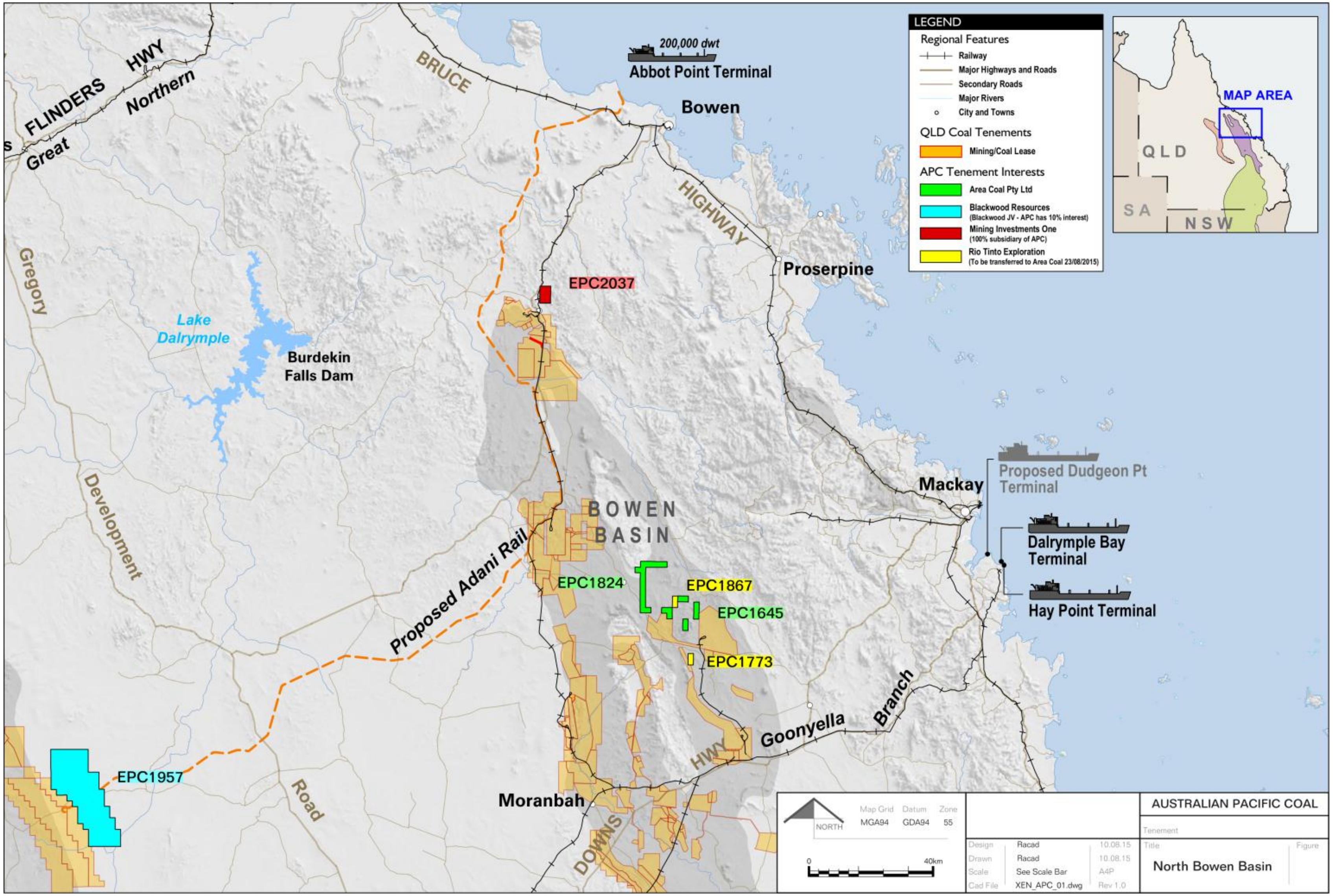


Figure 2.3 - Central and Southern Bowen Basin Tenements

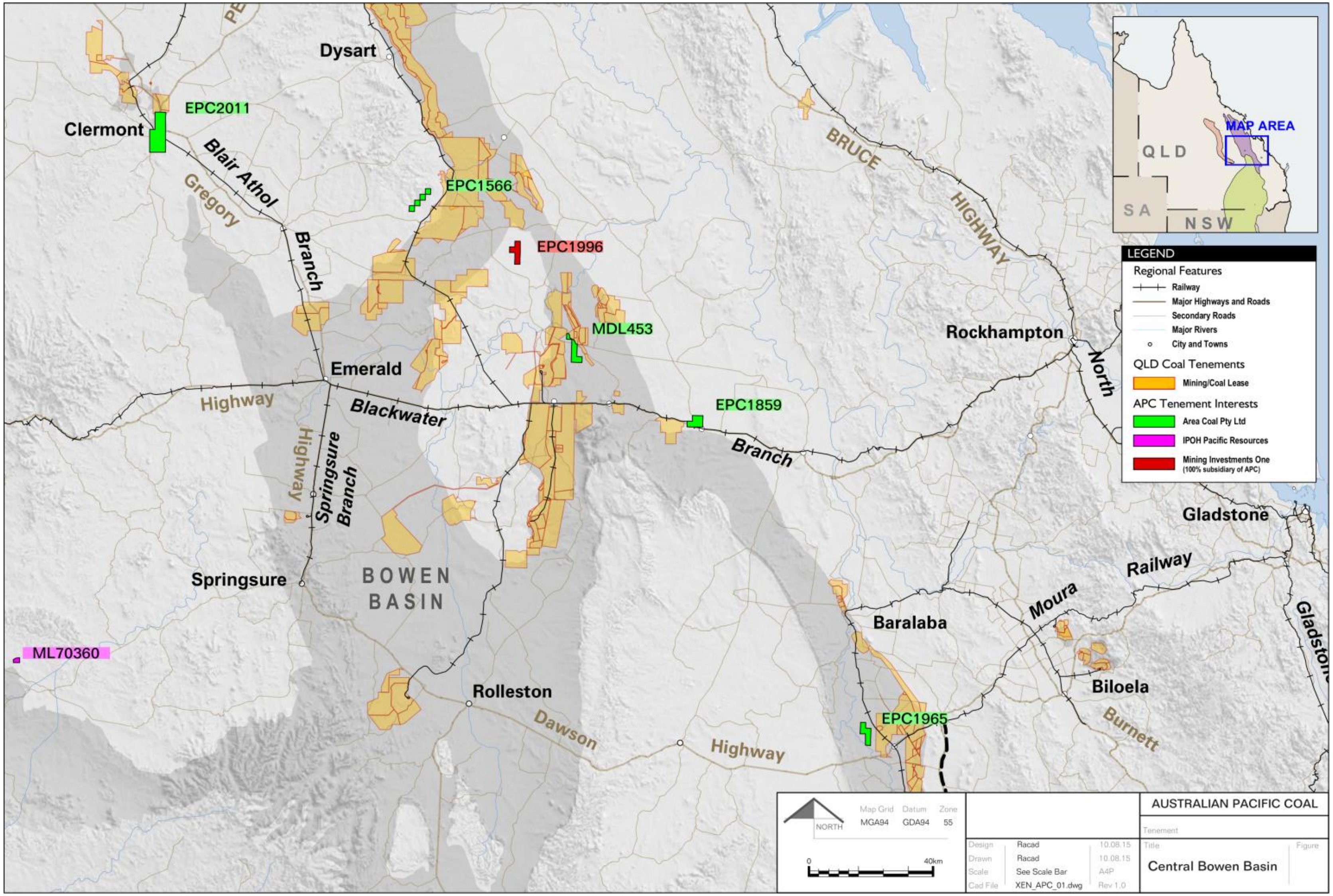
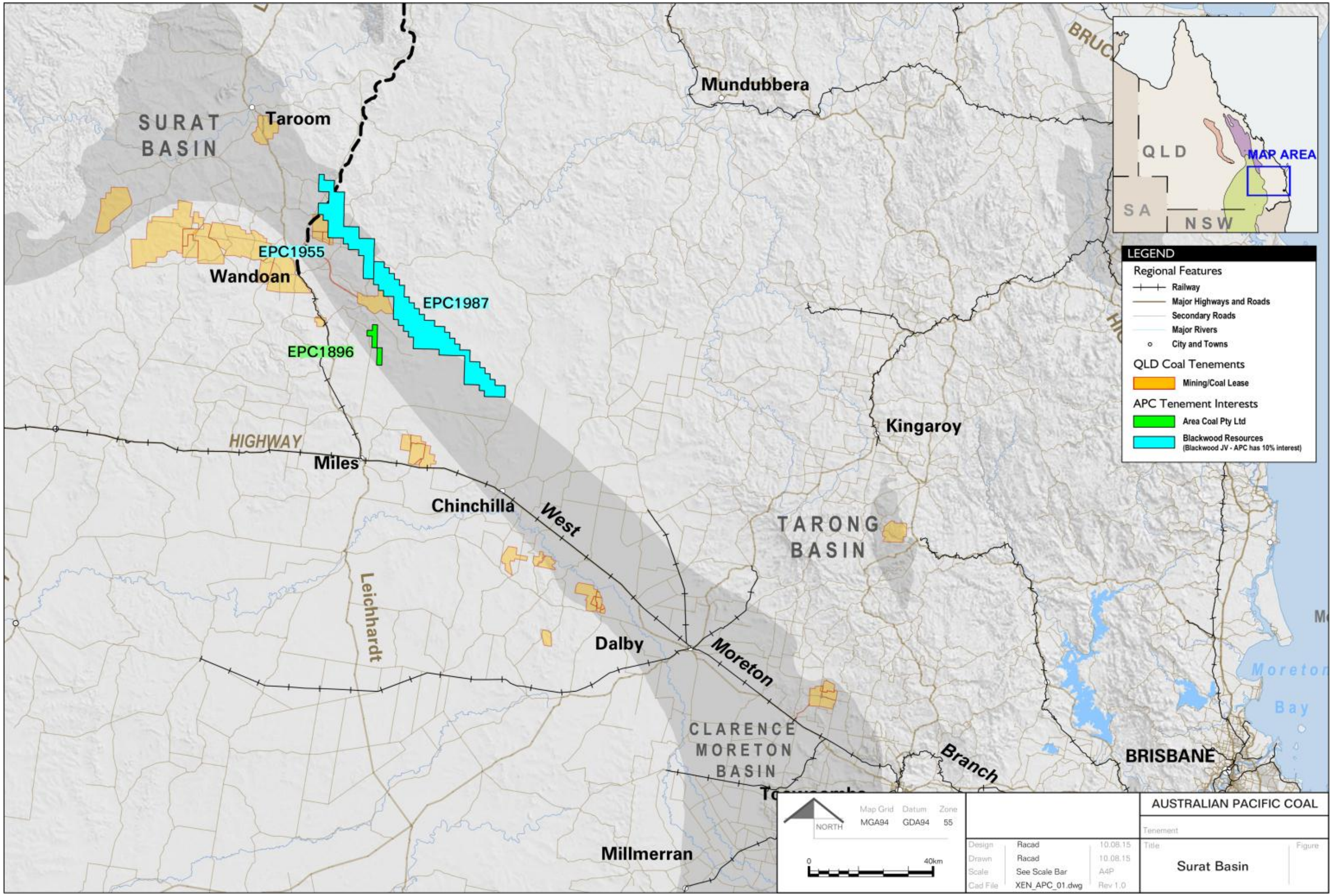


Figure 2.4 - Surat Basin Tenements



2.3 Joint Venture Agreements

APC has joint venture arrangements over a number of their projects.

In April 2010, a 90% interest in EPC 1955, 1957, 1979 and 1987 was acquired by Blackwood Resources Pty Ltd for $500,000 in cash and a commitment to fund exploration while APC retained a 10% free carried interest in the joint venture up to bankable feasibility stage. Since this transaction, a decision not to renew EPC 1979 has been announced (and therefore EPC 1979 is not included in this valuation) and relinquishments of 106 sub-blocks have occurred. Blackwood can withdraw at any time and offer the project(s) back to APC at no cost.

APC hold a 50% free carried interest in Bottle Tree Creek (EPC 1896). Cape Coal is the operator and owns the remaining 50% interest. Cape Coal has agreed to fund 100% of exploration expenditure until the exploration phase is completed at which time any further development of the tenement is to be funded equally.

In August 2011, Rio Tinto Exploration (‘RIO’) and APC agreed upon a joint venture in Mt Hillalong Project. On 25 June 2015, APC announced that RIO would not exercise its option to acquire the Mt Hillalong Project resulting in the ownership and exploration data for EPCs 1773, 1824, 1867 and EPCa 1645 to be transferred to APC effective 23 August 2015.

2.4 Planning Considerations

A number of high level planning considerations were examined for each mining tenement to identify potential constraints that need to be considered when developing the respective tenements. The following matters were investigated:

- Restricted areas as defined under the *Mineral Resources Act 1989*
- Overlapping petroleum lease tenements as defined under the *Petroleum and Gas (Production and Safety) Act 2004*
- Priority living areas/Priority Agricultural Areas/Strategic Environmental Areas as defined under the *Regional Planning Interests Act 2014*
- World Heritage Areas as defined under the *Environment Protection and Biodiversity Conservation Act 1999*
- Strategic Cropping Land Trigger Areas as defined under the *Regional Planning Interests Act 2014*
- National Parks/Nature Reserves/ State Forests as defined under the *Nature Conservation Act 1992*
- State Development Areas as defined under the *State Development and Public Works Organisation Act 1971.*

These searches have been reported for each tenement description in the subsequent tenement discussions by exception. Infrastructure such as roads, rail, and airports has not been reported here. Appendix C shows a complete list of all searches conducted for each tenement.

In developing the constraints assessment for this report, Xenith has relied upon information available in the public domain including on-line government databases.

3 MDL 453 COOROORAH

3.1 Key Outcomes

- Bowen Basin, Blackwater Area. Down dip of Curragh Mine.
- Two separate focus areas, on either side of the Jellinbah Fault zone.
- Indicated Coal Resource of 70 Mt and Inferred Resource of 55 Mt. (JORC code, 2012)
- Main resource area in the south of the lease, targeting the Aries, Castor, Pollux and Pisces of the Rangal Coal Measures
- The eastern area, targeting Shallow Burngrove Formation coals, but the extent is limited by the Jellinbah Mining Lease to the east.
- The Target coal seams are expected to produce a PCI product with a possible semi-soft coking coal fraction.
- Key threats to development are Aries seam thickness, potential faulting and due to depth of the target seams will be an underground project.
- Identified coal resource is at moderate to deep mining depth (180 – 520m), but still seen as appropriate for underground mining methods.
- The project is located in close proximity to key supporting infrastructure such as the Central Queensland Railway, which carries coal to the Gladstone Coal Terminal 300km to the east.

3.2 Overview

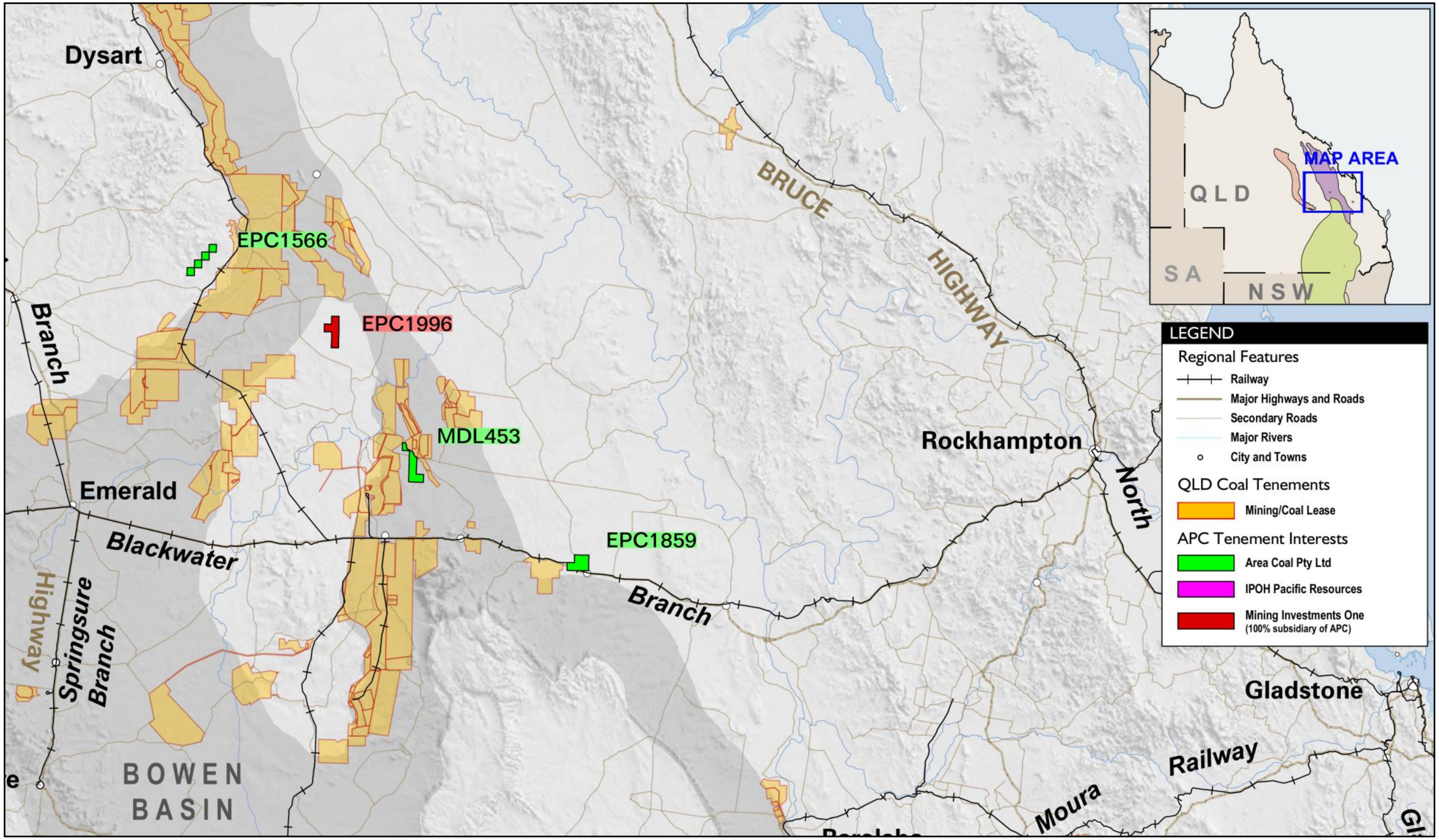
Mineral Development Licence No.453 - Cooroorah (MDL453) is located about 15km northeast of Blackwater in eastern central Queensland's Bowen Basin, between the operating mines of Curragh and Jellinbah. The tenement was granted to the Australian Pacific Coal Limited subsidiary company, Area Coal Pty Ltd, on 22 January 2014 for a period of 5 years, and covers approximately 16.66 km^2. MDL453 replaces EPC 1827, also previously held by Area Coal

3.3 Location and Background

MDL453 (Cooroorah) is located approximately 15km northeast of Blackwater in eastern central Queensland and is about 180km west of Rockhampton. The Capricorn Highway and Central Railway run through Blackwater, to the south of the tenement, where coal mined in the district is transported approximately 300km to the various Gladstone export terminals.

The MDL is located between Jellinbah to the east, and Curragh to the west, both operating open cut mines. Access to the tenement, from the Capricorn Highway, is via the Bluff-Jellinbah Road to the New Caledonia property. Figure 3.1 shows the location

Figure 3.1 – Regional Location of MDL 453



3.4 Ownership Status

MDL 453 was granted to Area Coal Pty Ltd on the 22nd January 2014 for a period of 5 years, and covers an area of approximately 16.66 km^2. The tenement covers seven sub-blocks, some partially, and shares common boundaries with MDL 162 to the west and existing mining leases (ML's) to the northeast. (Figure 3.2)

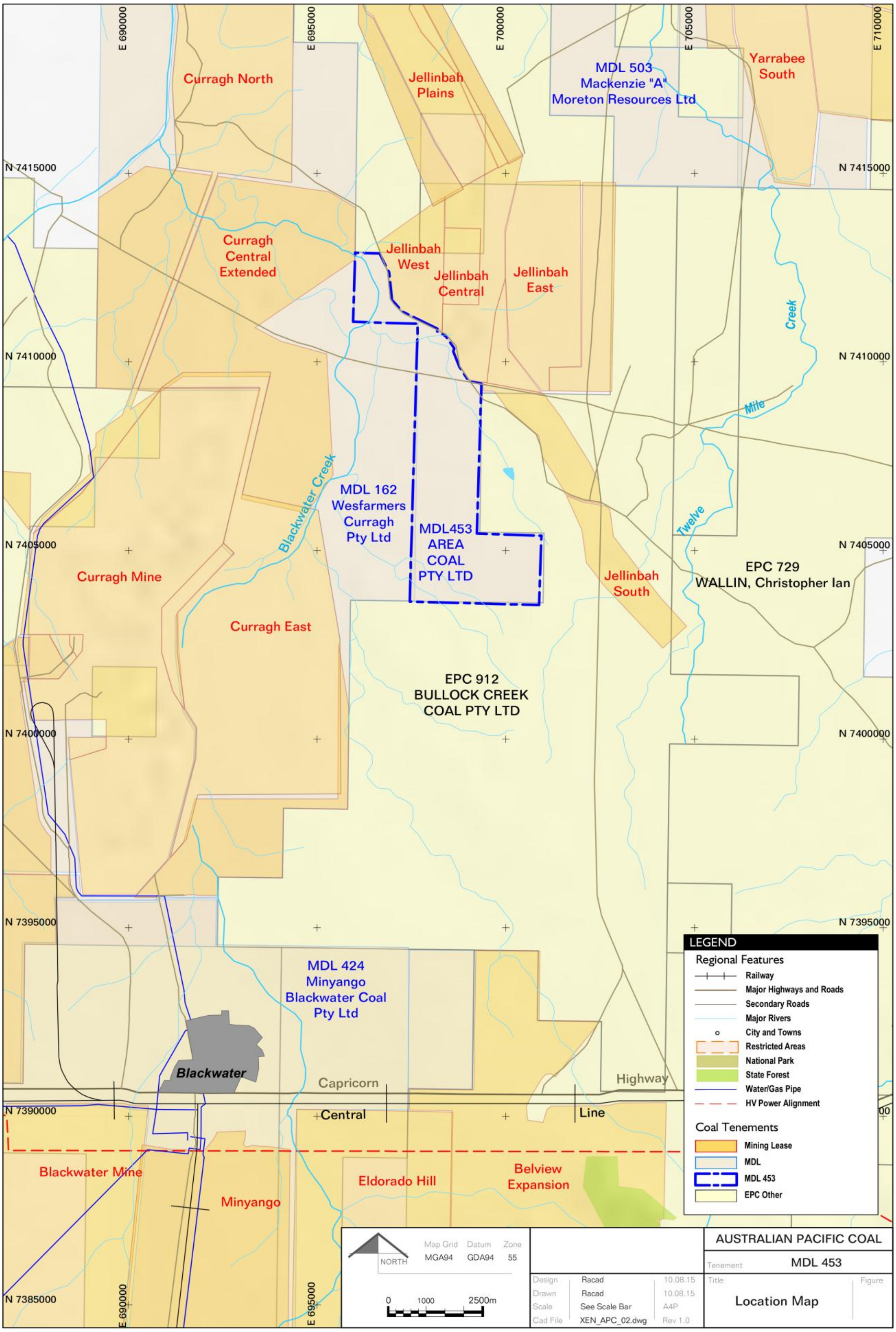
3.5 Potential Planning Constraints

The following item will require consideration when developing MDL 453:

- Strategic Cropping Land Tigger Areas were found to be mapped to the north of the tenement

None of the other criteria listed in Section 2.4 were found to be triggered for this tenement.

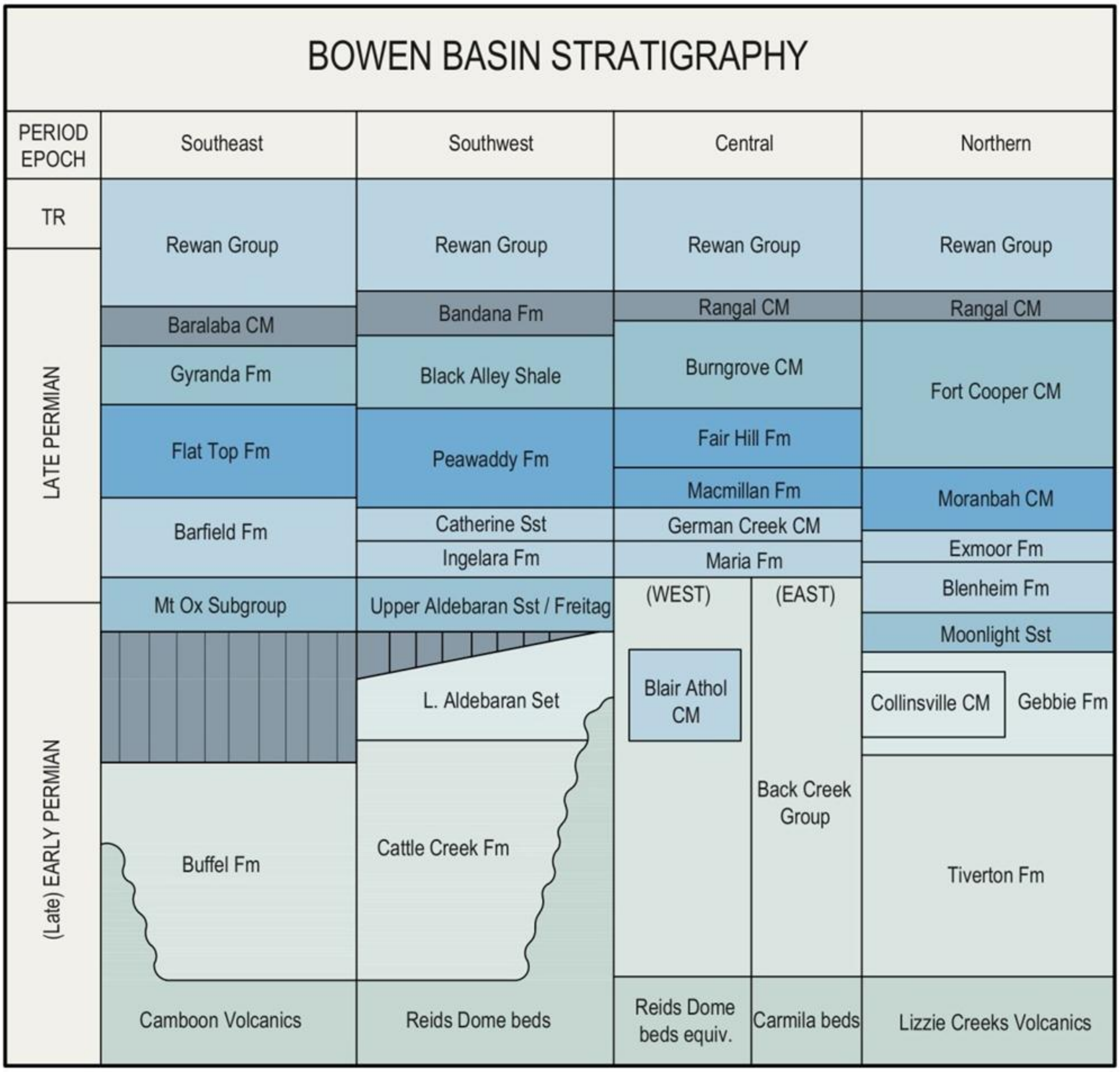
Figure 3.2 –MDL 453 Location and Nearby Leases



3.6 Geology

The Cooroorah project is located in the Central Bowen Basin within the Permian age Taroom Trough. The coal seams found within the tenement are part of the Rangal Coal Measures as well as the underlying Burngrove formation. Refer to Figure 3.3 for a summary of regional stratigraphic relationships in the Bowen Basin. Figure 3.5 shows the regional solid geology and regional structures.

Figure 3.3 – Stratigraphic Units of the Bowen Basin



The Cooroorah project has identified the Rangal Coal Measures as the main economic target and a generalised stratigraphic column for the Cooroorah project area can be seen in Figure 3.5.

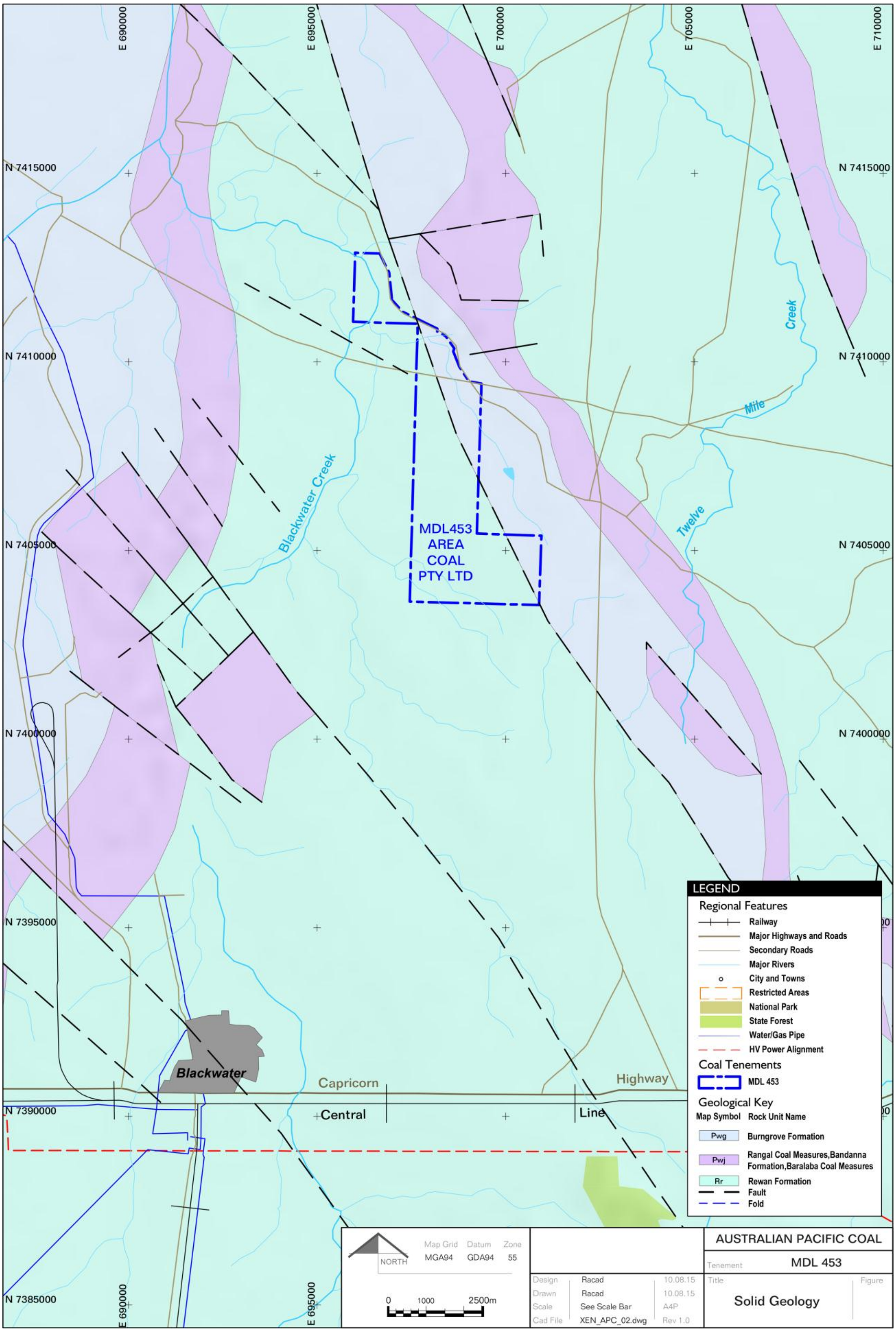
The Rangal Coal Measures were predominantly deposited in a fluvial environment on a rapidly subsiding alluvial plain. This was driven by thrust load subsidence of the retro-arc fore-land basin. The sequence accumulated under conditions of locally fluctuating sediment supply. The termination of marine conditions and establishment of widespread coal-forming conditions was the result of basin-wide oversupply. The Rangal Coal Measures represent the final stage of Coal formation within the Bowen Basin.

The Yarrabee Tuff is a laterally extensive unit located within the Pisces Seam. The Yarrabee Tuff is observed in most drill holes and represents the boundary between the Rangal Coal Measures and the Burngrove Formation [10]. The Yarrabee Tuff Bed is present over a wide area of the Bowen Basin and is generally less than 1 m thick [11]. The upper and lower boundaries of the Yarrabee Tuff bed are sharp and well defined. The Tuff is thought to represent a volcanic ash fall event which was distributed over a large area.

Below the Rangal Coal Measures, the Burngrove and Fairhill Formations also contain coal seams. The coal seams within these units are commonly banded, often abundant in tuffaceous and clayey material. These formations generally have higher lateral variability in thickness and coal quality, and have historically been considered a less attractive target for mining.

In general, the entire Permian sequence dips gently at approximately 3-5° to the east [12]. The base of the weathering profile ranges from 15m to 40m depth, although weathering up to 71m has been observed in drilling.

Figure 3.4 – Regional Solid Geology for MDL 453



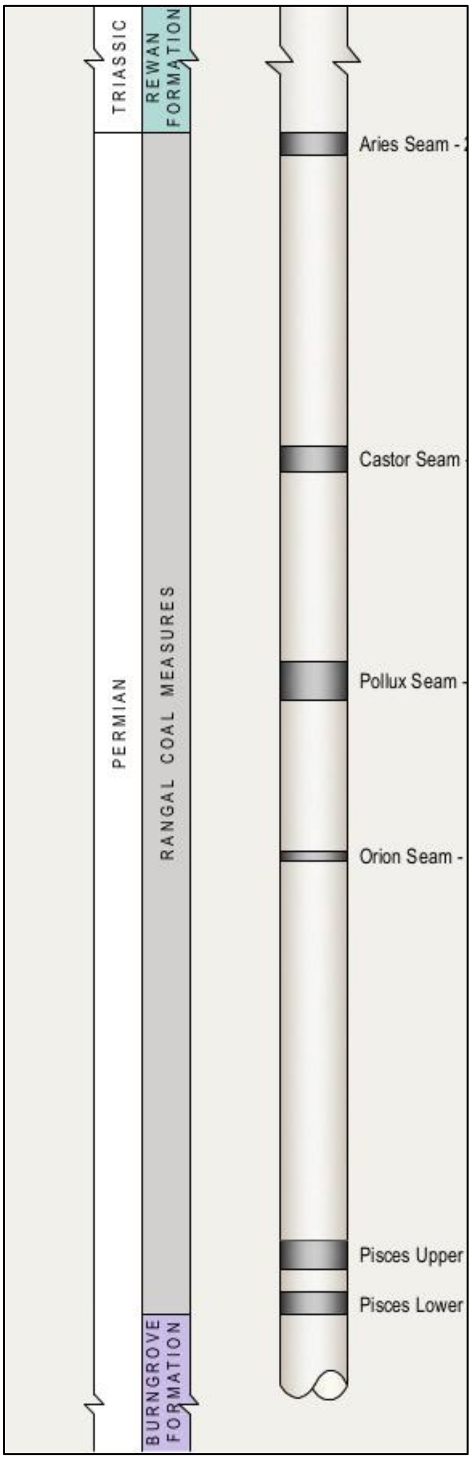
3.6.1 Coal Seams

To the east of the Jellinbah Fault the Burngrove Formation occurs at surface beneath a thin quaternary horizon. West of the fault, the Burngrove Formation has been intersected in drilling outside the MDL boundary at approximately 400m depth.

The Burngrove Formation contains a number of moderately thick coal seams with high inherent ash and abundant tuffaceous claystone and mudstone bands. These seams may contain a low yielding, hard coking coal product, but is yet to be commercialised in the region.

From the Rangal Coal Measures, the Aries, Castor, Pollux and Pisces have been identified in MDL453. The coal seams dip to the east (typically 3° to 5°), with the uppermost Aries seam intersected at 188m depth in GSQ drillhole Humboldt 7 (HU7) to the west of the MDL, and at 344m depth in GSQ drillhole HU9 further east within the MDL.

Figure 3.5 – Generalised Rangal Coal Measures Stratigraphy



The seams average between 1.5 and 2.5 metres in thickness, and the thickest occurrence of coal in a borehole (HU1941) is the Pollux seam at just over 6 metres. Mean, maximum, minimum and number of occurrences can be seen in Table 3.1

Table 3.1 - Coal Seam Thickness Statistics from Boreholes

Interval	Number of data points	Minimum		Maximum		Mean	Standard
		Hole Name	Thickness	Hole Name	Thickness	Thickness	Deviation
CA	9	HU012	0.18	BL177	1.34	0.76	0.39
AR	22	HU006	0.06	BWP008	4.35	1.54	1.23
CT	23	HU006	0.57	DDH009	4.86	2.21	1.17
PO	26	HU004	0.50	HU1941	6.11	2.49	1.16
PI	26	HU002R	0.97	HU005	4.18	2.50	0.64
YT	23	DDH011	0.54	HU011	1.45	0.92	0.24
PL	23	HU009	0.22	HU005	1.77	0.90	0.40

3.6.2 General Structure

Regionally, MDL453 lies on the eastern flank of the Comet Ridge; a broad anticlinal structure that lies between the Denison Trough and the Mimosa Syncline, in the Bowen Basin. The area is structurally complex, dominated by compressional fold-and-thrust style features.
The most prominent structural feature within the MDL is the Jellinbah Fault, a major reverse fault that dips steeply to the east and is up-thrown to the east. Maximum displacement is up to 600m, but the amount of dislocation varies according to the intensity of folding on the upthrust side of the fault (Stains, 1987). The strata have a north-north-westerly strike and regional dip of 3° to 5° to the north-east. This dip continues only as far east as the Jellinbah Fault. Immediately beyond this major break, the dip is up to 15° in drilling further to the east and the strata are folded to varying degrees of intensity within this folded zone (Stains, 1987).

3.6.3 Exploration Activity

Eight deep stratigraphic holes were drilled in or adjacent to the tenement by the Geological Survey of Qld (GSQ) in the 1970s as part of the Department’s regional stratigraphic drilling program. These holes intersected seams of the Rangal Coal Measures at depths ranging from approximately 200m to in excess of 400m. The Humboldt series of holes (HU) includes 5 holes with coal quality results.

Fourteen shallow holes (NC9704-NC9707, NC9710-NC9713, and NC9901-NC9906,) were drilled in or adjacent to the tenement between 1997 and 1999 to depths ranging from 27m to 72m, in an unsuccessful attempt to find shallow RCM in up-thrown fault blocks.

In the period 2009 to 2010, BOW CSG Pty Ltd drilled one HQ corehole (BW1) and four open holes (BWP033 to BWP036, Figure 5-1) in the southern part of the EPC 1827 during exploration for coal seam gas in EPP 1025, which overlies MDL 453. BW1 has data for downhole geophysics, coal seam gas and coal quality analysis.

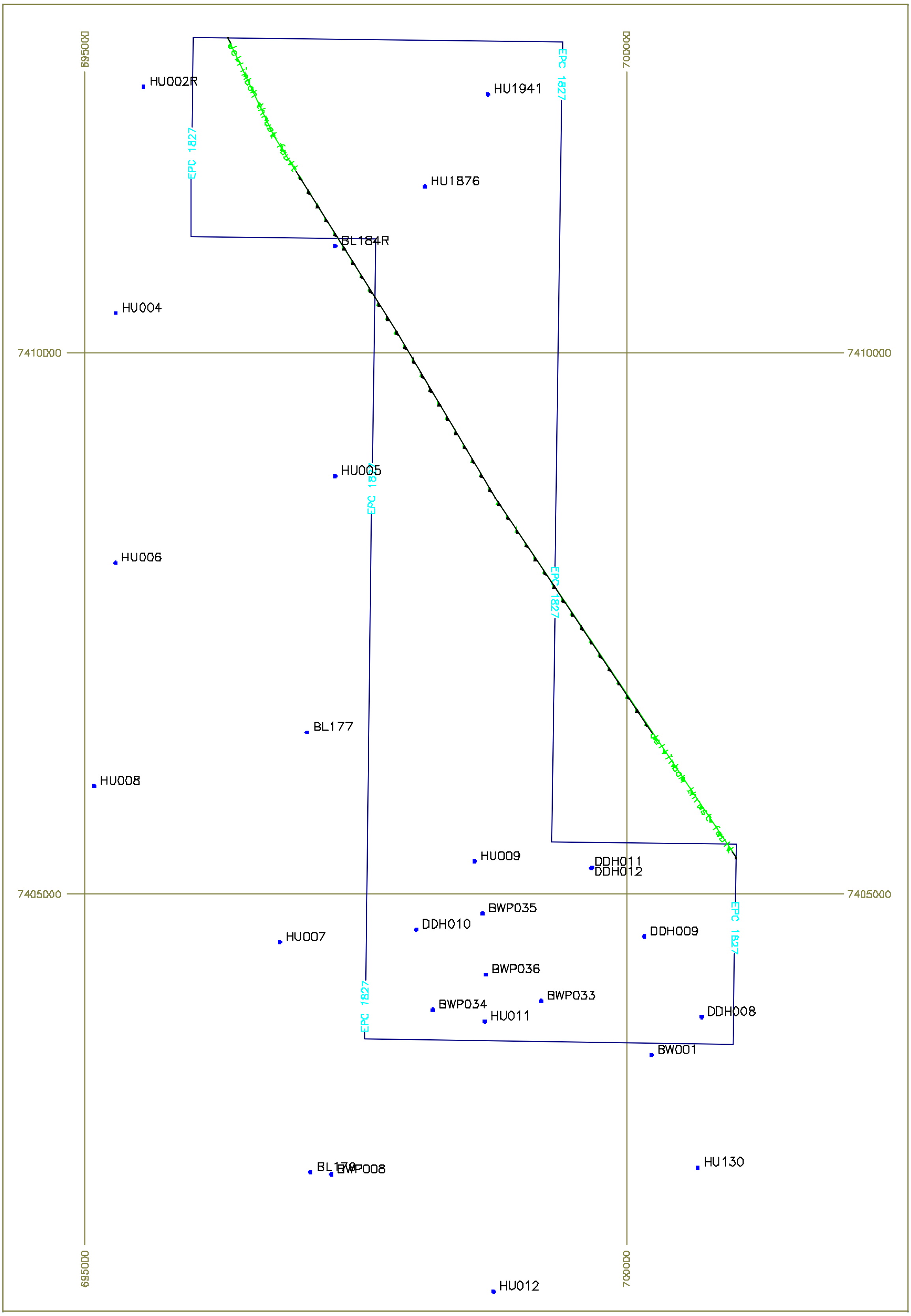
During year-2 of tenure, exploration was focused on the more accessible Shallow Target area on the upthrusted side of the Jellinbah Fault. A total of 636.48m were drilled between the 9 and 16 of July 2011 at four sites comprising 588.67m of open-hole chip drilling and 47.81m of ‘4C’ (100mm) core drilling. The purpose of this drilling was to provide coal core samples of the shallow seams for quality analysis, and then open-hole drill to approximately 120m depth to test for additional seams.

The most recent exploration program by APC drilled between November 2012 and February 2013 includes five cored holes DDH008, DDH009, DDH010, DDH011 and DDH012. The two latter holes are drilled on the same site. All these drillholes were drilled in southern part of the tenement. These holes were all geophysically logged and sampled, inclusive of the Aries, Castor, Pollux, Pisces and Pisces Lower seams, for coal quality analysis.

A 2d seismic survey completed by Velseis in 2011 on behalf of Arrow Energy consisted of three lines passing through or close by the tenement boundary. The survey intersected the Jellinbah fault but supposedly no other significant faulting. The seismic sections have not been provided to Xenith for assessment

In the north-west of the tenement, seismic line 112 indicates a moderate level of reverse faulting and offset which is likely to be a function of its proximity to the Jellinbah Fault. In contrast, line 111, of which a significant portion lies within the tenement, shows limited normal faulting with minor offset inside the tenement boundary and minor interpreted reverse faulting to the west, outside of the tenement. The southernmost line 110 has limited overlap with the EPC in the south-western corner. A single normal fault with minor offset is interpreted in this corner but further south, towards the Jellinbah Fault and outside of the tenement, interpreted fault structures increase in abundance [13].

Table 3.2 – Drillhole Location Map



3.6.4 Coal Quality

13 coal quality holes exist for MDL 453. The raw data comprises Proximate Analysis, and in some cases:

- CSN (Crucible Swelling Number)
- SE (Specific Energy)
- Chlorine
- Sulphur
- Phosphorus
- HGI (Hardgrove Grindability Index)
- Free Moisture

Float Sink analysis has also been performed on the core samples, and F1.45 has been identified as the cut-off for a washed product.

A summary of composite raw coal qualities by seam are given below in Table 5:1. The coal quality data available continues to indicate a coal with PCI characteristics, and potential in some places for a semi-soft coking product.

Table 3.3 – Seam Raw Coal Quality Statistics

Seam	Category	IM % ad	ASH % ad	VM % ad	FC % ad	RD g/cc ad	CSN ad	SE MJ/kg	CHL % ad	TS % ad	Phos % ad	HGI ad
Aries	Valid Rows	6	6	6	6	3	5	6	3	6	6	3
	Min	0.80	10.40	17.70	52.80	1.42	2.5	24.68	0.02	0.39	0.04	97.00
	Max	1.50	28.00	21.10	70.40	1.57	8.0	31.29	0.04	0.64	0.08	98.00
	Mean	1.12	15.90	18.82	64.00	1.50	5.5	29.06	0.03	0.51	0.06	97.33
Castor	Valid Rows	6	6	6	6	5	6	6	5	6	6	5
	Min	0.80	9.49	16.10	65.35	1.39	1.0	29.29	0.02	0.38	0.06	87.34
	Max	1.80	15.89	18.76	72.40	1.48	4.5	32.63	0.05	0.50	0.14	92.59
	Mean	1.17	12.65	17.31	68.86	1.44	2.0	30.73	0.04	0.44	0.07	90.35
Pollux	Valid Rows	8	8	8	8	5	8	8	5	8	7	5
	Min	0.87	11.85	13.41	57.38	1.42	1.5	25.20	0.02	0.38	0.05	83.52
	Max	1.40	27.90	17.60	70.51	1.56	5.0	31.36	0.06	0.56	0.19	89.08
	Mean	1.21	16.59	16.00	66.19	1.49	2.5	29.50	0.03	0.43	0.13	87.01
Pisces	Valid Rows	8	8	8	8	5	7	7	5	7	7	5
	Min	0.85	12.50	15.20	60.34	1.45	1.0	26.98	0.02	0.30	0.05	83.84
	Max	1.90	22.21	17.40	70.50	1.49	3.5	31.30	0.04	0.39	0.09	86.84
	Mean	1.32	16.03	16.45	66.19	1.46	2.5	29.62	0.03	0.36	0.06	85.25
Pisces Lower	Valid Rows	2	2	2	2	2	2	2	1	2	2	1
	Min	1.20	20.20	16.60	43.70	1.48	1.0	19.79	0.01	0.22		92.00
	Max	1.20	38.50	16.90	61.70	1.74	5.0	27.92	0.01	0.35		92.00
	Mean	1.20	29.35	16.75	52.70	1.61	3.0	23.85	0.01	0.28		92.00

The shallow target of Burngrove Coal seams on the east side of the Jellinbah fault was explored in 2011. Nine holes over four sites were drilled, collecting bulk samples that were sent to RecyCoal Ltd in the United Kingdom.

On the basis of the coal core analysis results the yield was assessed as unlikely to be above 5%, by weight, of coking coal with a low non-commercial yield of thermal coal. Given the likely mining costs involved in pre-processing the samples, it was concluded that a commercially viable proposition was unlikely to be justified at the time.

APC was approached by Barrow Resources Pty Ltd to investigate suitability of the low yielding Burngrove Formation coal seams to their non-traditional coal beneficiation process ('Barrow Process'). Barrow Resource was subsequently engaged to undertake testing of the upper and lower sections of the Aquarius seam intersected in the 2011cored drillhole RDH002C. The interval tested comprised an upper coal section of 1.65m thickness and a lower coal section of 1.03m thickness, between 18.84m and 22.30m depth (refer to Appendix 7 – year-3 annual report). These intervals contained both coal and stony parting material. The analysis resulted in substantially higher net yields than those obtained from previous RecyCoal or conventional testing, producing up to 39.2% yield at 10% ash.

It should be noted that the Barrow Process is not yet a commercially utilised coal benefaction process, and the technique of finely grinding the coal has the potential to affect the coking properties.

A petrographic study of two representative samples of the coal was also undertaken by Coal Petrology Services Pty Ltd. Work included maceral group analysis, mean maximum vitrinite reflectance and photomicrography (refer to Appendix 8 – year-3 annual report). Mean maximum reflectance in the two samples was determined to be 1.96 and 1.95, indicating semi-anthracite coal. This coal type is considered to be similar to those mined at the South Walker Creek, Coppabella and Foxleigh mines, sold mainly as metallurgical coal for pulverised coal injection (PCI).

3.6.5 JORC Resources and Reserves

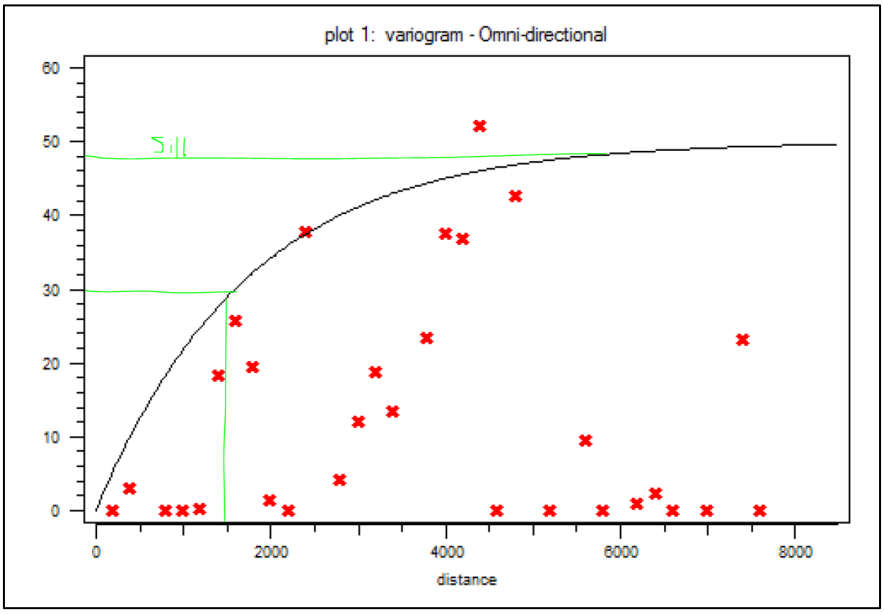
HDR/Salva Resources Pty Ltd completed a resource estimate in accordance with the JORC code 2012, in July 2013 for EPC 1827/MDL 453). The geological model was created using Mincom Minescape/Stratmodel. There is no detailed information on the topographic surface used in the model, but this should not be an issue considering the depths at which the target coal seams are present.

All seams within the Rangal Coal Measures, Burngrove Formation and Fairhill Formation (from the Cancer seam to the Fairhill seam) were modelled.

25 drillholes have been included in the model, 10 of which are located within or immediately adjacent to MDL 453. The 10 boreholes are all located in the Southern part of the tenement.

A maximum distance between Points of Observation was defined for each of the resource categories. The distances were derived using the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves ("the Guidelines") (2003). Additionally, variogram modelling of the Pollux seam Raw Ash was used to determine the appropriate maximum distance between POBs for the Indicated category. The rationale was the raw ash was directly related to the main economic driver such as Yield. It was decided to use 2/3rd of the variogram sill from the Pollux seam raw ash% variogram, as the basis for the classification of Indicated Coal Resources for all reported seams within the tenement. This distance is 1,500 metres. (Figure 3.6)

Figure 3.6 - Variogram for Pollux Seam Raw Ash %



It should be noted that this approach does not consider any variation in seam thickness or structural complexity/ faulting within the resource. Furthermore, the Pollux seam Raw Ash % shows very little variability. However, the Competent Person has used this particular parameter to define the maximum POB distance for all seams.

The Coal Guidelines (2003) suggested distances have been used for Measured and inferred Resources.

- Measured Resources 500m between POB's
- Inferred Resources 4000m between POB's

The resource estimate was limited to include:

- the area inside the EPC 1827 tenement boundary,
- the area to the west of the Jellinbah thrust fault,
- the Aries to Pisces Lower seams,
- areas where a seam has a minimum thickness of 1m,
- areas where a seam has a maximum raw ash of 40%,

Resources have been reported on an air-dried basis, and the tonnages estimated without converting the relative density to insitu moisture. Nearby deposits use an insitu density of 3 – 4% [14]. If the same was to be applied to the Cooroorah project, a decrease in the total resource of approximately 1% - 1.5% could be expected. Xenith does not see this potential change as material.

The Aries seam does not reach 1m thickness in any hole within the tenement boundary. It is questionable whether any indicated resource is justified for this seam given the uncertainty related to the thickness. However, the thin interburden between the Aries and Castor could mean that these seams could be mined together. As such, there is a potential for increasing the resource where the parting is sufficiently thin.

The Castor and Pollux seams have reasonable coverage in the South area, and show moderate variability in seam thicknesses. The Pisces seam is very uniform in thickness within the focus area.

The project is currently estimated to contain a total resource of 125Mt, comprising 70 Mt of the Indicated and 55 Mt of the Inferred resource.

Table 3.4 - Resource Summary

Seam	Classification	Volume (1000 CU Metres)	Area (Hectares)	Mass (Mt)	True Vertical Thickness (Metres)	Raw Ash %	Raw CSN	Raw Volatile Matter %	Raw Inherent Moisture %	Raw Relative Density g/cc	Raw Specific Energy MJ/Kg	Raw Total Sulphur %	Product (f1.45) Ash %	Product (f1.45) Yield %
AR	IND	409	41	0.6	1.0	22.0	7	20.5	0.9	1.51	28.5	0.53	8.2	74.3
AR	INF	4779	339	7.0	1.4	17.6	5	21.0	0.9	1.47	28.5	0.53	8.2	73.3
CT	IND	19039	624	27.2	3.1	12.8	3	17.5	1.0	1.43	29.3	0.54	8.3	84.3
CT	INF	5537	298	7.9	1.9	12.9	2	17.4	1.1	1.43	29.3	0.54	8.4	85.2
PO	IND	12019	542	17.5	2.2	16.5	2	15.7	1.2	1.45	30.5	0.36	8.2	83.4
PO	INF	7156	383	10.4	1.9	16.0	2	15.8	1.2	1.45	29.2	0.39	8.2	83.5
PI	IND	16449	625	24.3	2.6	16.0	3	16.4	1.1	1.48	29.5	0.38	9.7	77.2
PI	INF	16525	598	29.9	2.7	16.1	3	16.3	1.4	1.50	29.5	0.38	9.7	77.4
TOTAL	**INDICATED**			**69.6**										
TOTAL	**INFERRED**			**55.3**										
TOTAL				**124.9**										

The Cooroorah project is expected to produce low ash PCI coal with a potential semi-soft coking coal fraction. The Aries seam is the best candidate for making a coking coal with the highest CSN and low phosphorus. However, the seam is thin, and would possibly only be a target when mined together with the Castor seam given the thin interburden.

It should also be emphasised that the Pollux seam is the thickest and most consistent seam in the deposit, both in terms of thickness and coal quality. It has the highest potential for economic extraction.

3.7 Mine Plan

3.7.1 Proposed Operations

The Cooroorah project is proposed as an underground operation.

3.8 Mining Implications

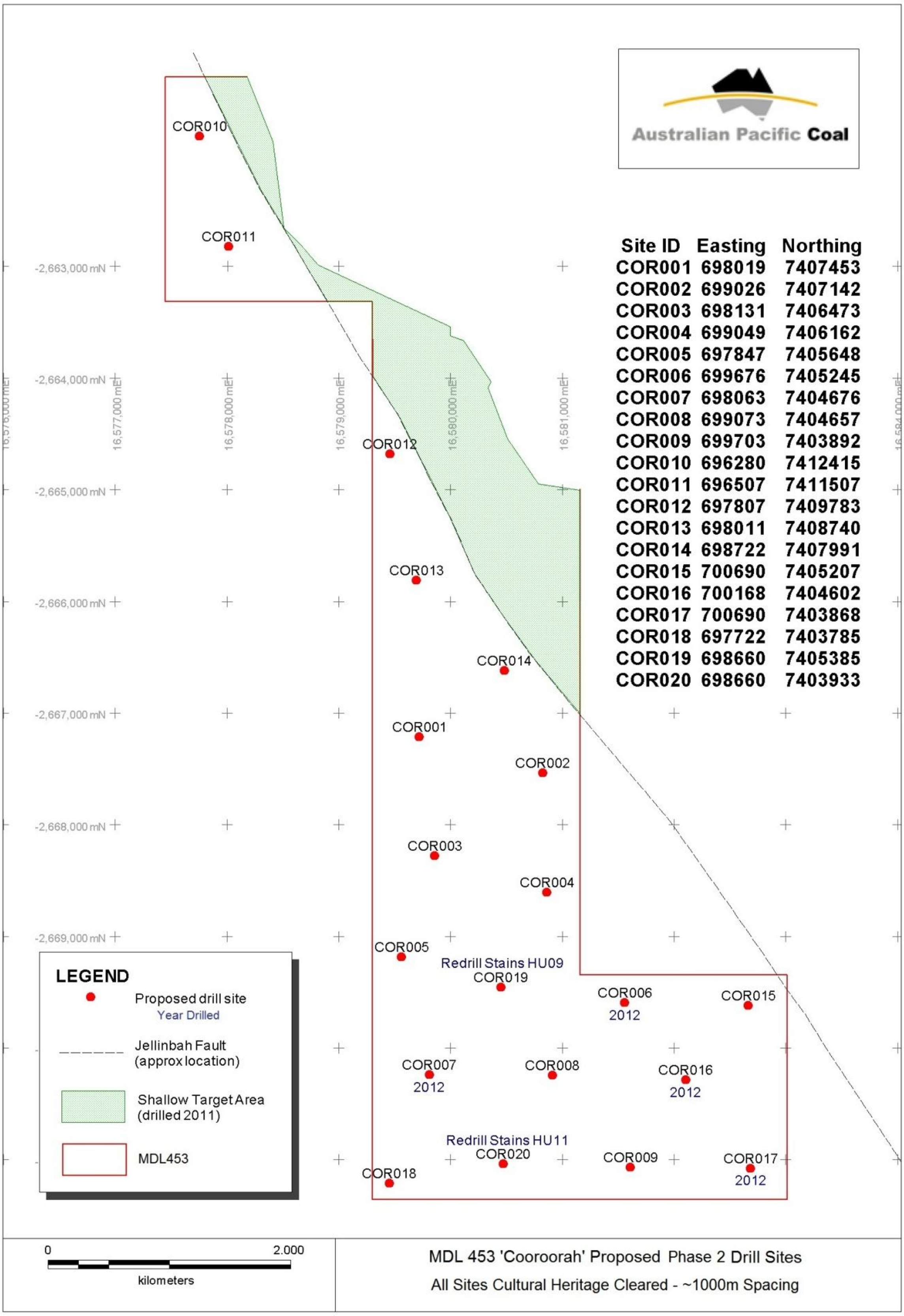
- Project located in close proximity to key supporting infrastructure such as the Central Queensland rail line and the Capricorn Highway.
- Faulting could be an issue considering the close proximity to the Jellinbah fault. Further work is warranted to investigate this.

3.9 Future Work

APC has developed plans and budgets for stage 2 and 3 drilling programs. The stage 2 program includes drilling 16 cored holes with the objective to upgrade existing resources from Inferred to Indicated and Indicated to Measured. The budget for this drilling program is approximately $1.7 Million. The plan does not specify when the drilling program is intended to commence.

The Stage 2 planned core hole locations can be seen in Figure 3.7.

Figure 3.7 - Stage 2 Exploration Plan



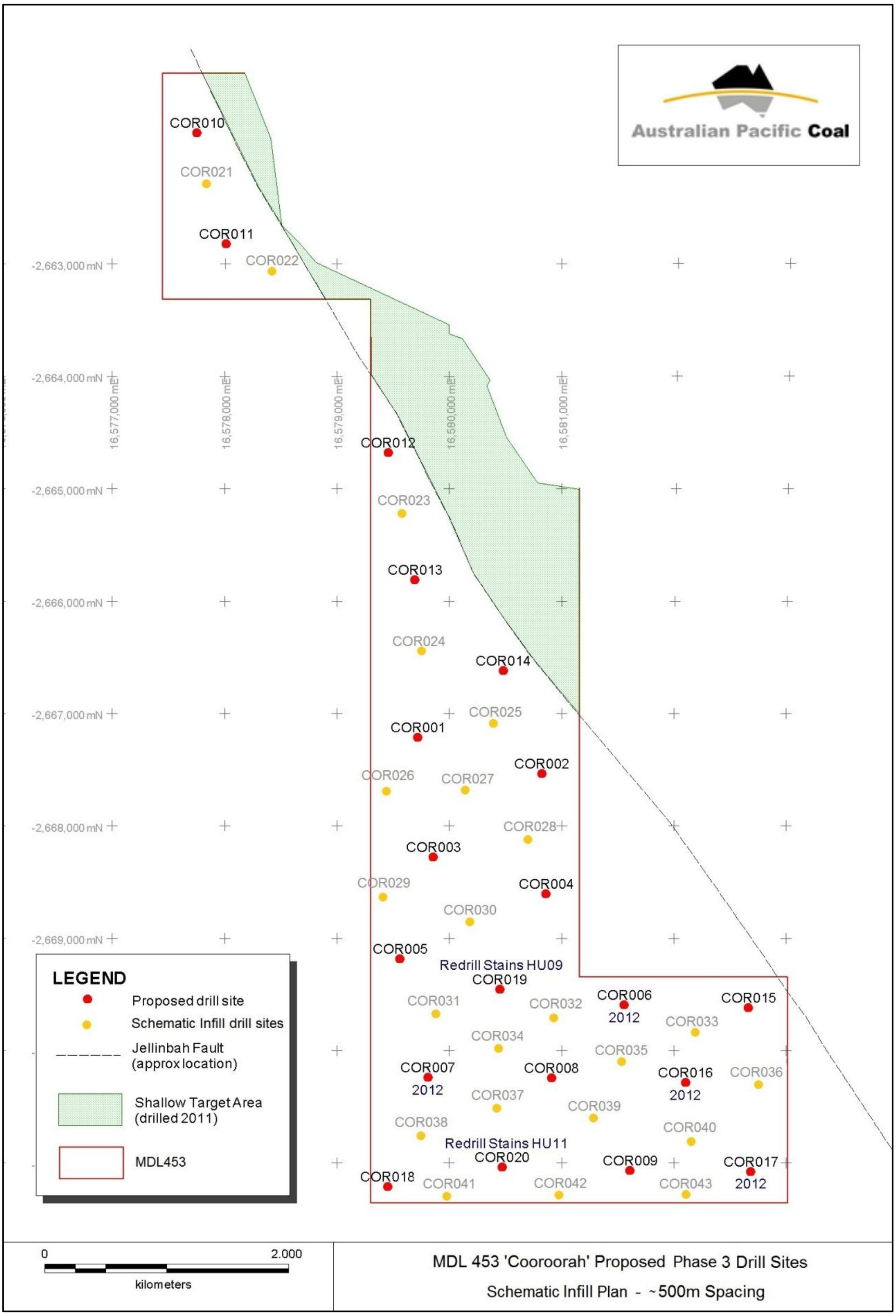
Site ID	Easting	Northing
COR001	698019	7407453
COR002	699026	7407142
COR003	698131	7406473
COR004	699049	7406162
COR005	697847	7405648
COR006	699676	7405245
COR007	698063	7404676
COR008	699073	7404657
COR009	699703	7403892
COR010	696280	7412415
COR011	696507	7411507
COR012	697807	7409783
COR013	698011	7408740
COR014	698722	7407991
COR015	700690	7405207
COR016	700168	7404602
COR017	700690	7403868
COR018	697722	7403785
COR019	698660	7405385
COR020	698660	7403933

A plan for the next stage (Stage 3) of exploration has also been developed. The plan involves drilling 20 cored holes (estimated 5,700m chip and 2,500m core) in order to convert the Indicated resource to Measured. The budget for this exploration plan is approximately $1.8 Million.

The holes planned for the Stage 3 Drilling Program can be seen in Figure 3.8.

The size of the exploration plans appears to be reasonable considering the prospectivity of the deposit. The stage 3 program should be revised based on the stage 2 exploration results. A seismic program should also be considered given the known faults in the area.

Figure 3.8 - Stage 3 Exploration Plan



4 EPC 2011 SOUTH CLERMONT

4.1 Key Outcomes

- Tenement is located to the South of Glencore operated Clermont Mine in the North Western Bowen Basin, held by Area Coal.
- No advanced (field) activities have been completed to date.
- Reprocessed gravity surveys have shown gravity lows in the north and eastern flank of the tenement, which could indicate the presence of Permian coal seams.
- Historical drilling within and surrounding the tenement totals over 100, but the coal seams intersected have been considered to be of limited prospectivity.
- Significantly, the tenement is located within the restricted area (RA 391) surrounding the Town of Clermont, which prohibits coal applications. The far North of the tenement is overlapped by the Clermont Mine ML.

4.2 Overview

The South Clermont Project incorporates EPC 2011 and is located between Bowen Basin deposits to the east, and basement volcanic, intrusive and metamorphic rocks to the west and is targeting the Permian Blair Athol Coal Measures and Back Creek Group coal seams.

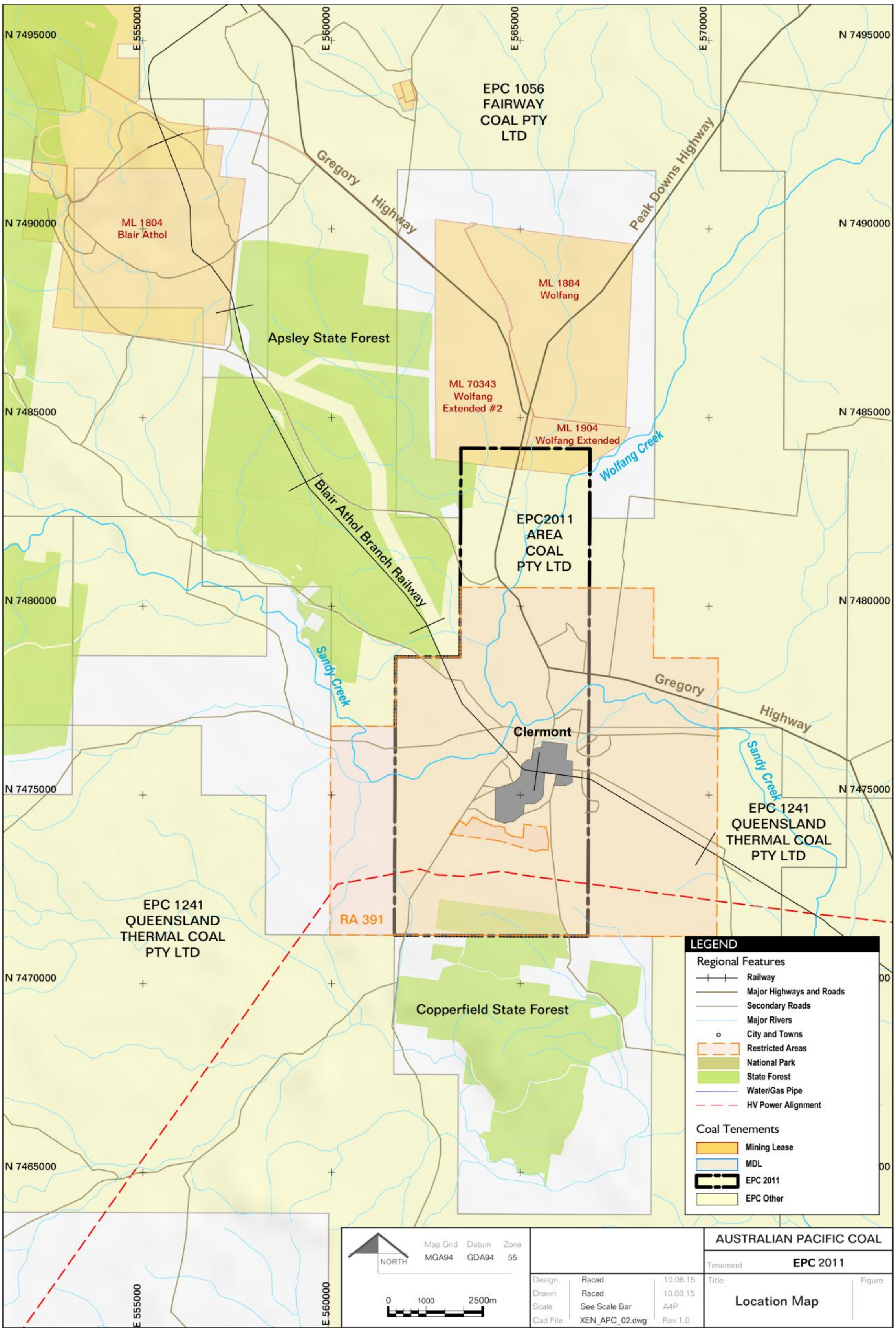
There is a potential for such a deposit given the close proximity to the Clermont mine. Gravity lows have also been found in these areas. Historical drilling within and close to EPC 2011 (approximately 115 holes) has shown Permian sediments in the area, but no low strip ratio coal seams have been intersected to date .

The prospectivity of the tenement is constrained, with most of it being within RA 391 prohibiting coal applications.

4.3 Location and Background

EPC 2011 is located approximately 80km north-west of Emerald in Central Queensland. The Gregory Highway passes through the tenement, which is approximately 270km from Mackay and 365km from Rockhampton by road. The township of Clermont is centred in eastern half of the tenement (Figure 4.1). Rail access, to coal export facilities at Gladstone, approximately 450km away, also traverses the tenement.

Figure 4.1 – EPC 2011 Location



4.4 Tenure

EPC 2011 was granted Area Coal on the 1 May 2014 for a period of 5 years, and comprises eighteen sub-blocks covering approximately 56.8km^2.

Table 4.1 – EPC 2011 Sub-blocks

BIM	Block	Sub-Block
CLER	2420	C D H J N O R S T W X Y
CLER	2492	B C D G H J
		TOTAL 18

4.5 Potential Planning Constraints

The following items will require consideration when undertaking development of EPC 2011:

- Restricted areas 189 and 391 exist over a significant proportion of the tenement due to the tenement overlying the township of Clermont
- Strategic Cropping Land Trigger Areas were found to be mapped to the north and south of the tenement
- State Forests intersect the tenement to the north (Aspley State Forest) and to the south (Copperfield State Forest).

None of the other criteria listed in Section 2.4 were triggered for this tenement.

4.6 Geology

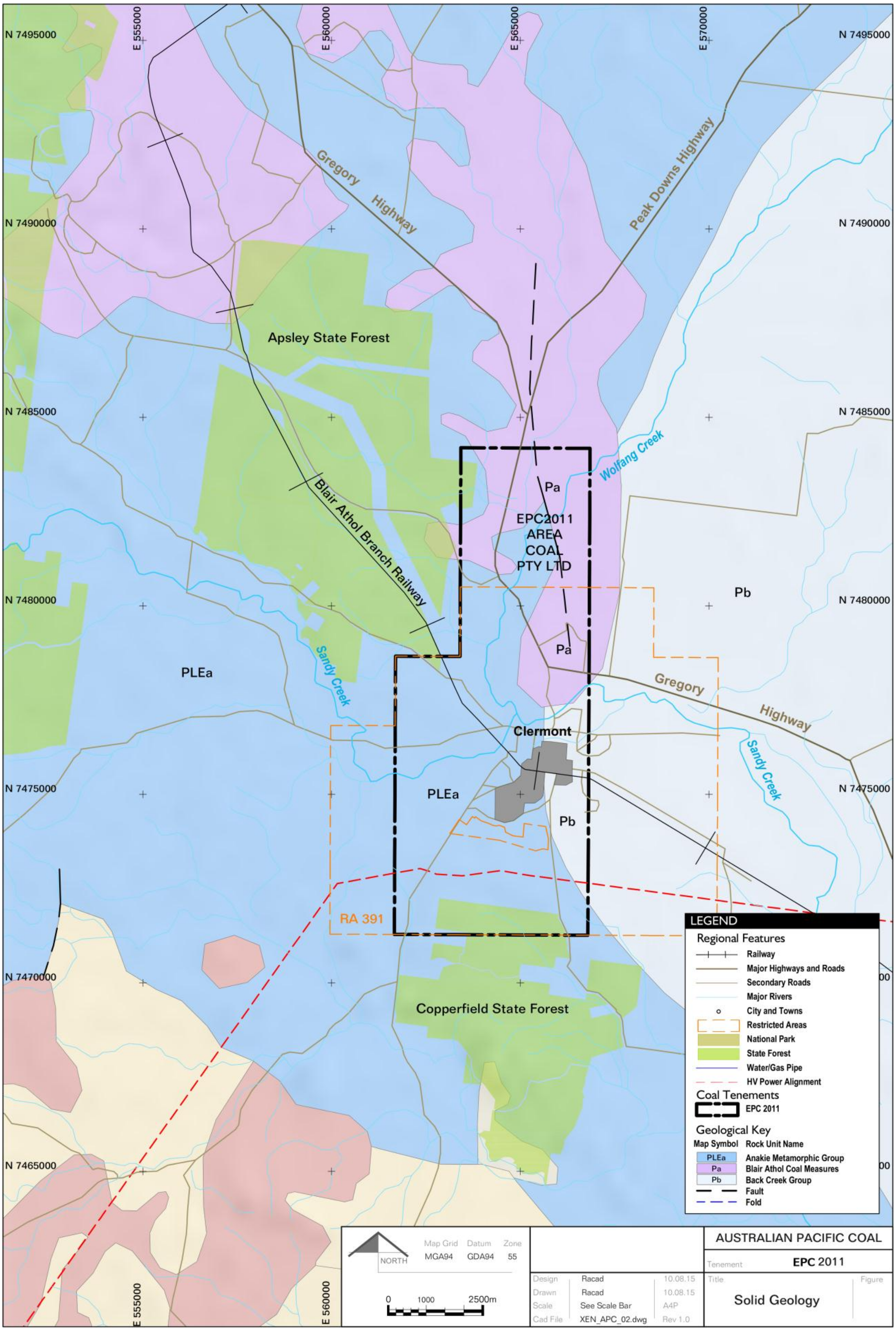
EPC 2011 is within surface mapped Anakie Metamorphics that possess isolated Permian Basins along the eastern margin. These isolated basins form coal seam target areas within the tenement.

Permian sequences within the EPC include the Blair Athol Coal Measures and the Back Creek Group. Permian sediments are also mapped to the east of the permit area and dip gently east. These Permian sediments may contain coal bearing Back Creek Group sediments and underlying Reids Dome Beds. See Table 4.2 and Figure 4.2.

Table 4.2 – EPC 2011 Stratigraphic Sequence

Age	Formation (Map Symbol)	Rock Type
Quaternary	Undifferentiated (Qa)	Mud, sand and gravel / Calcrete and magnesium limestone or dolomite
Tertiary	Undifferentiated (T)	Sand, mud and gravel / Silcrete / Olivine basalt, minor agglomerate, tuff, some inter-bedded sediments
Permian	Back Creek Group (Pb)	Quartz sandstone, siltstone, Carbonaceous shale and minor coal
	Birimgan Formation (Pi)	Sandstone, shale, mudstone, Conglomerate and coal
	Blair Athol Coal Measures (Pa)	Sandstone, shale, mudstone, Quartz-pebble to polymictic, Conglomerate and coal
Mid to Late Devonian	Undifferentiated	Granodiorite
Neo Proterozoic - Early Cambrian	Hurleys Metamorphics (PLEh)	White fine to coarse-grained, strongly foliated quartzite and fine-grained quartz-mica schist grading to phyllite
	Bathampton Metamorphics (PLEb/p&g)	Phyllite, schist, quartzite, greenstone, and calc-silicate rocks

Figure 4.2 – EPC 2011 Solid Geology



4.6.1 General Structure

Regionally, the most significant structure is that of the north-northwest trending Anakie Inlier. The major fold axes observed in both the Drummond Basin to the west and the Bowen Basin to the east are controlled by the Anakie Inlier which also trends in a north north-westerly direction. Tertiary flood basalts are also controlled in part by this regional trend.

Locally, the Clermont Basin to the north of the EPC is known to be fault bounded on its western margin. This fault is interpreted to continue in a north north-westerly strike direction, through EPC 2011 and represents the western boundary of the target area.

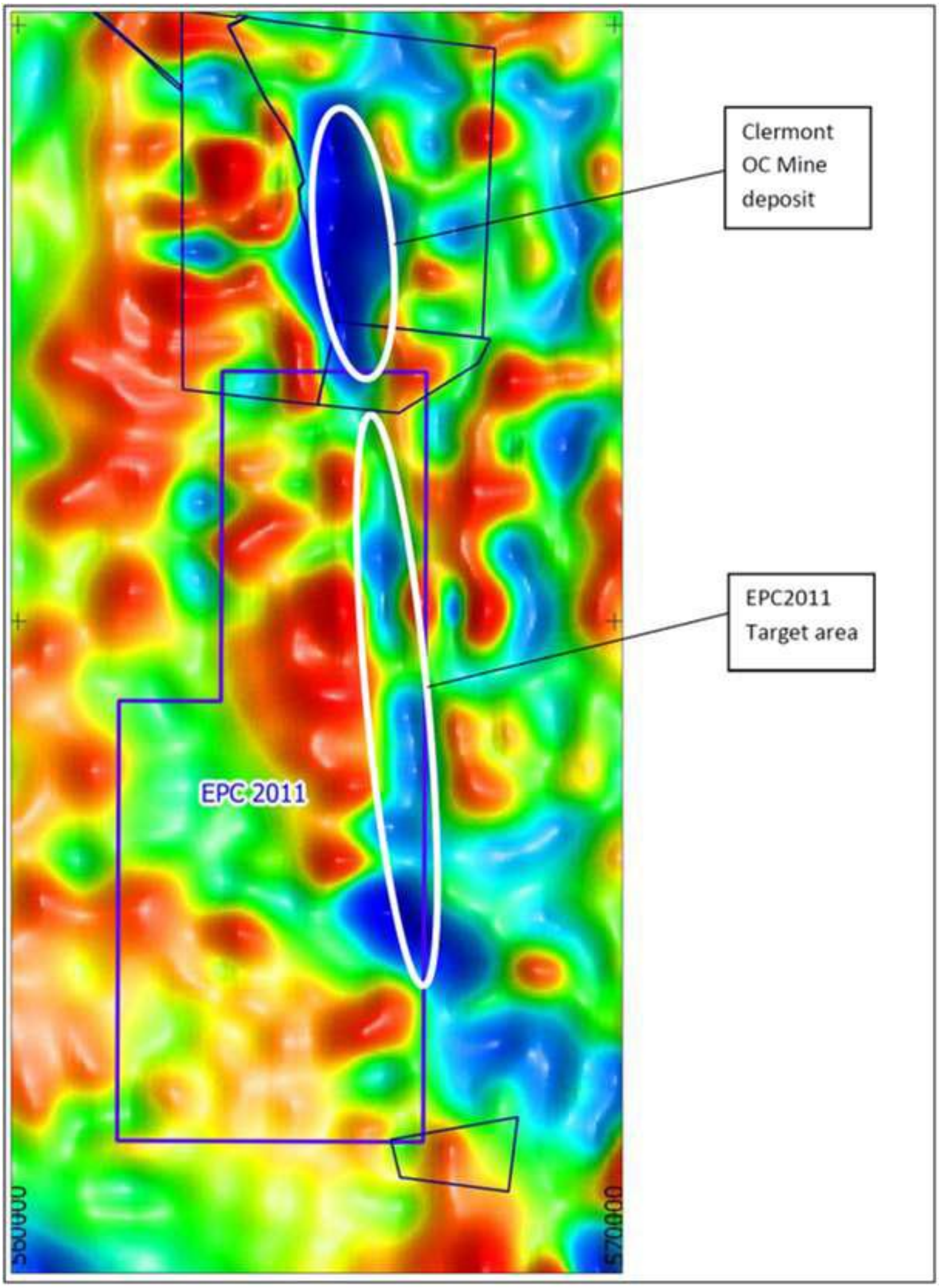
4.6.2 Historical Drilling

Area Coal has not conducted any drilling to date. A number of historical exploration permits have existed where EPC 2011 is located. These have been reviewed by Area Coal with the assistance of Geoconsult. Up to 1.5m Permian coal intersections have been found in some of the boreholes, but generally results have shown thin coal seams only.

4.6.3 Gravity Surveys

In 2014, RAMA Geoscience was commissioned to reprocess existing gravity data, incorporating all available open source data. The reprocessed gravity data identified gravity-lows that extend over 10km of strike length within EPC 2011, on-strike and immediately south of the Clermont Mine (Figure 7). The density of gravity observation points over the Clermont deposit is significantly higher compared with data collected south of the Mining Lease and within EPC 2011. Data collected inside the EPC boundary is 50% or less of the data density to the north, thereby reducing the resolution of gravity data in the identified target area.

Figure 4.3 – Reprocessed Gravity Data



The gravity lows seen in Figure 4.3 have the potential to host Permian coal seams warranting further exploration drilling, however parts of this area are covered by restrictions for coal applications (RA 391).

4.6.4 Coal Quality

No coal quality has been reviewed. A Blair Athol/Clermont style deposit would likely produce a low ash Thermal Coal product.

4.6.5 Geological Modelling and Resources

There is currently no geological model or resources for EPC 2011.

4.6.6 Exploration Target

Two coal exploration targets were identified by GeoConsult (2013).

Target 1:

- *50-75 Mt target ("1st Pass") roughly estimated exploration target. Max lateral extent = 10km2*
- *Probability: Structure within the EPC may result in small, localised coal basin with thick coal seams – Blair Athol/Clermont style, depth range surface ~ 300m [poorly defined, no intersections within EPC],*
- *Possible seam thickness = 5m [very conservative thickness estimate based on surrounding pod style* deposits], RD=1.5).

Target 2:

- *5-10 Mt target ("1st Pass") roughly estimated exploration target. Max lateral extent = 10km2, depth range surface-300m [poorly defined, no intersections within EPC], possible seam thickness = 1m [conservative thickness estimate], RD=1.5)*
- *Probability: Speculation - no supporting evidence. Target would need to be coal development in coal poor Permian Marine sequence, concealed beneath Tertiary Sediments.*

4.7 Future Work

4.7.1 Proposed Drillholes

Three chip holes are proposed in the initial drilling proposed in EPC 2011, plus one twinned core hole if warranted. Proposed drill holes will to test for potentially thick coal seam in a setting similar to that of the Clermont Mine.

Within the current tenement, proposed sites CMT001, CMT02 and CMT003, target comparable shallow coal seams.

Table 4.3 below lists the initial phase 1 proposed sites. See Figure 4.4 for the location of the planned holes. The Stage 1 exploration plan has a total budget of $145,000.

Table 4.3 - Proposed drill hole locations and planned depth

Site ID	Zone GDA94	Easting	Northing	Depth (Approx)	Comments
CMT01	*55k*	*566406*	*7481862*	*200*	Option B site north of fence line.
CMT02	*55 k*	*566293*	*7480769*	*200*	
CMT03	*55 k*	*566626*	*7480964*	*200*	Optional – based on outcomes of CMT001 and CMT02

The program was scheduled to commence in early to mid-October 2014. Xenith is not aware of the progress of this program, and it is assumed it has not commenced as planned. No results have been submitted for review. This phase is not affected by RA 391.

A second stage exploration drilling program has also been proposed. This plan involves drilling 17 cored holes in the north of the tenement, presumably on the condition that Stage 1 results are positive. The aim is to develop an Indicated resource. This plan has a budget of approximately $1.5 Million. See Figure 4.5. The proposed sites CMT18, 19, 20 and 21 are all affected by RA391.

Xenith recommend completing at least 7 – 8 chip holes to confirm the extent of a potential deposit before committing to a sizeable exploration program, as proposed in Stage 2.

Figure 4.4 - Proposed Stage 1 Drill Plan

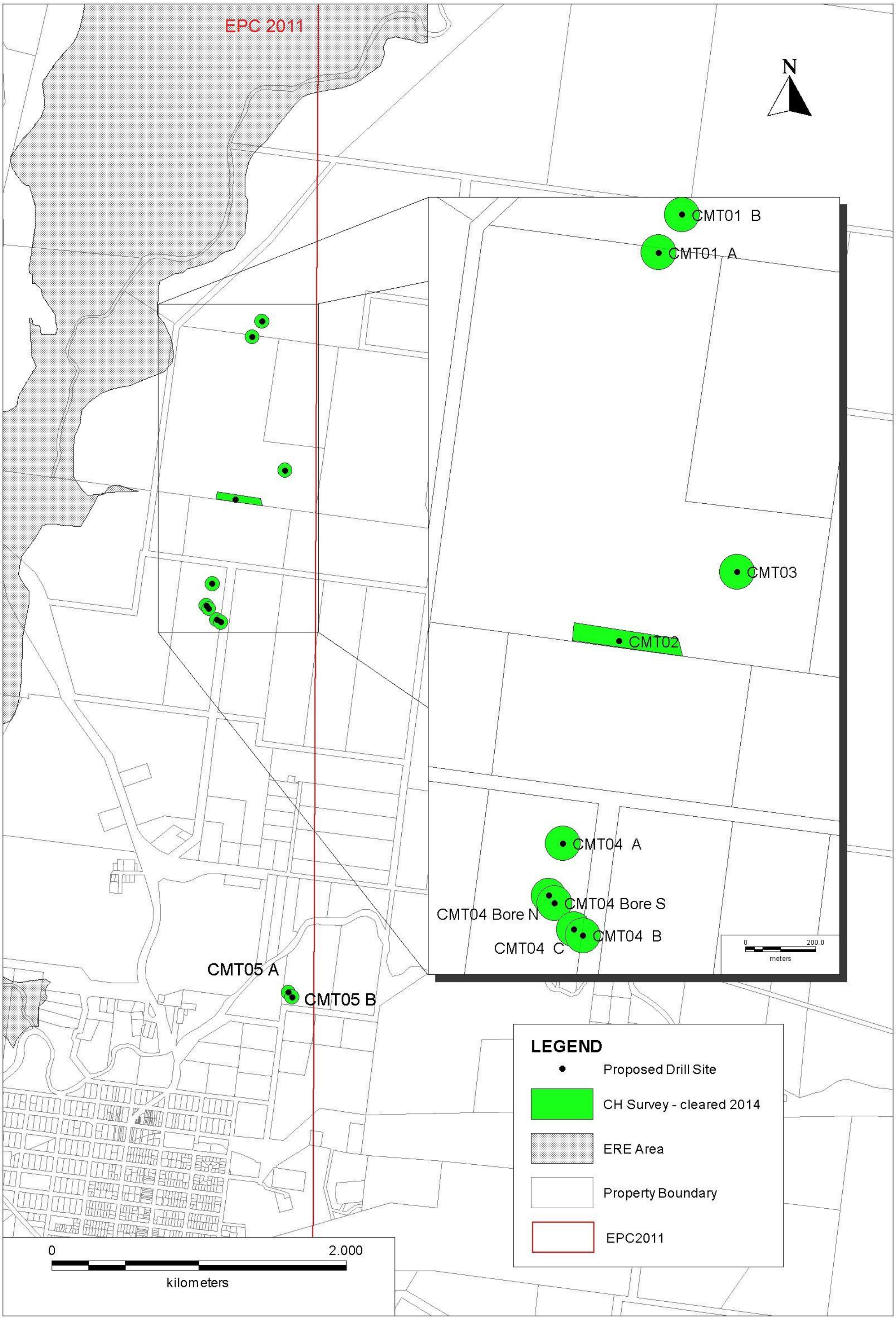
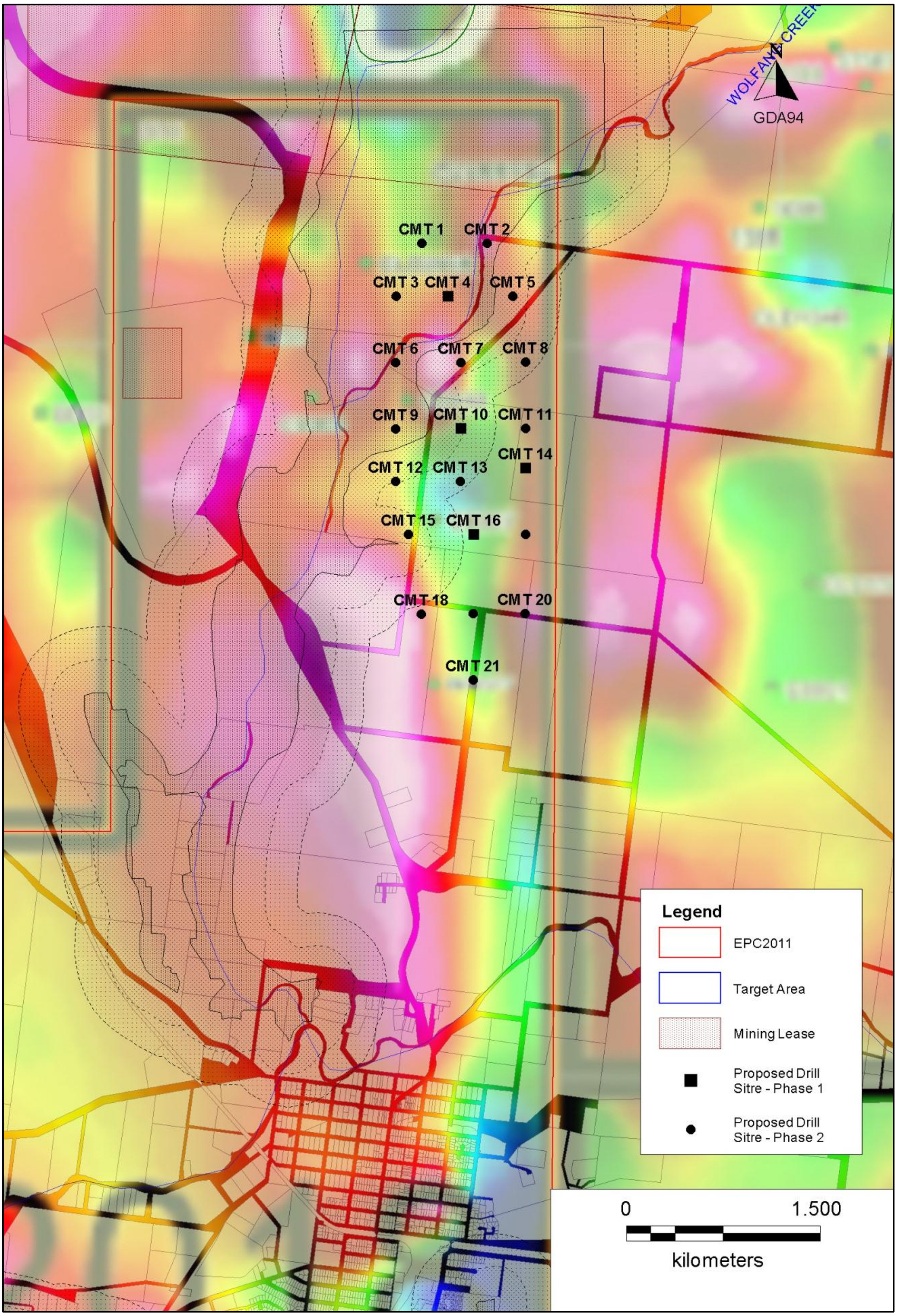


Figure 4.5 - Stage 2 and 3 Proposed Drilling



5 EPC 1859 DINGO

5.1 Key Outcomes

- EPC 1859 is held by Area Coal, consists of 5 sub-blocks, and is located near to and over the Township of Dingo in the Central Highlands of Queensland.
- The tenement contains coal seams from the Permian age Rangal Coal Measures.
- The structural setting between the Jellinbah and Yarrabee faults named the Dingo Fold Belt is known to be structurally complex with abundant thrust faulting and folding in parts.
- Coal Quality results suggest a low volatile high yielding PCI product is possible, with a possible secondary thermal fraction.
- Due to faulting, interpreted steep dips and marginal incremental strip ratios, the lease will require further exploration to define areas with sufficiently low cumulative strip ratio, between fault blocks.
- No JORC Resource has been identified. The geological model has not been supplied for review.
- Potential Coal Target estimated between 19 – 33 Mt.

5.2 Overview

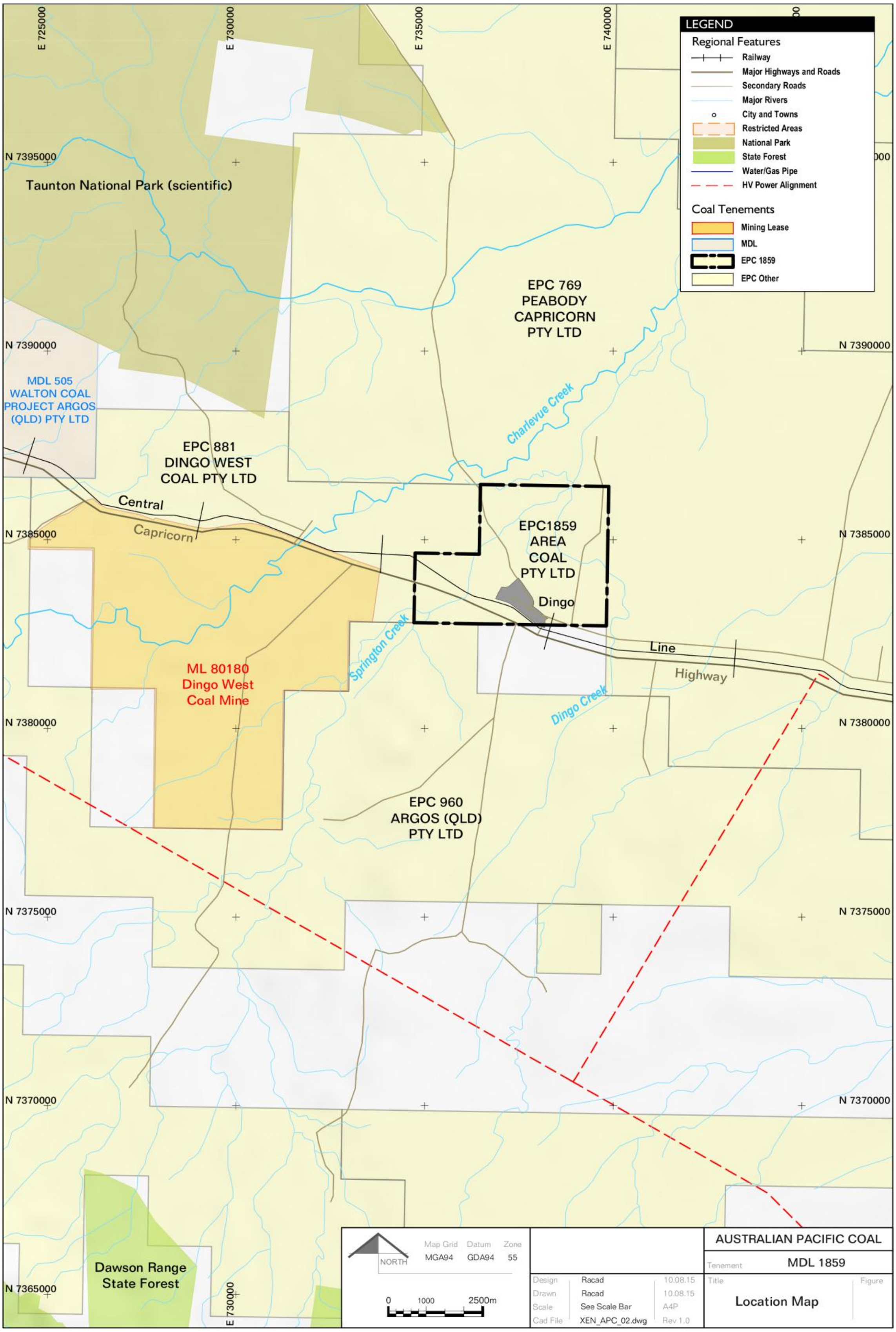
EPC 1859 is located approximately 140km west of Rockhampton in Central Queensland. The Dingo Exploration Permit for Coal (EPC 1859) is situated in the south-eastern Bowen Basin, within the Dingo Fold Belt. The deposit is known to host the Rangal Coal Measures which is mined in several open cut mines in the district. In terms of infrastructure the project is conveniently situated with the Capricorn Highway passing through the tenement and from Dingo the Fitzroy Developmental Road provides access to the north of the EPC. The Central Queensland Railway also passes through Dingo and is approximately 290km from export port facilities at Gladstone.

Although the tenement overlays part of the Dingo township, there is currently no priority living restrictions overlapping it.

5.3 Location and Background

EPC 1859 is located approximately 140km west of Rockhampton in Central Queensland's Bowen Basin. The town of Dingo is centred in the southern half of the EPC. The Capricorn Highway passes through the tenement and from Dingo the Fitzroy Developmental Road provides access to the north of the EPC. The Central Railway also passes through Dingo and is approximately 290km from export port facilities at Gladstone. Regional location of the Project is given in Figure 5.1.

Figure 5.1 – Dingo Project Location



5.4 Ownership Status

EPC 1859 was granted to wholly owned Australian Pacific Coal Ltd subsidiary, Area Coal Pty Ltd, on the 31 May 2011 for a period of 5 years, and comprised seven sub-blocks. Two sub-block were later relinquished. The 5 remaining sub-blocks covers approximately 15.5km2. Sub-block details are as follows:

Table 5.1 – EPC 1859 Sub-blocks

BIM	Block	Sub-Block
CLER	3160	P T U
CLER	3161	L Q
		TOTAL 5

5.5 Potential Planning Constraints

None of the criteria listed in Section 2.4 were triggered for this tenement.

5.6 Geology

EPC 1859 is situated on the Permo-Triassic sedimentary rocks of the south-eastern Bowen Basin. These are overlain by Tertiary sediments that cover much of the EPC to depths of up to 60m. The Permo-Triassic units include, from oldest to youngest, the Late Permian Burngrove Formation and Rangal Coal Measures and the Triassic Rewan Formation. Elsewhere in the basin, the Rangal Coal Measures are equivalent to the Baralaba Coal Measures and Bandanna Formation.

The Late Carboniferous to Middle Triassic Galilee Basin is an intra-cratonic, foreland basin that occurs stratigraphically above the Drummond Basin and below the Jurassic to Cretaceous Eromanga Basin. It is believed that the primary infilling material was recycled from a cratonic source such as the Thomson Fold Belt. The Basin formation was initiated by the Anakie Arch subsiding and has largely been influenced by the Hunter-Bowen Orogeny over a period of time. This has resulted in intense deformation of the underlying basement rocks but only slight deformation of the sedimentary deposits, with the western portion of the basin remaining relatively undisturbed.

5.6.1 Coal Bearing Formations

The Burngrove Formation typically consists of light green, light grey and grey mudstone and siltstone with minor fine grained sandstone beds. The top of the Formation is marked by the Virgo seam, the uppermost member of the formation. The Burngrove Formation contains a number of thick coal seams with high inherent ash and numerous tuffaceous claystone and mudstone bands. Within the EPC the Virgo, Leo, Aquarius and Libra seams have been interpreted in previous drilling.

The Rangal Coal Measures (RCM) conformably overlies the Burngrove Formation, and consists of grey mudstone and siltstone, light grey fine lithic sandstone and numerous coal seams. Within EPC 1859, seams previously identified by drilling include the Castor, Pollux, Orion and Pisces. RCM coal seams are targeted in the laterally equivalent Baralaba North Mine which produces thermal and low volatile PCI coal products. West of the EPC, RCM are worked at the Blackwater, Curragh, Jellinbah and Yarabee mines where low to medium volatile thermal, PCI and coking coal are produced.

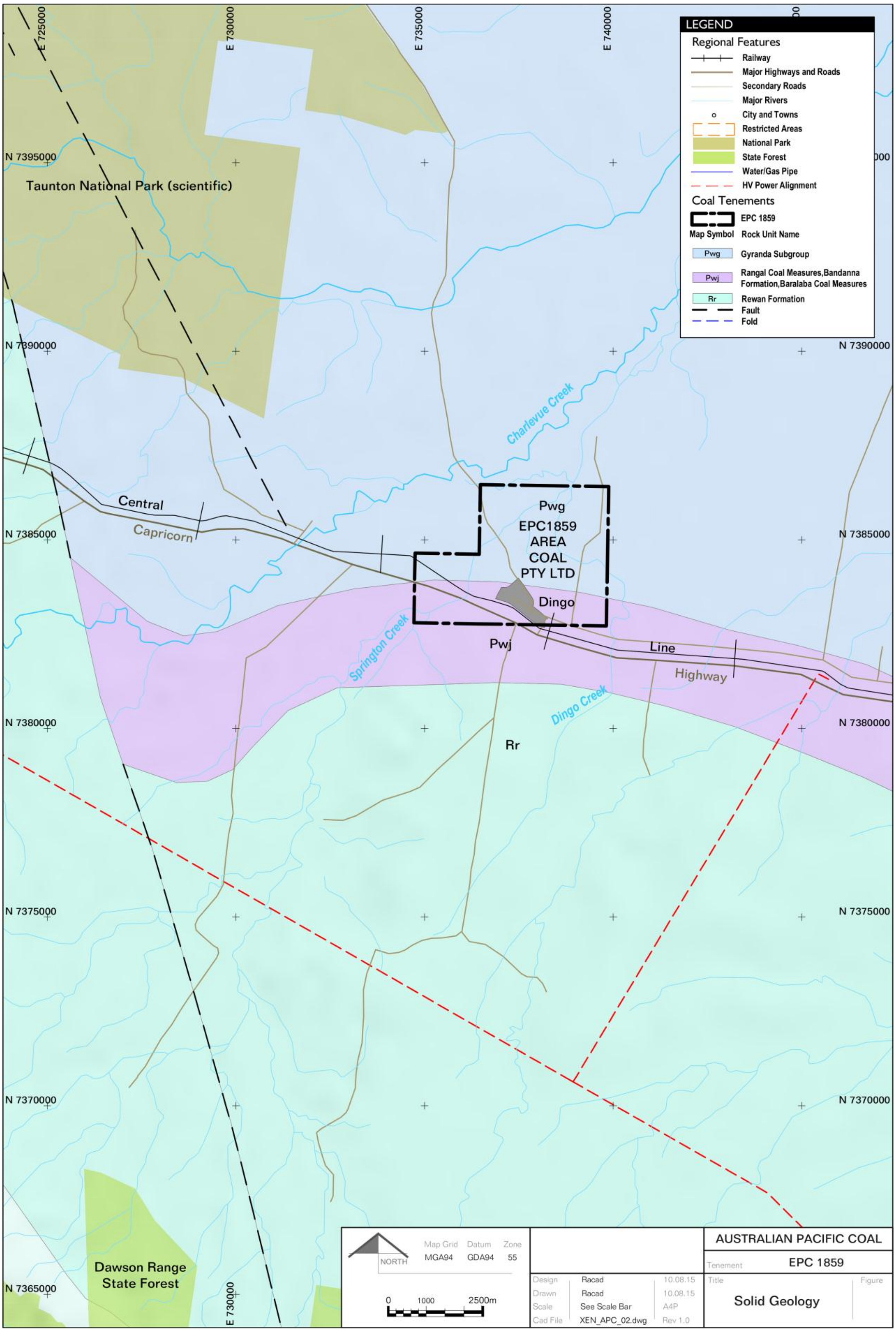
Table 5.2 – EPC 1859 Stratigraphic Sequence

<table>
<tr><th colspan="5">Local Stratigraphy</th></tr>
<tr><th>Age</th><th>Group</th><th colspan="2">Formation</th><th>Main seams</th></tr>
<tr><td>Quaternary</td><td></td><td colspan="2"></td><td></td></tr>
<tr><td>Tertiary</td><td></td><td colspan="2"></td><td></td></tr>
<tr><td>Triassic</td><td></td><td colspan="2">Rewan Formation</td><td></td></tr>
<tr><td rowspan="3">Late Permian</td><td rowspan="3">Blackwater Group</td><td colspan="2">Rangal Coal Measures</td><td>Cancer
Aries (Mammoth)
Castor (Mammoth)
Pollux
Orion
Pisces</td></tr>
<tr><td rowspan="2">Fort Cooper Coal Measures (North Bowen Basin)</td><td>Burngrove Formation</td><td>Virgo/Girrah
Leo
Aquarius
(Libra)
Scorpio
Centaur</td></tr>
<tr><td>Fairhill Formation</td><td>Pheonix
Pegasus
Hercules
Canis
Lepus
Fairhill</td></tr>
</table>

5.6.2 Coal Seams

Coal seams in the area include Castor, Pollux, Orion, Pisces of the Rangal Coal Measures, as well as several seams of the Burngrove Formation. The Castor and Pollux seams are regarded as the most prospective. Many of these seams contain several sub seams/plies. Figure 5.2 shows the Regional Solid Geology of the Dingo Project, and how the Rangal Coal Measures are expected to subcrop in the area.

Figure 5.2 – Dingo Project Solid Geology



5.6.3 Weathering profile

Drill hole information in the EPC area indicate that Tertiary sediments are completely weathered to an average depth of approximately 30m. The underlying Late Permian sequence has an average depth of weathering of 47m below surface in the EPC.

5.6.4 General Structure

The EPC 1859 area is immediately east of the Yarrabee fault, which is a major NW – SE oriented thrust fault. Locally the area has been previously summarised as structurally complex with common thrust faults and folding.

5.6.5 Historical Exploration Activity

The area has been explored by several companies over the last thirty years, including Mt Morgan, J.A.B.A.S Pty Ltd and New Hope Collieries.

Table 5.3 – EPC 1859 Stratigraphic Sequence

Period	Company	Number of Holes	Company Report
1994	New Hope Collieries Pty Ltd	15	CR26214
1995-1996	New Hope Collieries Pty Ltd	14	CR28461
1997-1998	New Hope Collieries Pty Ltd	13	CR30957
2007	Dingo West Coal Pty Ltd (Bandanna)	2	CR49112

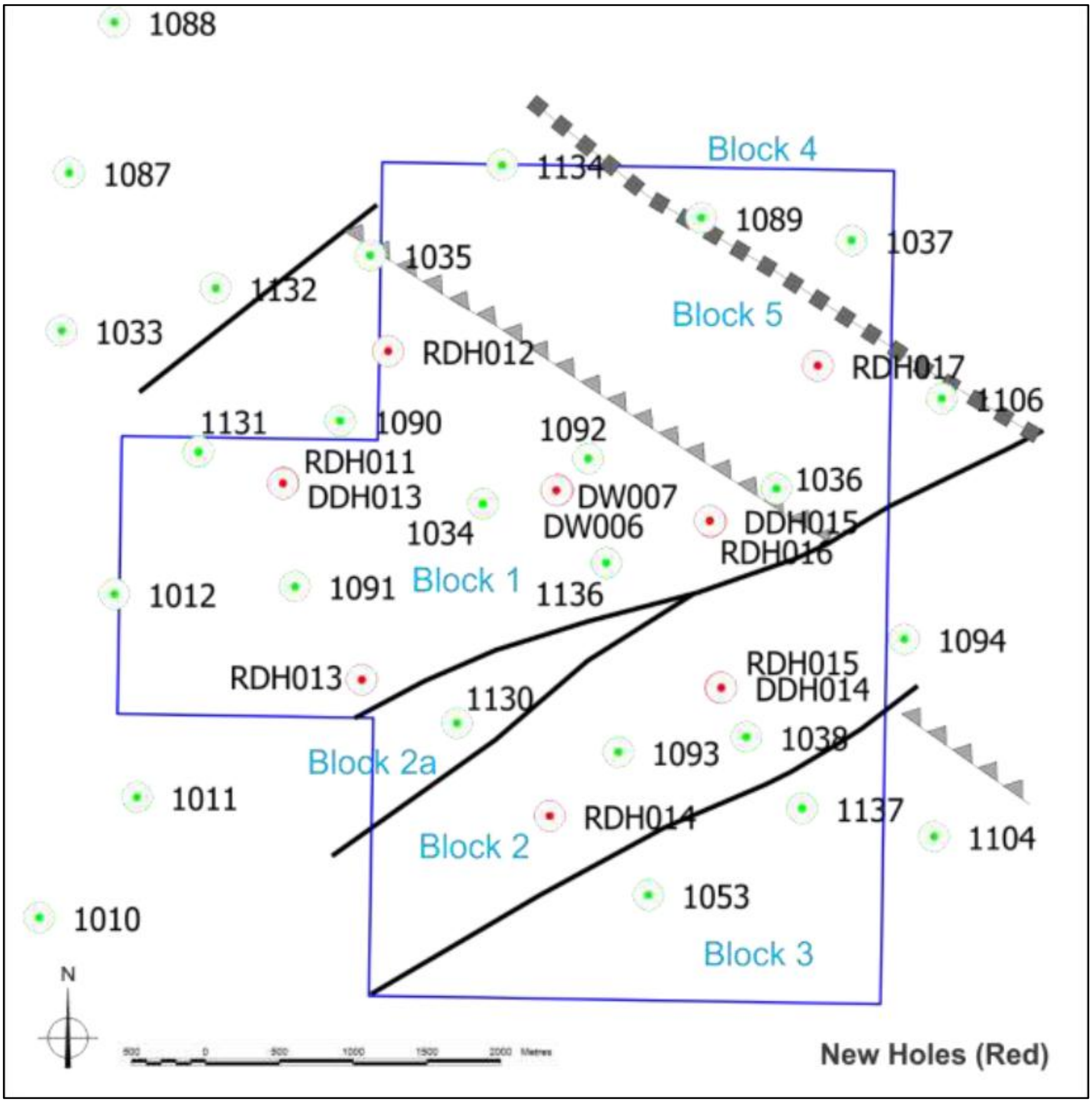
New Hope Collieries Pty Ltd drilled a total of 138 holes in the area of which 42 holes were within approximately 1km of EPC 1859. Available data for the forty-two holes drilled by New Hope Collieries included lithology logs and scanned down-hole geophysical logs. Bandanna Coal, drilled two closely spaced holes in the centre of the current tenement, one of which was a cored hole, provided lithology and geophysical logs, and some core photos.

The forty-two holes drilled by New Hope Collieries, including lithology logs and printed down-hole geophysical logs, were subsequently used to complete a structural model. The geological model has not been reviewed by Xenith.

5.6.6 Recent Exploration Activity

During the 2013/14 exploration activity period, a series of 10 chip and core holes were drilled by Area Coal in the Dingo tenement, totalling 1,840m. Three of these were cored holes. In the 2014/15 period, the samples were submitted for raw coal analysis, and subsequent washability testing. Following a review of these results by two independent coal specialists (McMahon Coal Quality Resources and Cape Coal), sample composites from two holes were submitted for clean coal analyses.

Figure 5.3 – Dingo Project Drill Hole Locations



5.6.7 Coal Quality

Three core holes contain coal quality data within the tenement. Results from these suggest a high rank, low volatile coal, with low to moderate ash. The CSN is regarded as being too low for a coking product, but the coal would be suitable as a PCI coal, particularly if washed, with a possible secondary thermal product.

Original laboratory data for the three core holes have been supplied, but samples are listed without corresponding seam names.

5.6.8 Conclusions and Recommendations

The following conclusions and recommendations are summarised in the 2015 exploration report for the Dingo project. The conclusions and recommendations are the result of collaboration between Area Coal and GDD, as reported in the *GDD Exploration Activity Report:*

"Coal Seams and Structure

- *The drilling has identified / confirmed coal seams up to 10m in apparent thickness (RDH015).*
- *Very significant dips exist in two of the three cored holes (DDH013 and DDH014), and in the optically logged chip hole in Block 5 (RDH017).*
- *Deformation is evident in DDH014, along with very steep dips, probably excluding this immediate area from consideration for further work. The sub-block corresponding with this drillhole has subsequently been dropped from the tenement on the basis of the thick overlying Rewan sediments to the south, and the potentially steeply dipping strata to the north.*
- *While potential in other blocks has been reduced due to structural complexity, a significant area of Block 1 remains prospective (*Figure 5.4*) in particular given the coal quality results.*

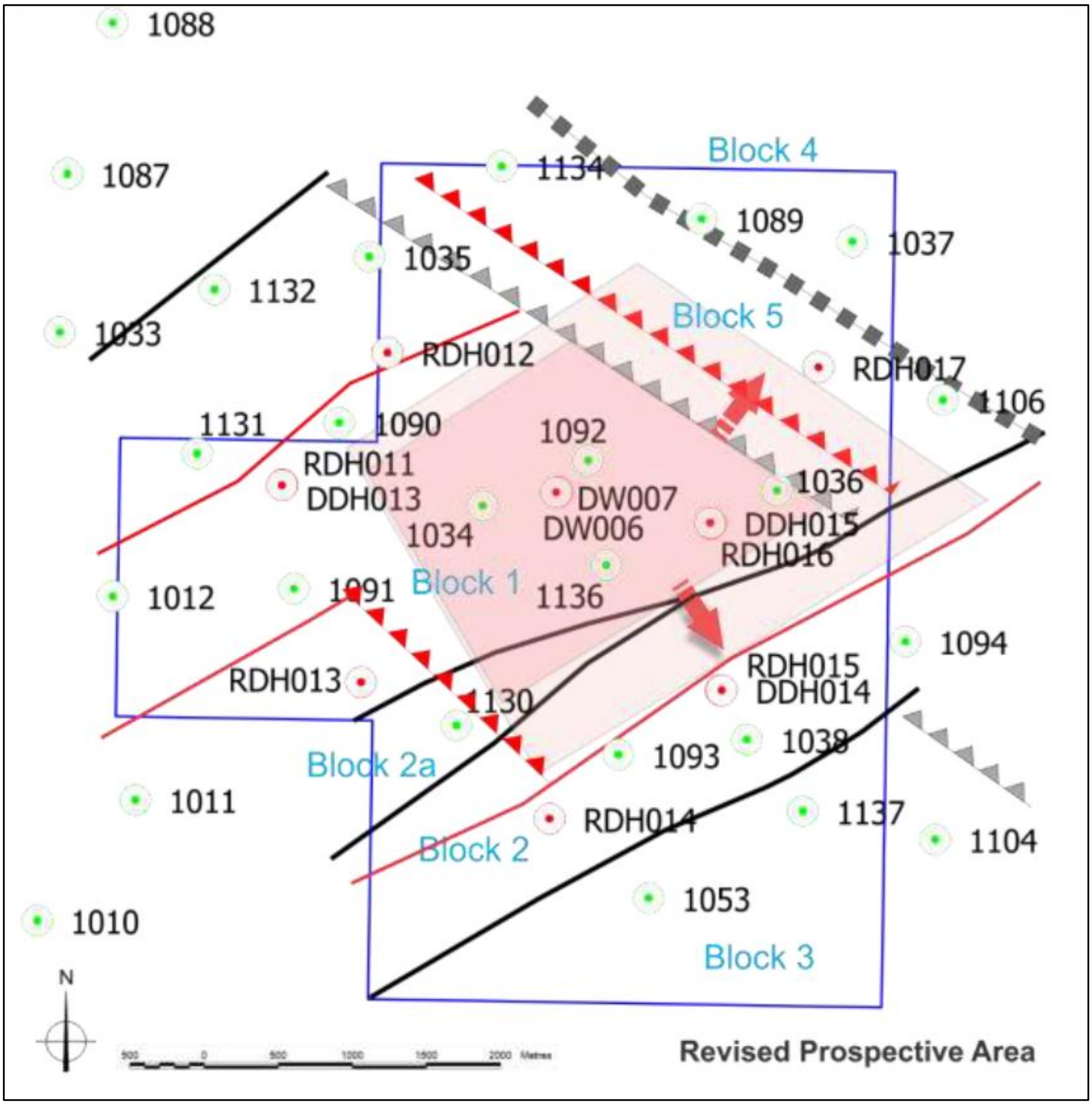
Coal Quality

- *Consistent low ash values are seen within the Rangal Coal Measures seams.*
- *Low volatiles (very low in places) are also encouraging, indicating the potential for a premium PCI product.*

Potential Coal Target

- *Given the encouraging coal quality results discussed above, and the potential for lower dips in the central target zone, an estimate of 19Mt to 33Mt (of raw coal) has been made of the potential target that is possible in this zone.*
- *It is important to understand however that this potential target estimate is based on a number of assumptions, the validity of which will only be determined following additional exploration work. These assumptions and related cautions are as follows –*
    - *The area for which this potential estimate is made is shown in Figure 5.4, in the Revised Prospective Area (pink shaded zone).*
    - *The estimate has been determined only for the primary seam, (identified as the Pollux seam in the Rangal Coal Measures), on which the current coal quality analysis work has been performed.*
        - *The possibility for additional coal from other seams remains.*
    - *Based on the average seam thickness for this seam, and the associated dips where these are known, an average true seam thickness of 4.5-5.0m metres has been derived.*
        - *An average in-situ density of 1.4-1.45 is assumed; this has been derived following consideration of the average RD for this seam in adjacent areas, along with calculations using the laboratory results from the current program."*
        - *It is important to recognise the structural complexity of this domain, which will add a degree of difficulty to further exploration and interpretation.*
        - *Other Considerations*
            - *Prospect area limitations are compounded by local infrastructure and ERE aspects.*

Figure 5.4 - Revised Prospective Area



- *An average insitu density of 1.4-1.45 is assumed; this has been derived following consideration of the average RD for this seam in adjacent areas, along with calculations using the laboratory results from the current program.*
- *It is important to recognise the structural complexity of this domain, which will add a degree of difficulty to further exploration and interpretation.*

Figure 5.5 - Coal Target Estimate

Coal Target Estimate											
E-W Length (km)		N-S Length (km)		Seam Thickness (m)		Est. Insitu Density		Est Volume (Mm^3)		Est Tonnage (Mt)	
Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
1.75	2.25	1.75	2.00	4.50	5.00	1.40	1.45	14	23	19	33

Other Considerations:

- *Prospect area limitations are compounded by local infrastructure and ERE aspects."*

5.6.9 JORC Resources and Reserves

No JORC Resource Estimate has been completed to date.

5.7 Future Work

Plans for future work include Geophysical Surveys, and two stages of exploration drilling.

5.7.1 Geophysical Surveys

Geophysical surveys are planned to improve the definition of the structure in the area to aid with phase 2 drill site selections. The planned budget includes:

- 6-12 km^2 of Helicopter Borne Electromagnetic Emission (EM) Survey ($50k - $75k cost)
- 6 2d seismic lines, approximately 20km total length ($200k - $300k cost) - See Figure 5.6.

5.7.2 Exploration Drilling

Stage 2 of exploration drilling has been planned and budgeted. The objective of the drilling program is to develop an indicated resource within the target area. It is planned to include drilling 40 chip holes and 10 core holes on 40 sites. The locations of the drillholes are yet to be decided, and will be based on the results from the planned geophysical surveys (See Figure 5.7). The budget for the drilling program is approximately $1.4 Million.

The exploration plan for the second stage could be reduced, or spread out over two or three stages. This will allow for the plan to be re-evaluated between each stage once the data has been interpreted. To reduce cost in stage two, the 6 seismic lines 20km length could be reduced to 4 over a shorter distance, given the small target area of approximately 5-6 km^2. The drilling program costs could also be reduced, particularly in terms of drilling chip holes. An exploration spend of no more than $1 Million per year (including geophysical surveys and drilling costs) would be more appropriate considering the limited size of the project.

Figure 5.6 - Proposed Seismic Lines

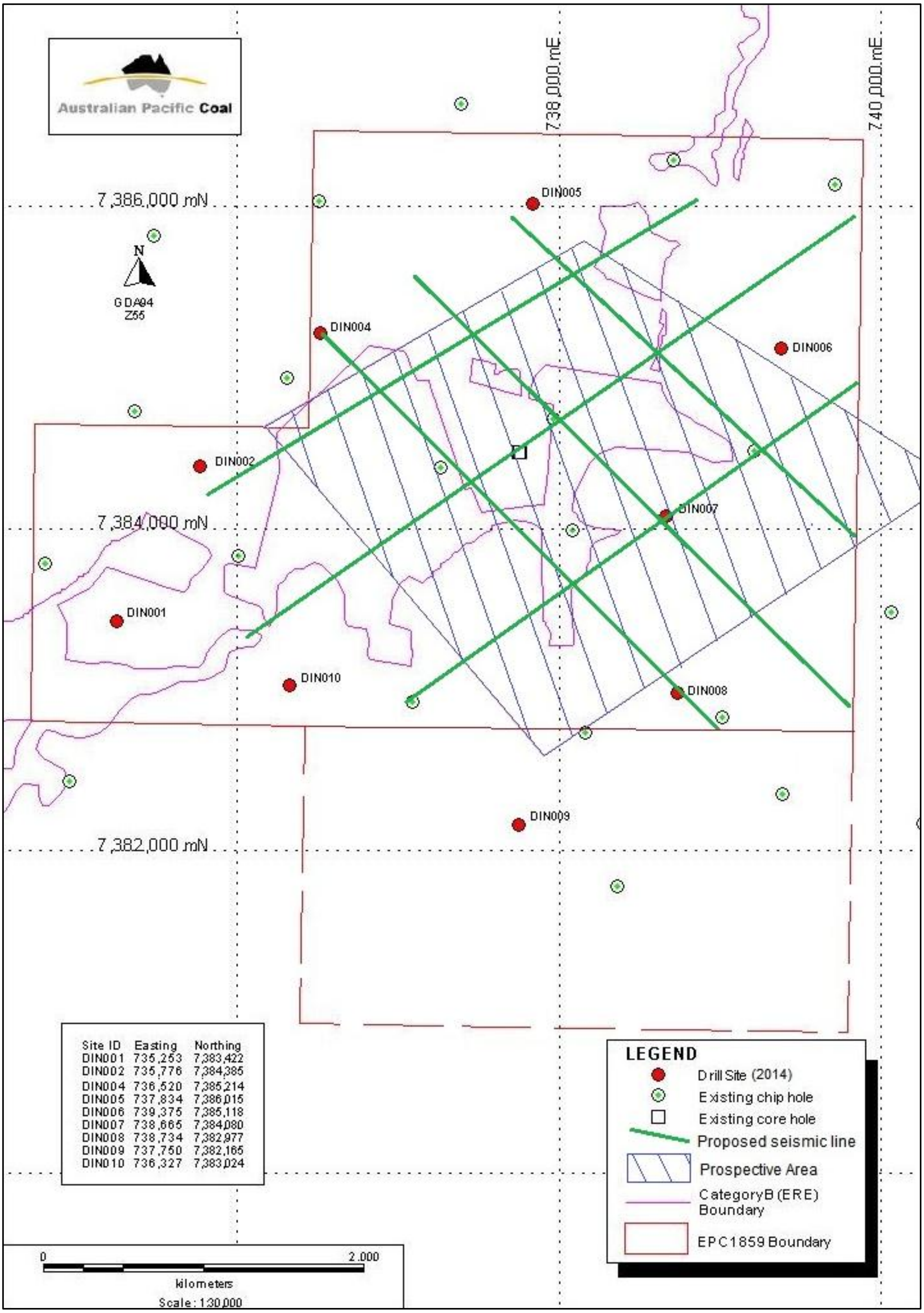
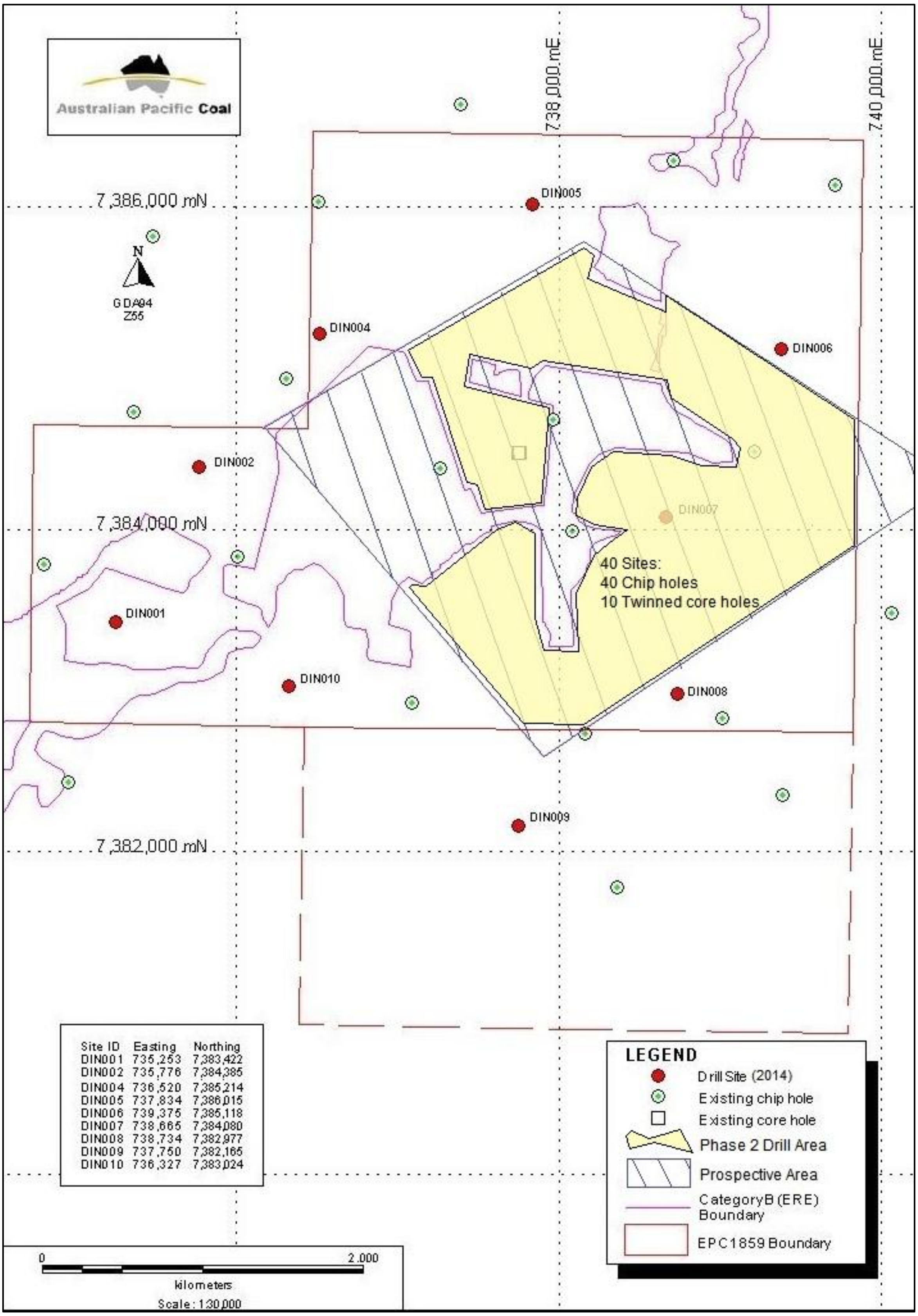


Figure 5.7 - Proposed Stage 2 Drilling Plan



Site ID	Easting	Northing
DIN001	735,253	7,383,422
DIN002	735,776	7,384,385
DIN004	736,520	7,385,214
DIN005	737,834	7,386,015
DIN006	739,375	7,385,118
DIN007	738,665	7,384,080
DIN008	738,734	7,382,977
DIN009	737,750	7,382,165
DIN010	736,327	7,383,024

6 EPC 1824 MOUNT HILLALONG

6.1 Key Outcomes

- EPC 1824 consists of 15 sub-blocks, and is located to the west of the Mount Hillalong Anticline
- According to historical works done by Rio Tinto, the Rangal Coal Measures, where not intruded, are typically of thermal coal rank.
- The seam thickness has been observed to have thinned in the northern part of the Hillalong Anticline when compared to other projects in the area.
- Drilling is scarce within EPC 1824, but seismic data shows the RCM at depths greater than 150m, deepening to the North and West.

6.2 Overview

All information in this section is sourced from the Rio Tinto Exploration Report 2015 [15], and other open file data.

The Exploration Permit for Coal (EPC) 1824, known as Mt Hillalong, is owned by Area Coal. RIO has an Exploration Option and Joint Venture Agreement with Area Coal to explore for coal on the tenement.

Xenith has been informed that RIO has opted not to exercise the option to acquire their 75% interest in EPC 1824. RIO are consequently required to transfer their 100% interest back to Area Coal together with all exploration data. This will happen on the 23rd of August 2015.

The tenement contains the Rangal Coal Measures at depths of at least 150m. The seams sub-crop in the lease to the East and steeply dip to the west at the limb of the Hillalong anticline. Within the EPC 1824 the strata are interpreted to flatten out. The shallowest coal is believed to occur in the far north and south. Intruded coal seams are common in the area.

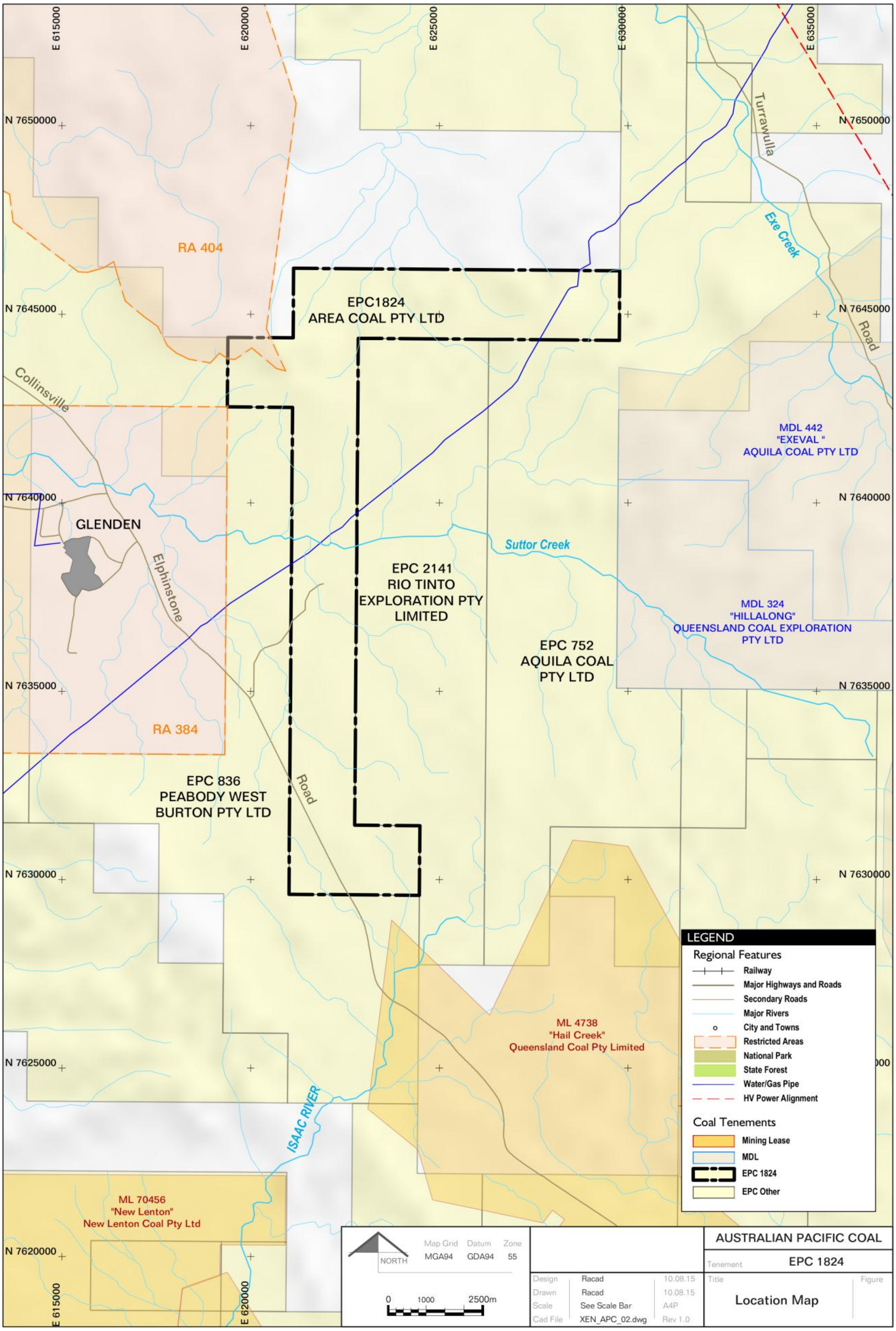
6.3 Location and Background

EPC 1824 is located 100 km south west of Mackay in central Queensland. The EPC is 10 km by road Southeast of Glenden and approximately 65 km by road Northwest of Nebo. The EPC is located in Nebo Shire, part of the Isaac Regional Council (Figure 2). Access is via the sealed Suttor Development and Collinsville-Elphinstone Roads and then via unsealed access roads through pastoral properties.

There are a number of exploration and mining projects within the region. The major projects within closest proximity include Burton Coal Mine and New Lenton to the West, and Hail Creek and Walker Creek Mines towards the south-east. All target the Rangal and upper Fort Cooper Coal Measures.

Figure 6.1 shows the location of the Mount Hillalong Project.

Figure 6.1 – EPC 1824 Location



6.4 Ownership Status

The Mount Hillalong Project consists of EPC 1824 which is 100% owned by Area Coal Pty Ltd, a 100% owned subsidiary of APC. It was granted on 31/03/2011 for 5 years. Area Coal Pty Ltd has an Exploration Option and Joint Venture Agreement in place with RIO:

- Under the agreement three tenements EPC's 1645, 1773 and 1867 are to be transferred to RIO on grant. EPC 1645 is proceeding to grant but is not granted yet.
- Area Coal retains ownership of EPC 1824 and RIO currently have the exploration rights together with an option (expiring on 23 August 2015) to acquire a 75% interest in the tenement.
- On exercise Area Coal Pty Ltd would retain a 25% free carry interest in the tenement through to 180 days after the Joint Venture Management Committee approves the commissioning of a feasibility study in respect of EPC 1824.
- There are two put options that enable Area Coal Pty Ltd to transfer the remaining 25% to RIO for a sum of money.
- If RIO do not exercise the option to acquire their 75% interest in EPC 1824 they are required to transfer their 100% interest in the other three tenements back to Area coal together with all exploration data.
- Area Coal will then hold 100% interest in EPC's 1645, 1773 and 1867.
- Xenith have been informed by APC they have received informal notice from RIO that they will not be exercising their option.

EPC 1824 consists of 15 sub-blocks, which equals an area of approximately 46km^2. Sub-block status can be seen in Table 6.1.

Table 6.1 – EPC 1824 Sub-blocks

BIM	Block	Sub-Blocks	No.
Clermont	1130	U	1
Clermont	1131	L M N O P Q V	7
Clermont	1203	A F L Q V	5
Clermont	1275	A B	2
Total			15

6.5 Potential Planning Constraints

The following items will require consideration when developing EPC 1824:

- Restricted areas 404 (located to the north due to potential future declaration of a Nature Reserve) and possibly 384 (located to the west due to the presence of Township of Glenden) exist over a small component of the tenement. The level of overlap between the latter and the tenement appears unclear from the government mapping tool and will require further investigation to confirm if any overlap exists.
- Strategic Cropping Land Trigger Areas were found to be mapped to the north and south of the tenement.

None of the other criteria listed in Section 2.4 were found to be triggered for this tenement.

6.6 Geology

EPC 1824 is located in the northern Bowen Basin, within the Nebo Synclinorium. The Bowen Basin evolved throughout the Permo-Triassic, forming in the final stages of the Tasman Orogeny (Fielding, 1990). During the Early Permian an influx of marine sediments took place which resulted in widespread coastal and alluvial plain depositional systems in the Late Permian. Triassic sediments were predominately coeval and alluvial with westward spreading of thrust sheets due to the eastern margin compression (Fielding, 1990).

A high degree of tectonic instability occurred further north in areas such as Hillalong due to the major compressional forces that were happening at the time (Fielding, 1990). Widespread fluvial environments with volcanic influence also resulted in such deposits as the Rangal and Fort Cooper Coal Measures (Fielding, 1990). Vast swamplands formed across the Basin and were responsible for the numerous coal seams that formed. The sea retreated due to recommencement of arc volcanism and compression dominated the region (Fielding, 1990). The degree of compression is evident by the series of synclines and anticlines that dominate the Basin. The Rewan Group was deposited and high angle reverse faults were reactivated from what were once normal faults (Fielding, 1990).

The Mt Gotthardt dome formed during the Cretaceous. The Gotthardt Granodiorite is a large biotite-hornblende composition intrusion which outcrops over at least 5-6 km^2 coinciding with the axis of the Bee Creek Anticline. Associated sills and dykes are spread throughout the area. Coal quality results from holes adjacent to Mt Gotthardt reveal that rank decreases away from the Mt Gotthardt dome.

6.6.1 Local Geology and Stratigraphy

The Rangal Coal Measures (RCM) which conformably overly the FCCM are approximately 150m thick and are composed of light grey, fine to medium grained litho-feldspathic sandstones, interbedded with grey to dark grey siltstones and mudstones. Two economic coal seams, Elphinstone and Hynds (Leichardt and Vermont equivalents) within the RCM are currently being mined within the Mining Leases that surround the EPCs. These two seams coalesce in some areas where they are termed the Main Seam. The Rangal Coal measures have historically been the main target for exploration in the northern part of the basin.

The Fort Cooper Coal Measures (FCCM) are approximately 560m in apparent drill thickness within the area and are composed of sandstone, conglomerate, mudstone, carbonaceous shale, coal and cherty tuff. Coal seams in the FCCM are characteristically high in ash, and historically have not been considered economic. A large tuff band, known as the Yarrabee Tuff Bed, marks the transition from the RCM into the FCCM.

The Moranbah Coal Measures are composed of labile sandstone, siltstone, mudstone, coal and conglomerate. A marker tuff, termed the ‘p-tuff’ is a stratigraphic marker that occurs within the P seam which usually sits stratigraphically above the Goonyella Middle seam. The GM seam is the main target for exploration within the Moranbah Coal Measures is approximately 240m (apparent drill thickness) from the top of the formation. Erosion of the formations within the area is estimated to be ~150m, but is largest subject to variation. A geological map of the area can be seen below in Figure 6.2 – EPC 1824 Solid Geology.

Figure 6.2 – EPC 1824 Solid Geology

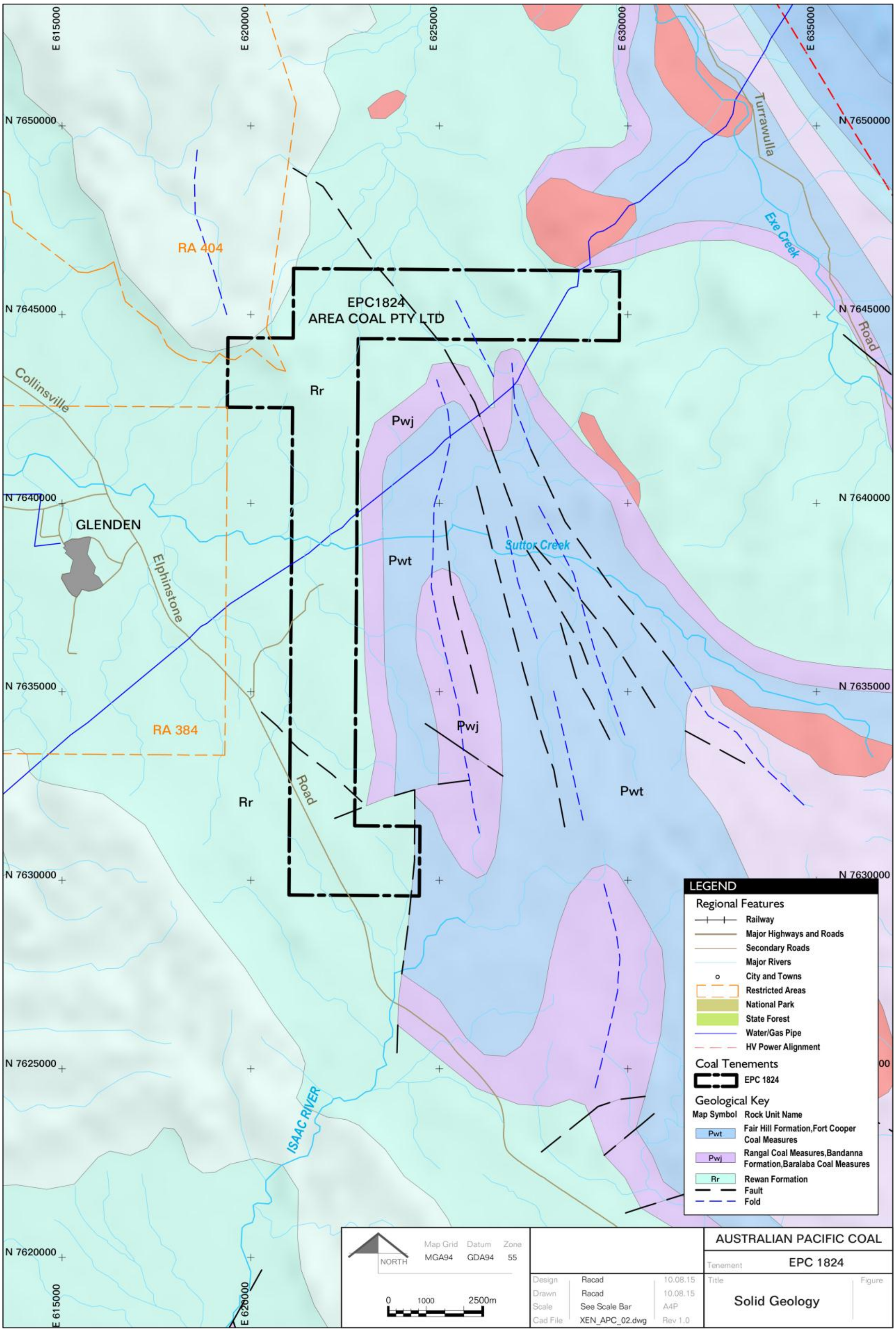
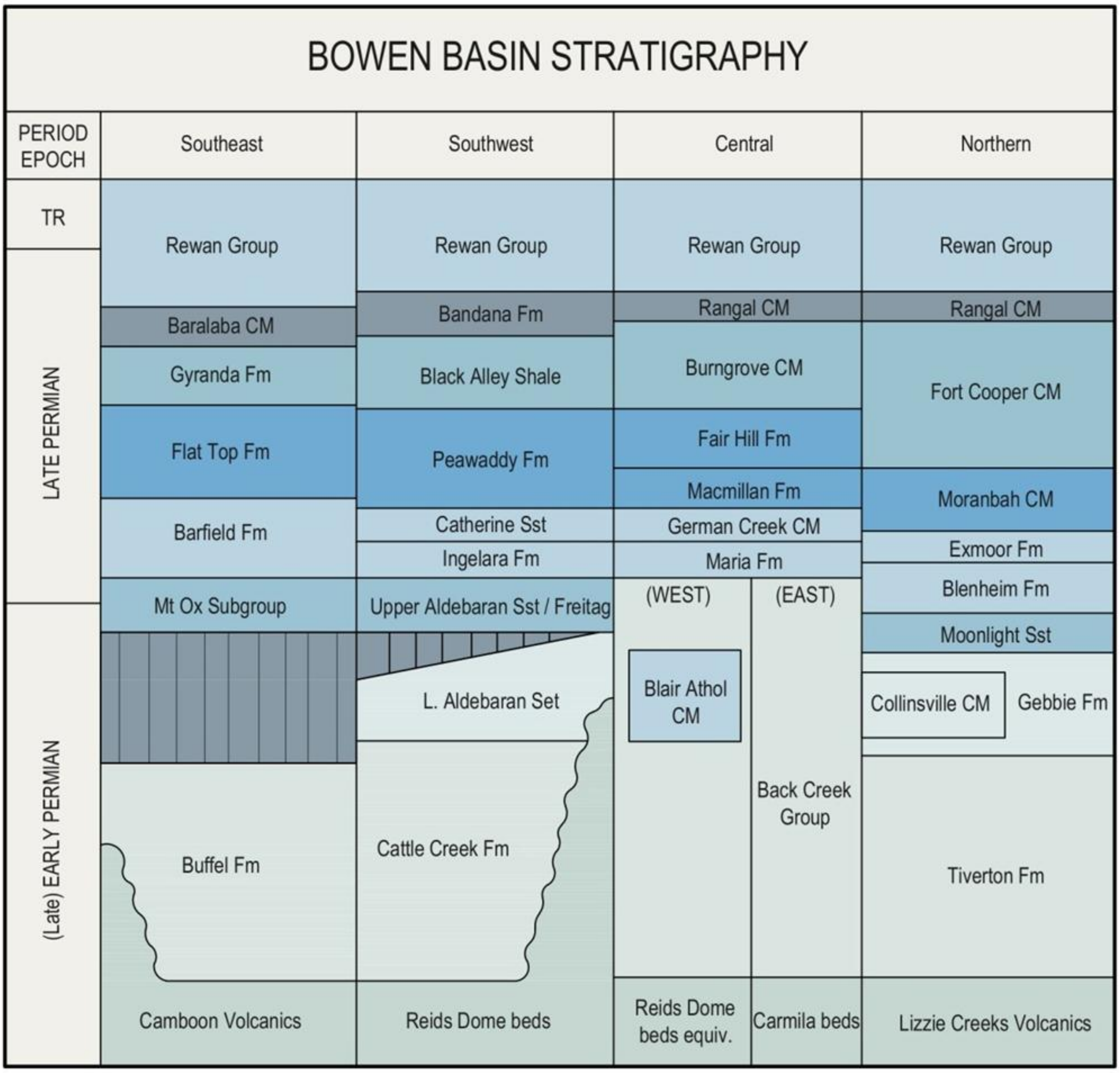


Figure 6.3 – Stratigraphic Column of the Bowen Basin



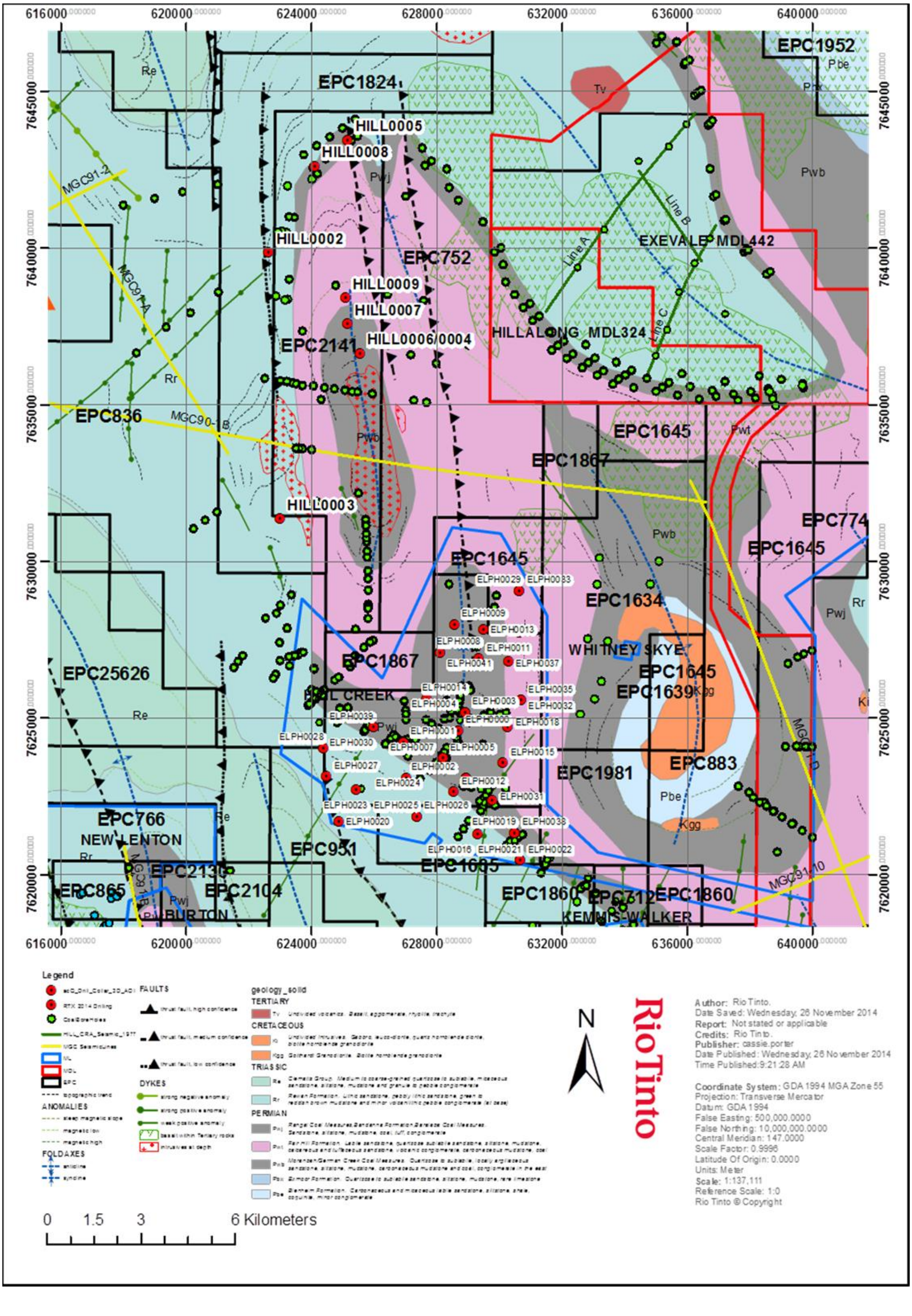
6.6.2 Exploration Activity

Rio Tinto has undertaken an in-depth desktop study to compile open file data relating to the tenements within the Hillalong orbit area. Based on this work RIO conducted its first exploration program on EPC 2141 (neighbouring EPC 1824 to the east) and EPC 1824 in 2013.

Three PCD drillholes, 2 diamond drillholes a, 2D seismic survey and ground mag survey was undertaken. A second ground mag survey on Mt Hillalong and Lake Elphinstone properties was conducted in the first quarter of 2014. A drill program targeting the Rangal and Moranbah Coal Measures was also undertaken in 2014. A total of 5 holes were drilled as part of this program. A map of all exploration drillholes within the Hillalong area is shown below in Figure 6.4.

There are very few holes within EPC 1824. Most are to the east where the Rangal seams subcrop.

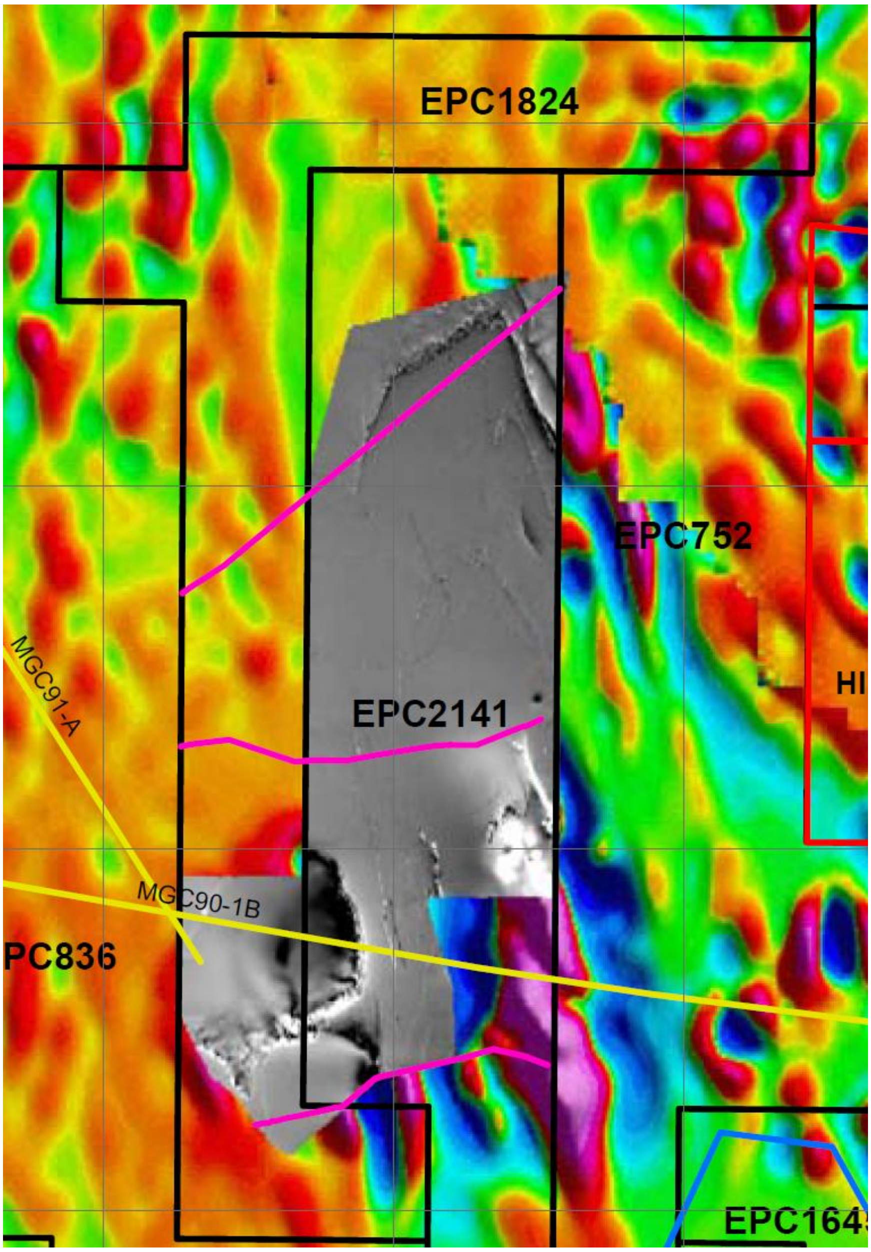
Figure 6.4 – Historical Drillhole Locations



6.6.3 Seismic Survey

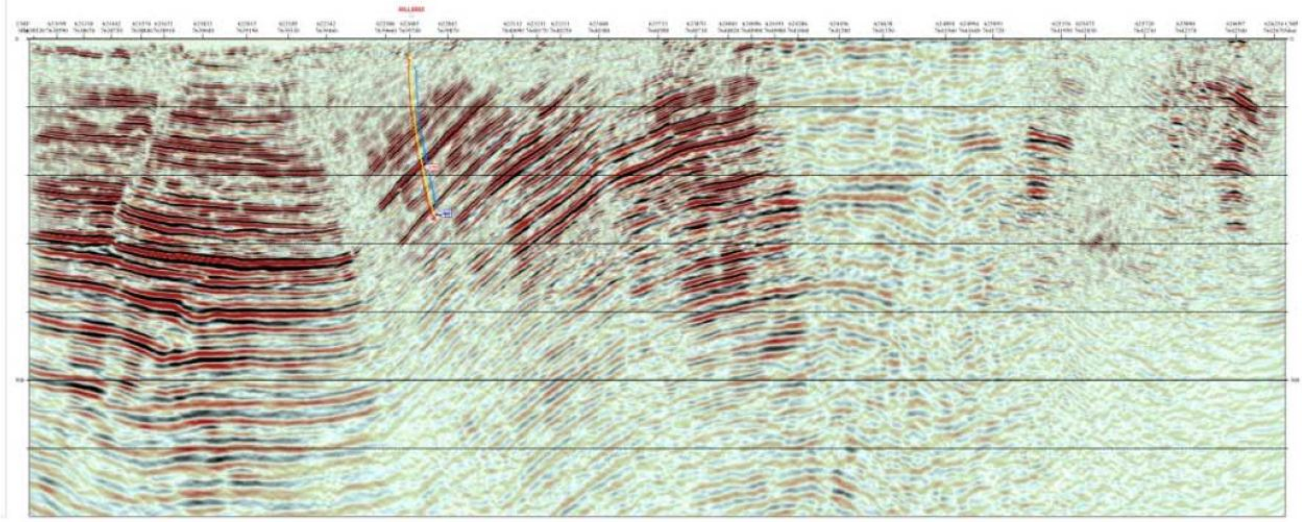
RIO shot three seismic lines over EPC 1824 and 2141 in 2013. The location of these lines can be seen in Figure 6.5.

Figure 6.5 – Seismic Lines Location

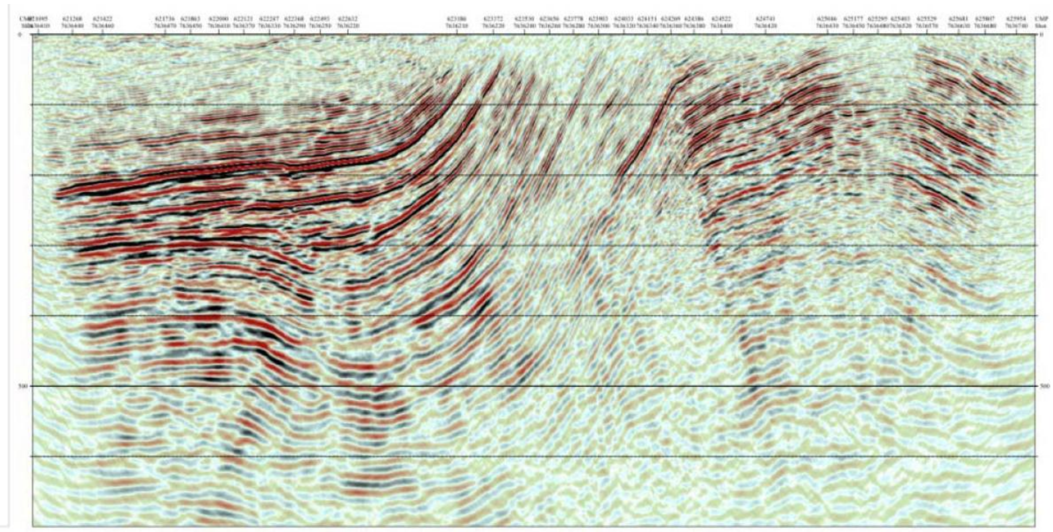


The lines show extreme dips in the western limb of the anticline (EPC 2141). Within EPC 1824 the seam dips flatten, but do not appear at shallow depths. The Southernmost line (line 3) coincides with drillhole HILL0003 close to the eastern boundary, has the Elphinstone seam at approximately 160m depth. In the other two lines (Line 2 and 1) the seam appears at approximately 320m and 480m.

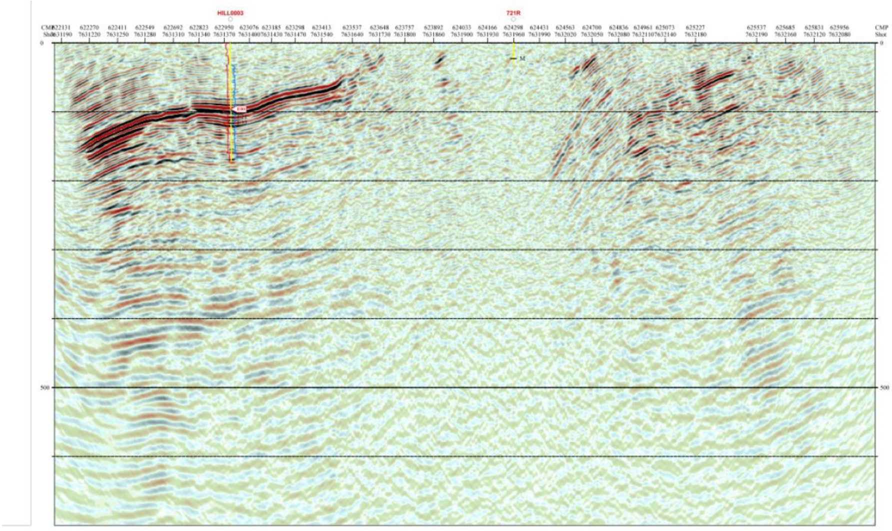
Figure 6.6 – Seismic Lines Location



1



2



3 (south)

6.6.4 Airborne and Ground Geophysical Digital Data

A ground magnetic survey was undertaken in 2014 and has been overlain on the regional magnetic data, as shown in Figure 6.5**.** Magnetic anomalies are prevalent throughout the area highlighting the occurrences of intrusives in the area.

6.6.5 JORC Resources and Reserves

The project does not currently have a resource or reserve estimate completed.

6.6.6 Geological Modelling

No geological model has been reviewed.

6.7 Future Plans

No exploration plans have been developed but future exploration work is expected following transfer of the exploration data and ownership from RIO.

7 EPC 1645 MOUNT HESS AND EPC 1867 MOUNT HESS WEST

7.1 Key Outcomes

- EPC 1645 is currently under application by Area Coal. The proposal has been accepted and is currently undergoing Native Title Application Assessment.
- EPC 1867 consists of 2 sub-blocks adjacent to EPC 1645.
- EPC 1645 consists of 10 sub blocks, over 4 separated areas. Significant parts of the tenement are covered by intrusives and existing mining leases (Hail Creek, Rio Tinto).
- Coal seams within the tenement are most likely from the Fairhill Formation, Fort Cooper Coal Measures and the Moranbah Coal Measures.
- EPC 1867 has the potential to host reasonably shallow Moranbah Coal Measures, but no exploration drilling has been conducted to date.

7.2 Overview

Area Coal applied for EPC 1645 on 03/11/2008. The application has been accepted and is currently undergoing Native Title Application Assessment. Under a commercial agreement the tenement will be 100% transferred to RIO. Xenith has been informed that RIO has elected not to exercise this option and the tenement will remain with Area Coal when granted.

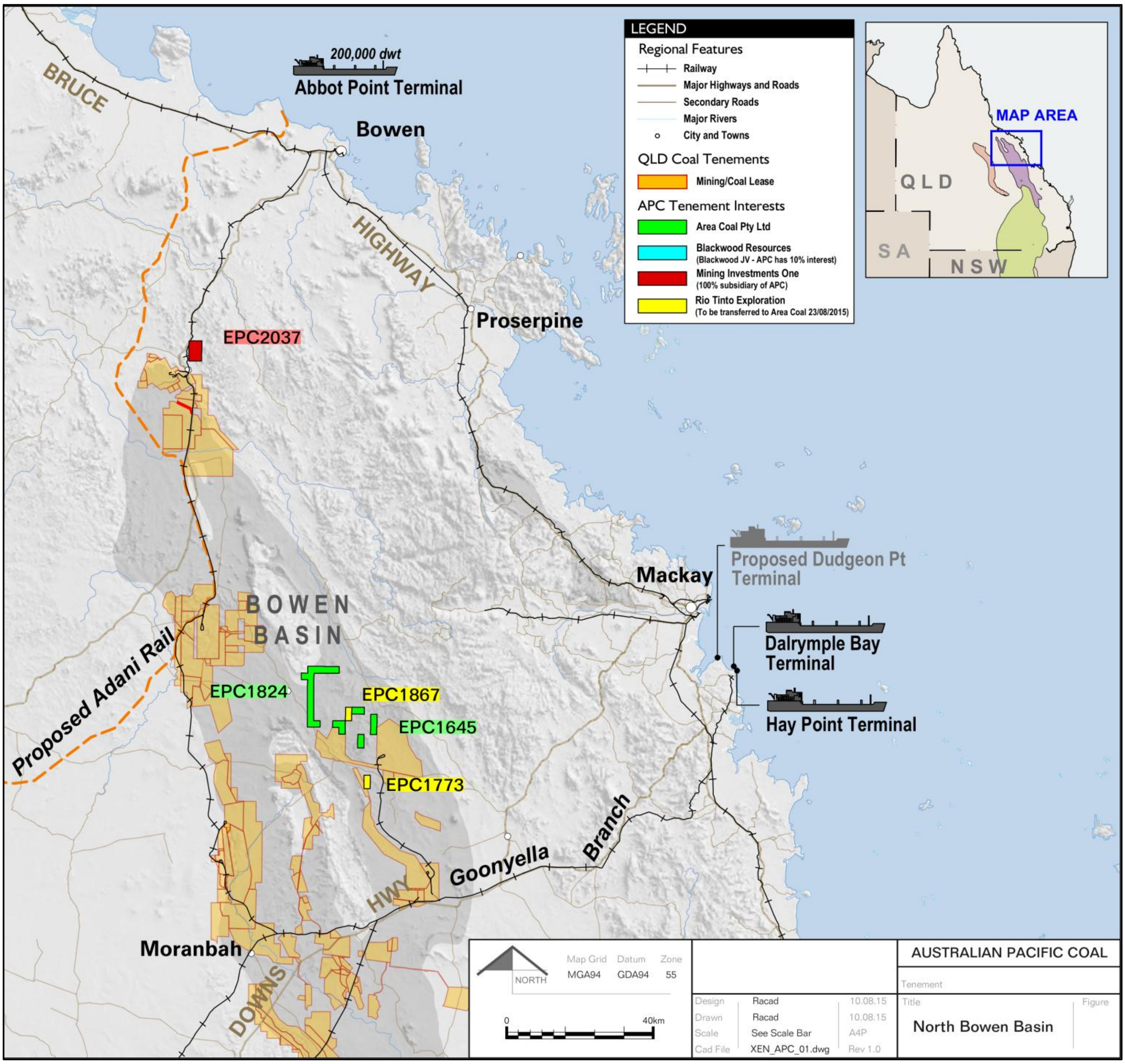
EPC 1645 is located in the Queensland's Bowen Basin, consists of 10 sub-blocks over 4 separate areas (2x3 sub-blocks + 2x2 sub-blocks).

EPC 1867 consists of two sub-blocks adjacent to the north.

7.3 Location and Background

EPC 1645 and EPC 1867 are proximal to the Mt. Hillalong project (EPC 1824) and are sitting between the two main areas that make up the Hail Creek Mining Lease (Rio Tinto). See Chapter 6.3 for a description of the location.

Figure 7.1 – EPC 1645 Location



7.4 Ownership Status

Area Coal applied for EPC 1645 on 03/11/2008. The application has been accepted and is currently undergoing Native Title Application Assessment. Under a commercial agreement the tenement will be 100% transferred to RIO.

EPC 1867, 'Mt Hess West', was granted to Area Coal on May 15 2012 for a five year period. RIO entered into an Exploration Option and Joint Venture Agreement (exploration agreement) with APC on 08 August 2011. Under the terms of the agreement APC transferred 100% of the tenement to RIO who agreed to sole fund and manage exploration.

If RIO do not exercise the option to acquire their 75% interest in EPC 1824 (see chapter 6.4) they are required to transfer their 100% interest in the four tenements that were included in the agreements back to Area coal together with all exploration data.

Xenith has been informed that RIO has elected not to exercise this option and the tenement will remain with Area Coal when granted. EPC 1867 will be transferred to Area Coal on the 23/08/2015.

7.5 Potential Planning Constraints

The following items will require consideration when developing EPC 1645:

- Strategic Cropping Land Trigger Areas were found to be mapped on the northern and western areas of this tenement
- A Nature Reserve is mapped at the south of the tenement (Kemmis Creek Nature Reserve)

None of the other criteria listed in Section 2.4 were found to be triggered for this tenement.

7.6 Geology

EPC 1645 is located in the northern Bowen Basin, on the eastern margin of the Nebo Synclinorium, characterised by a series of broad, open, doubly-plunging fold and dome structures and faults (Ward et al, 1995). In the Broughton area, the Nebo Synclinorium contains sediments of Permian and Triassic age which can be affected by Cretaceous intrusions.

7.6.1 Coal Seams

The Elphinstone and Hynds seams of the Rangal and Fort Cooper Coal Measures are coal seams of the Fort Cooper Coal Measures are known to exist to the west of the prospective zone of Rangal Coal Measures. Two coal seams of the Fort Cooper Coal Measures (Hynds Lower and Girrah seams) occur near the base of the Rangal Coal Measures although they have not been sampled or tested. The coal seams of the Fort Cooper Coal Measures typically have a high proportion of stone partings and are not currently mined within the Bowen Basin.

The Moranbah Coal Measures were intersected at depth (greater than 250 metres) in several deeper historical and recent boreholes which were drilled in the central-western parts of the tenement. There may be potential for underground mining opportunities for coal seams of the Moranbah Coal Measures occurring at shallower depths in the central-western parts of the tenement which remains relatively untested by drilling. An unpublished report commissioned by U&D in June 2013 indicates there is likely to be a series of north to north-east trending dykes and one buried Cretaceous intrusive in the centre of the tenure. Dykes cut across the eastern resource area in the Rangal Coal Measures and have locally affected the Elphinstone and Hynds seams.

7.6.2 General Structure

The two tenements sit on and surround the Mt Gotthardt dome. The Mt Gotthardt dome formed during the Cretaceous. The Gotthardt Granodiorite is a large biotite-hornblende composition intrusion which outcrops over at least 5-6km^2 coinciding with the axis of the Bee Creek Anticline. Associated sills and dykes are spread throughout the area.

7.6.3 Exploration Activity

No exploration activity has been reviewed.

7.6.4 Constraints

The western group of three sub-blocks is significantly (> 50 %) overlapped by mining lease ML4738 (Hail Creek). Additionally, parts of this area contain strategic cropping land (Trigger Area).

7.6.5 JORC Resources and Reserves and Coal Quality

No resources or detailed coal quality exists for the tenements to date.

8 EPC 1773 KEMMIS CREEK

8.1 Key Outcomes

- EPC 1773 consists of 2 sub-blocks (6.4km²) to the southeast of Glenden in the north-eastern Bowen Basin.
- Sediments within the tenement are within the lower Rangal Coal Measures (RCM) and the Fort Cooper Coal Measures.
- Targeting the Rangal Coal Measures. Tenement covers approximately 3.1km² of Rangal sediments for a total strike length of 4km.
- Tenement overlaps BHP Mitsui Coal Pty Ltd ML 4750 “Kemmis-Walker” by 0.7km².
- Historical boreholes drilled on overlapping ML 4750. No boreholes have been drilled in the remaining EPC 1773 tenure.
- The coal bearing part of the RCM sub-crop to the West, not expected within EPC 1773.
- The project appears to be of limited prospectivity at this point.

8.2 Overview

EPC 1773 is located in the northern Bowen Basin, immediately adjacent to, and partially overlapping the BHP Mitsui Coal Pty Ltd owned ML 4750, “Kemmis-Walker” mining lease. The EPC lies approximately 8km southwest of Hail Creek coal mine and 17km northwest of South Walker Creek coal mine.

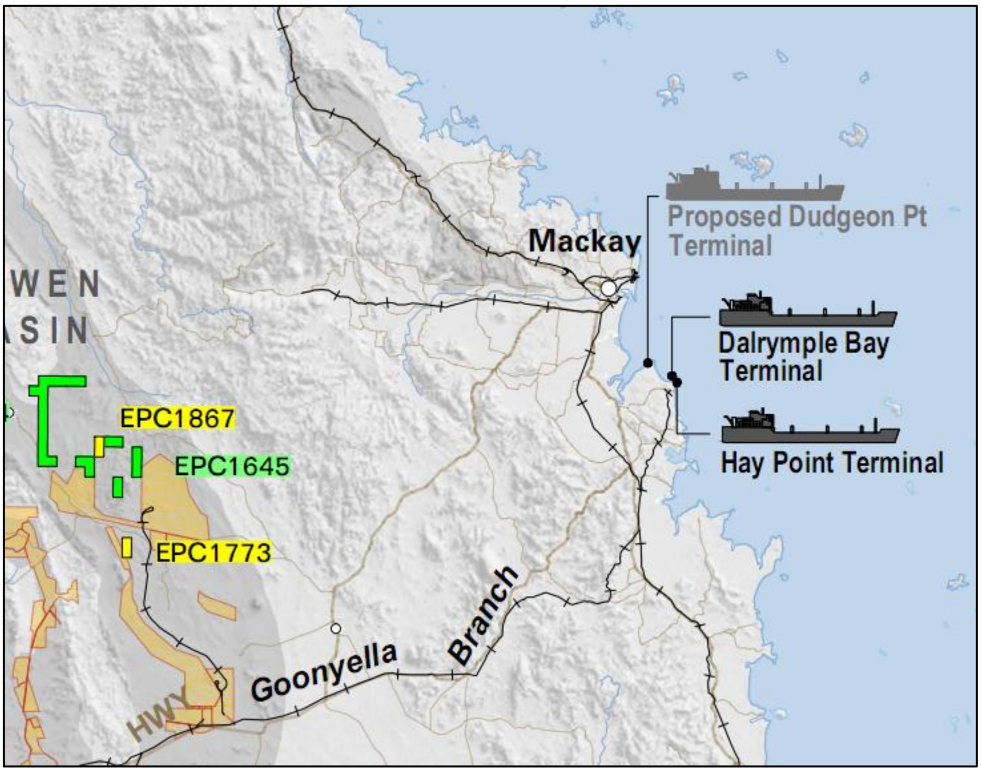
The main coal bearing sediments covered by EPC 1773 include the Rangal Coal Measures and the Fort Cooper Coal Measures. The Rangal Coal Measures are economically exploited in the area however the Fort Cooper Coal Measures are not considered economic due to high ash content.

The Rangal Coal Measures are the most widely extracted coal measures in the Bowen Basin. Rangal sediments underlying EPC 1773 dip at approximately10° southwest.

8.3 Location and Background

EPC 1773, “Kemmis Creek”, is located approximately 100km southwest of Mackay in the north-eastern Bowen Basin, Central Queensland. The nearest townships are Glenden, situated about 32km to the northwest and Nebo 40km to the southeast. Access to the tenement from Mackay is via the sealed Suttor Developmental Road which traverses the north-eastern corner of the EPC (Figure 10.1).

Figure 8.1 - EPC 1773 Regional Location



8.4 Ownership Status

EPC 1773 was granted to Area Coal on 29 October 2010 for a period of 5 years and currently comprises two sub-blocks (Table 10.1**).** The tenement consists of two sub-blocks in a rectangular configuration. The area comprising the tenure is approximately 6.8 km^2, however there is an overlap of 0.7km² with ML 4750 which excludes this area from use.

EPC 1773 is part of an Exploration Option and Joint Venture Agreement in place between Area Coal and RIO (See Chapter 6.4 for details). The tenement is expected to be transferred back to Area Coal on the 23/08/15.

Table 8.1 – Kemmis Creek Project Tenure and Ownership

BIM	Block	Sub-Blocks	No.
CLER	1348	U, Z	2
Total			2

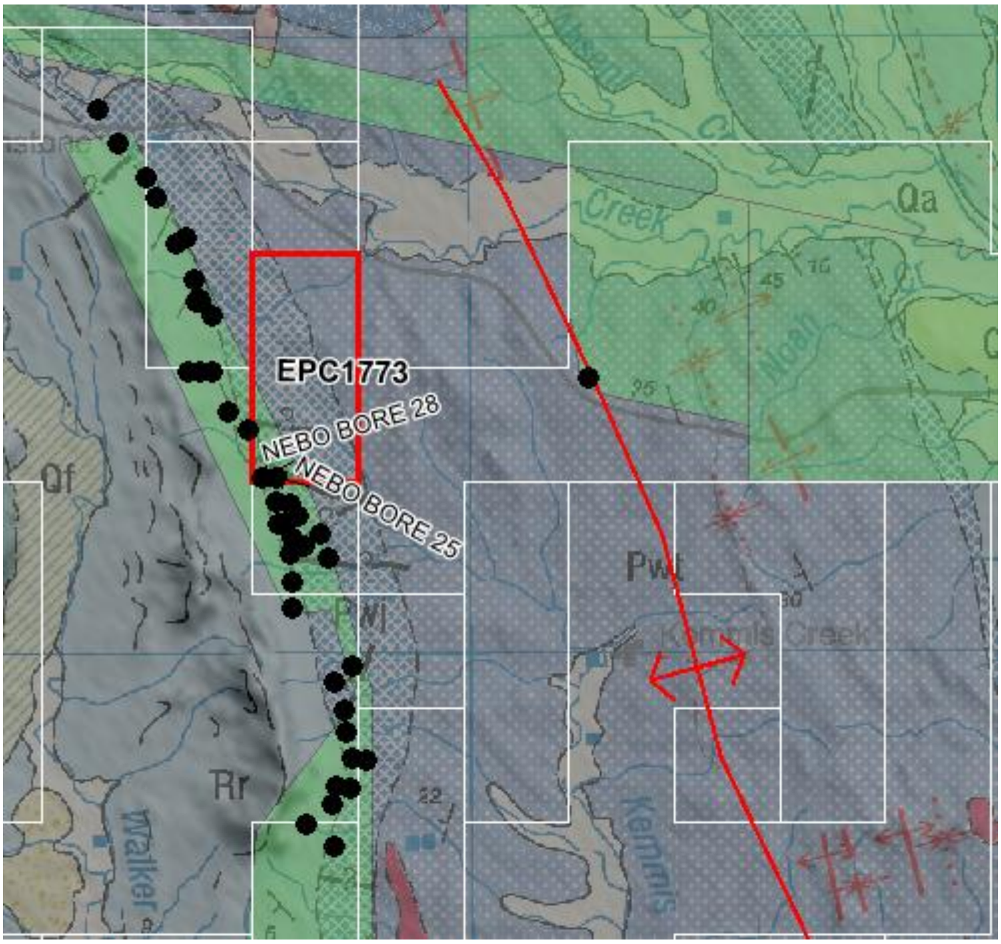
8.5 Potential Planning Constraints

None of the planning criteria listed in Section 2.4 were found to be triggered for this tenement.

8.6 Geology

EP1773 covers coal bearing, late Permian sediments from the Rangal Coal Measures and the Fort Cooper Coal Measures. The tenement is situated on the western limb of a major anticlinal structure that strikes NNW-SSE. The sediments covered by EPC 1773 dip locally to the south west at 5-10º.

Figure 8.2 - EPC 2031 Solid Geology



There has been no exploration activities conducted in EPC 1773 for the term of the tenement, however two coal boreholes drilled by the government in the 1950's, and located within the overlap of EPC 1773 and ML4750 intersected coal with the following depths and thicknesses.

Table 8.2 – Borehole drillholes in EPC 1773

Borehole	Top of coal m (approx.)	Thickness m (approx.)
Nebo Bore 25	17m	8m
Nebo Bore 28	47m	7m

Nebo Bore 25 was drilled approximately 230m due east of Nebo Bore 28 confirming the dip of the coal bearing strata to the west.

Although there is approximately 3.1km² of sub-cropping Rangal coal measures covered by EPC 1773, due to the regional structure, dip of the sediments and coverage of ML4750 over the main coal-bearing strata, the likelihood of further economic coal seams occurring within the tenement is low as the remainder of the sub-cropping Rangal sediments are likely to be below the occurrence of the main exploitable seam.

8.6.1 General Structure

The major regional structural feature in the area is a north-north-west striking anticlinal structure which is mapped to the north and east of the EPC. EPC 1773 is situated on the western limb of the structure.

8.6.2 Exploration Activity

There has been no exploration drilling conducted within the tenement by the current holder.

8.6.3 JORC Resources and Reserves

There is currently no JORC Resource estimate for this project.

8.6.4 Coal Quality

No drilling has yet been completed, and consequently no coal quality results.

9 EPC 1566 BEE CREEK

9.1 Key Outcomes

- The Bee Creek Project is 100% held by Area Coal. It is located to the west of Oaky Creek Mine in The Central Bowen Basin. It is expected to contain sediments from the Ingelara and Back Creek Group.
- The tenement consists of 4 sub blocks that are connected diagonally.
- Limited exploration data exists within and surrounding the tenement. Of the nine holes in the area, two are located within the tenement. One hole, located 1.5 kilometres to the Southeast of the tenement contained a very thin (0.13 m) coal seam, possibly the Liskeard seam.
- A gravity survey completed in 2013. Whereas the survey only had seven sites within the EPC 1566, the results showed generally high gravity responses.
- Unlikely that any German Creek seams are present within the tenement.

9.2 Overview

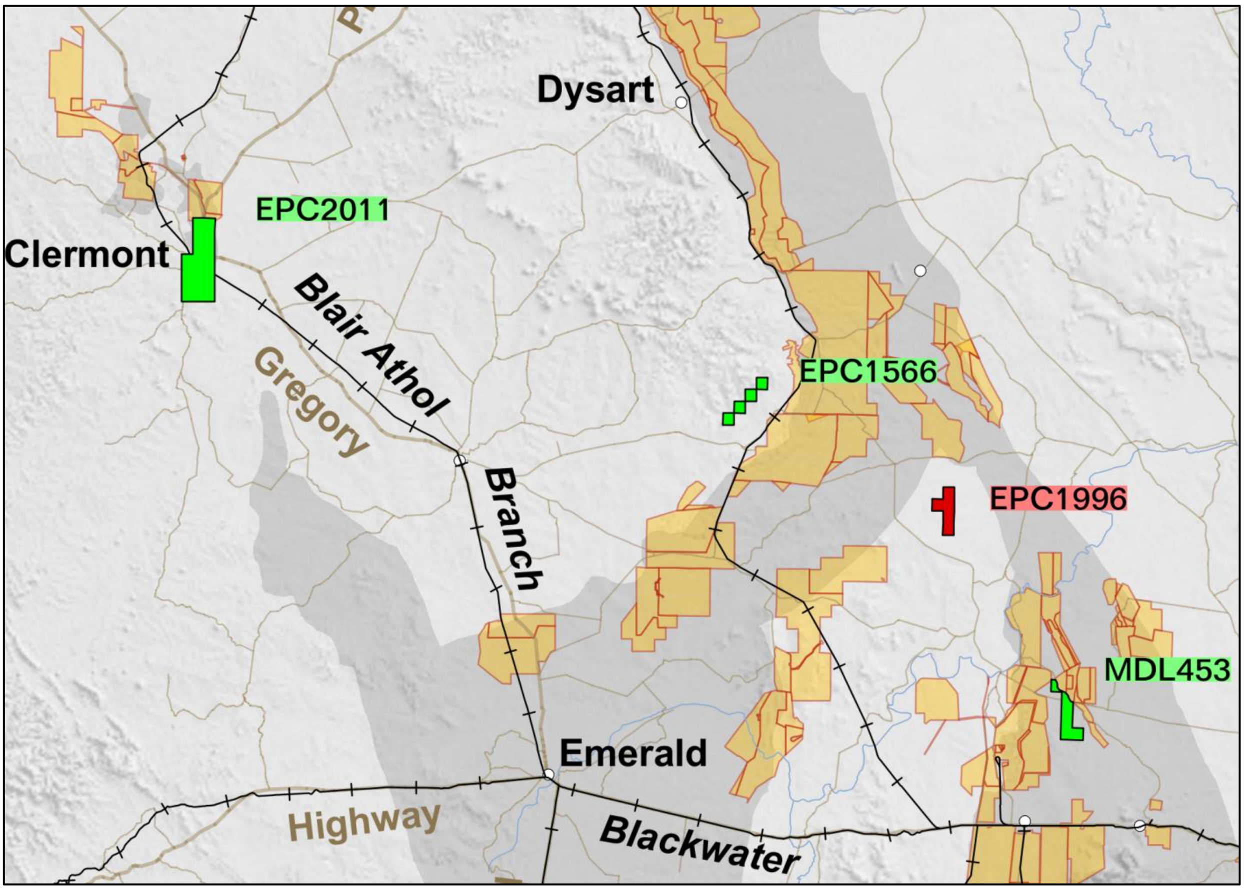
EPC 1566 is currently held by Area Coal.

9.3 Location and Background

The Bee Creek Project Exploration Permit for Coal (EPC 1566) is situated in Queensland's Bowen Basin, about 280 km west of Rockhampton, accessed via the Capricorn Highway, Fitzroy Developmental Road, Middlemount Road and the Anncrouye Road. The tenement is approximately 30km south-west of the township of Middlemount. The total distance by rail, to export port facilities at Mackay, is about 300km.

Figure 9.1 shows the location of the tenement.

Figure 9.1 – EPC 1566 Location



9.4 Tenure

EPC 1566 comprises 4 subblocks granted to Area Coal Pty Ltd, a wholly owned subsidiary of Australian Pacific Coal Limited, on 21 January 2014 for a period of five years

Bee Creek tenement information is given in Table 9.1.

Table 9.1 – Bee Creek Tenement Sub-blocks

BIM	Block	Sub-Blocks	No.
CLER	2574	T X	2
CLER	2646	B F	2
Total			4

9.5 Potential Planning Constraints

None of the planning criteria listed in Section 2.4 were found to be triggered for this tenement.

9.6 Geology

The Bee Creek Project is located within the Permo-Triassic Bowen Basin. The sedimentary strata in this area were deposited on the Clermont stable block, a stable tectonic environment to the west of the Taroom Trough (Wallin and Koppe, 1978). The sedimentary package that overlies the cratonic basement is relatively thin over the Clermont Stable Block. These sediments are part of the Collinsville Shelf and Comet Platform and are predominately undeformed (Staines & Koppe, 1979).

The stratigraphic units in the project area, from youngest to oldest, include the Permian German Creek Formation and underlying Lower Permian Back Creek Group, consisting of the Ingelara Formation, Freitag Formation and Aldebaran Sandstone. These dip gently (<5°) to the south-east and are covered by a veneer of Cainozoic sediments. The EPC 1566 boundary exists entirely within the mapped Back Creek Group.

9.6.1 General Structure

EPC 1566 is within central western Bowen Basin in the Comet Platform / Collinsville Shelf structural element. The Comet Platform is characterized by relatively shallow dips to the east and has undergone mild structural deformation (Wallin and Koppe, 1978). The Mesozoic event, which deformed the Taroom Trough stratigraphy, forming the Nebo Synclinorium, appears to have had little effect on the Collinsville Shelf and Comet Platform.

The Collinsville Shelf monocline dips gently to the east and folding is largely confined to the eastern margin where drag on the bounding thrust system has generated low amplitude synclines. The boundary between the Nebo Synclinorium and Comet Platform is marked by a series of major thrust faults which trend north-northwesterly, and which are up-thrown to the east (Stain and Koppe, 1979).

9.6.2 Exploration Activity

The area within EPC 1566 has previously been partially held in several historic coal exploration permits (Table 9.2). These date from 1970 to as recently as 2013.

Table 9.2 - Historical exploration permits over EPC1566

Permit No.	Holder
A-P 89C	BHP COAL PTY LTD
EPC 839	XSTRATA COAL PTY LTD & OTHERS
EPC 1567	STANMORE COAL PTY LTD

Nine historical holes have been identified in and nearby EPC 1966. Two of these are located inside the tenement boundary.

- BHP Coal drilled 5 shallow holes to a maximum depth of 50 metres. None of these intersected coal.
- The Queensland Department of Mineral Resources (DNRM) drilled two core holes to the west of the tenement in the mid 1970's to a depth of 122m, where only one intersected coal. The holes intersected the commencing in the Ingelara Formation before intersecting the Freitag Formation at depths of 30 and 55 metres from surface respectively. One hole intersected coal: 0.13 m of coal at 64 m depth and has been interpreted as both the Liskeard seam and the Cygnus seam by different sources (Clifford, 2013).

- Xstrata Coal completed 2 drill holes to the east of EPC 1566. Both holes were drilled to a total depth of 120 metres, and neither intersected coal.

The four sub blocks that currently make up EPC 1566 were previously held and subsequently relinquished by Stanmore Coal in late 2013 after they completed a field gravity survey over the greater Ironpot Project area (EPC 1545 and EPC 1567). 7 of the 57 sites of which the gravity survey consisted were inside or proximal to the current EPC 1566 boundary.

No field based work has been completed by Area Coal to date. Work included data searches, historical data review, interpretation and planning of the future work program.

9.6.3 Coal Seams

Upon reviewing the location of the tenement it is unlikely that any German Creek seams are present.

9.6.4 JORC Resources and Reserves

No resource or reserve estimates have been completed within the tenement.

9.6.5 Coal Quality

No coal quality analyses have been completed.

10 EPC 2037 ALMOOLA

10.1 Key Outcomes

- EPC 2037 consists of 6 sub-blocks to the North-east of Collinsville in the northern Bowen Basin.
- Sediments within the tenement believed to be within the Lizzie Creek Volcanics. No Collinsville Member Coals.
- Targeting the Crush Creek Coal Measures, reported in field mapping during the 1970's in the south west of the tenement. The seams are believed to be high in ash (>50%)
- There are no historical drillholes within the EPC.
- The project appears to be of limited prospectivity at this point.

10.2 Overview

EPC 2037 is located in the northern Bowen Basin, to the Northeast of Collinsville Mine (Glencore).

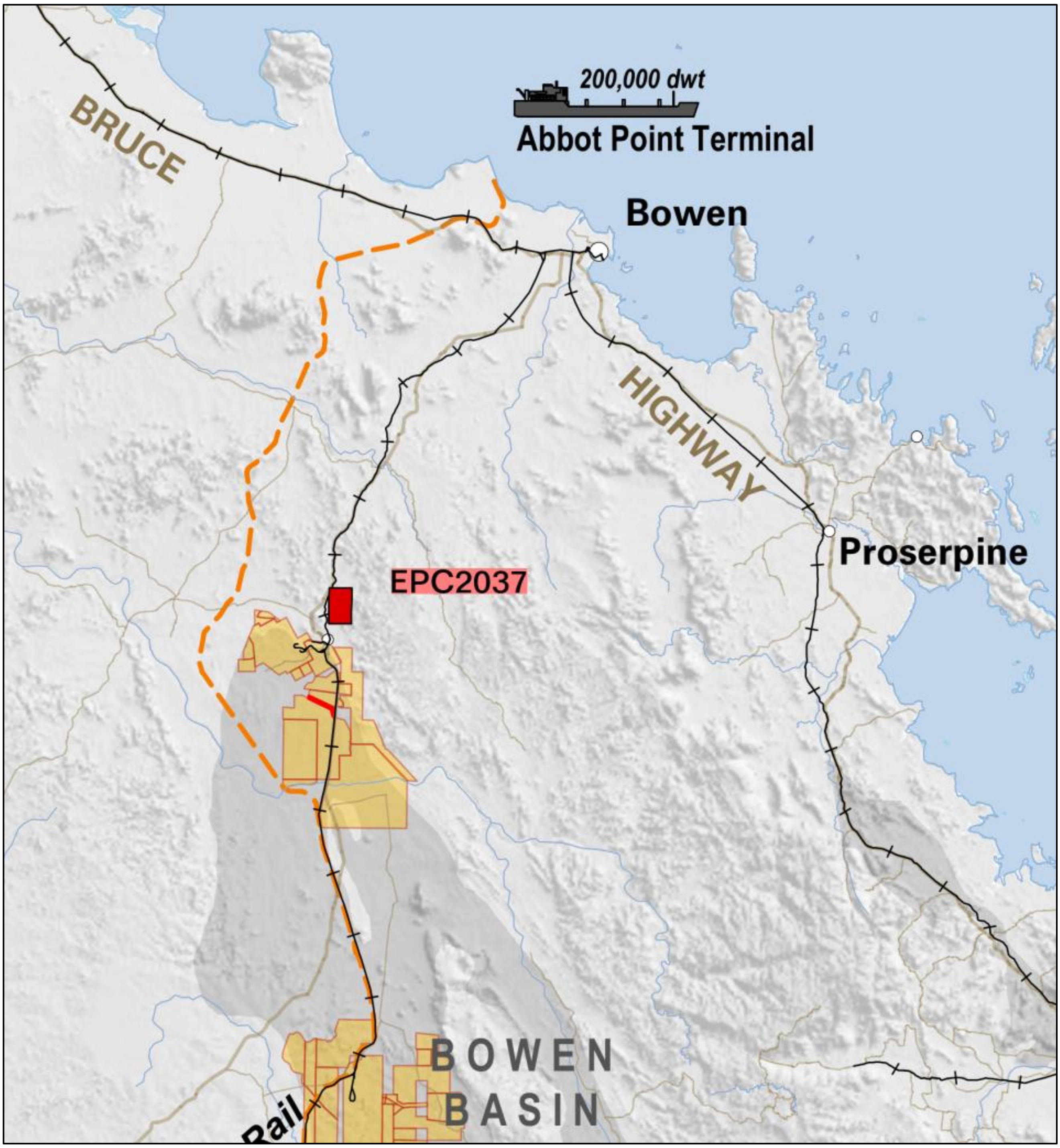
The main coal bearing units of the Bowen Basin lie immediately to the south-west, outside of the EPC. These include the Blackwater Group, Back Creek Group and Collinsville Coal Measures.

The Lizzie Creek Volcanics contain coal seams of the Crush Creek Coal Measures, which would be the main target within EPC 2037. There are no drillholes within the tenement, but the analysis of seam to the North-west show ash values above 50%.

10.3 Location and Background

EPC 2037, "Almoola", is located approximately 150km northwest of Mackay and 70km southwest of Bowen, in the northern Bowen Basin, Central Queensland. The nearest township is Collinsville situated about 3km to the south. Access to the tenement from Bowen is via the Bowen Developmental Road which traverses the north-western corner of the EPC (Figure 10.1).

Figure 10.1 - EPC 2031 Regional Location



10.4 Ownership Status

EPC 2037 was granted to Mining Investments One Pty Ltd (MIO) on 22 October 2012 for a period of 5 years and comprises six sub-blocks (Table 10.1). MIO is a wholly owned subsidiary of Australian Pacific Coal Limited. The tenement consists of six sub-blocks in a rectangular configuration. The area is approximately 18.5 km^2.

Table 10.1 – Almoola Sub-blocks

BIM	Block	Sub-Blocks	No.
CLER	407	W X	2
CLER	479	B C G H	4
Total			6

10.5 Potential Planning Constraints

The following items will require consideration when developing EPC 2037:

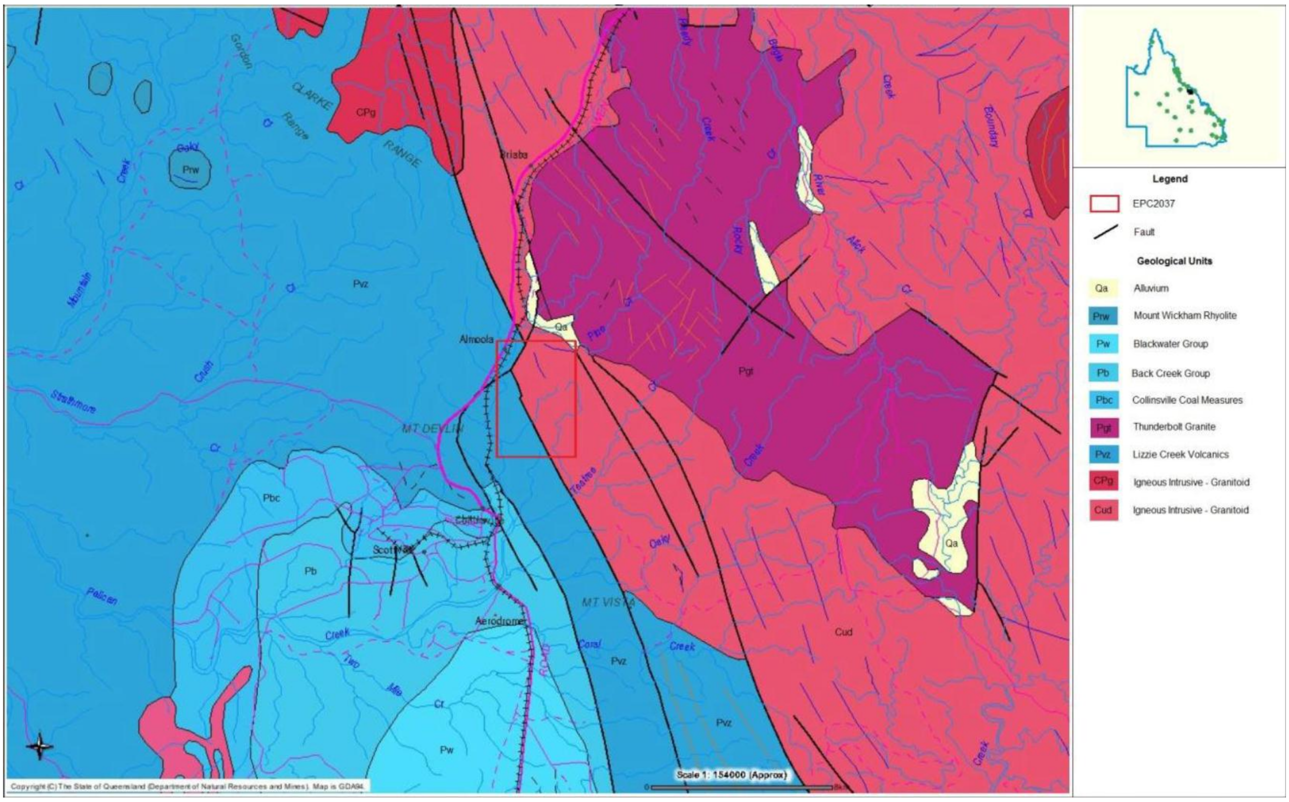
- Restricted area 384 (due to presence of the township of Collinsville) exists to the south west of the tenement.
- Galilee Basin State Development Area passes through a significant portion of the tenement running north-south along its western side
- The tenement overlaps a significant portion of the Sonoma State Forest.

None of the other criteria listed in Section 2.4 were found to be triggered for this tenement.

10.6 Geology

EPC 2037 covers a diorite suite of Upper Carboniferous age in the east of the tenement and Lower Permian Lizzie Creek Volcanics in the west (Figure 10.2). The Crush Creek Coal Measures member, within the Lizzie Creek Volcanics, may host coal seams inside the tenement. Coal bearing units of the Bowen Basin lie immediately to the south-west, outside of the EPC and include the Blackwater Group, Back Creek Group and Collinsville Coal Measures.

Figure 10.2 - EPC 2031 Solid Geology



The Crush Creek (aka Mount Devlin) Coal Measures member is described as a thin sandy sequence with high-ash coal seams deposited at the apex of the Bowen Basin (Stains and Koppe, 1979). The coal measures host an upper and main seam and have been targeted by several companies in the Collinsville area since the 1970's (refer to Table 2). The seams are described by Allen (1976) as follows:

- Mount Devlin Upper Seam – reaches a maximum thickness of 4.22m north of Pelican Creek. However, analysis suggests that this is over 70% non-coaly materials.

- Mount Devlin Main Seam – has up to 3 plies in its area of maximum development. In bore D7 the three plies totalled 7.85m of coaly strata over a 15.11m section. Analysis of the seam at this location indicated raw ash content in excess of 50%.

Figure 10.3 – Lizzie Creek Volcanics Stratigraphy

Group	Member	Thickness
Lizzie Creek Volcanics	Mount Devlin Volcanics	600m
	Mount Devlin (Crush Creek) Coal Measures	250m
	Mount Toussaint Volcanics	900m

10.6.1 General Structure

The major regional structural features in the area are the north-northwest striking Collinsville Fault, which is mapped to the south of the EPC, and the north-northwest striking Millaroo Fault Zone which occurs about 25km to the west of the EPC.

EPC 2037 occurs within an intermediate fault block immediately east of the Collinsville Fault Zone. Interpreted north-east to south-west faulting is also indicated and intersects the north-western corner of the tenement.

10.6.2 Exploration Activity

There has been no exploration drilling within the tenement. A number of field mapping programs have been conducted, and some drilling outside of EPC 2037. No promising results were reported.

10.6.3 JORC Resources and Reserves

There is currently no JORC Resource estimate for this project.

10.6.4 Coal Quality

None to date.

11 EPC 1996 CHURCHYARD CREEK

11.1 Key Outcomes

- EPC 1996 is held by Mining Investments One.
- The tenement consists of 5 sub-blocks and is located in the Central Bowen Basin.
- Seams of the Fairhill Formation occur at depths from 22m within the tenement.
- These seams have the potential to form a hard coking coal product, but have high inherent ash, commonly interbedded with clays/tuffs and mudstones.
- The success of the project relies on unorthodox coal benefaction methods, yet to be utilised on a commercial scale.

11.2 Overview

The Churchyard Creek Exploration Permit for Coal (EPC 1996), located in the Bowen Basin, is surrounded by several coal mining operations including Lake Lindsay, Oaky Creek, Wilton North, Curragh North and Washpool (currently under application). These mines target coal from the Rangal Coal Measures, Burngrove Formation, Fairhill Formation and German Creek Formation. The EPC is situated over Burngrove and Fairhill Formation strata.

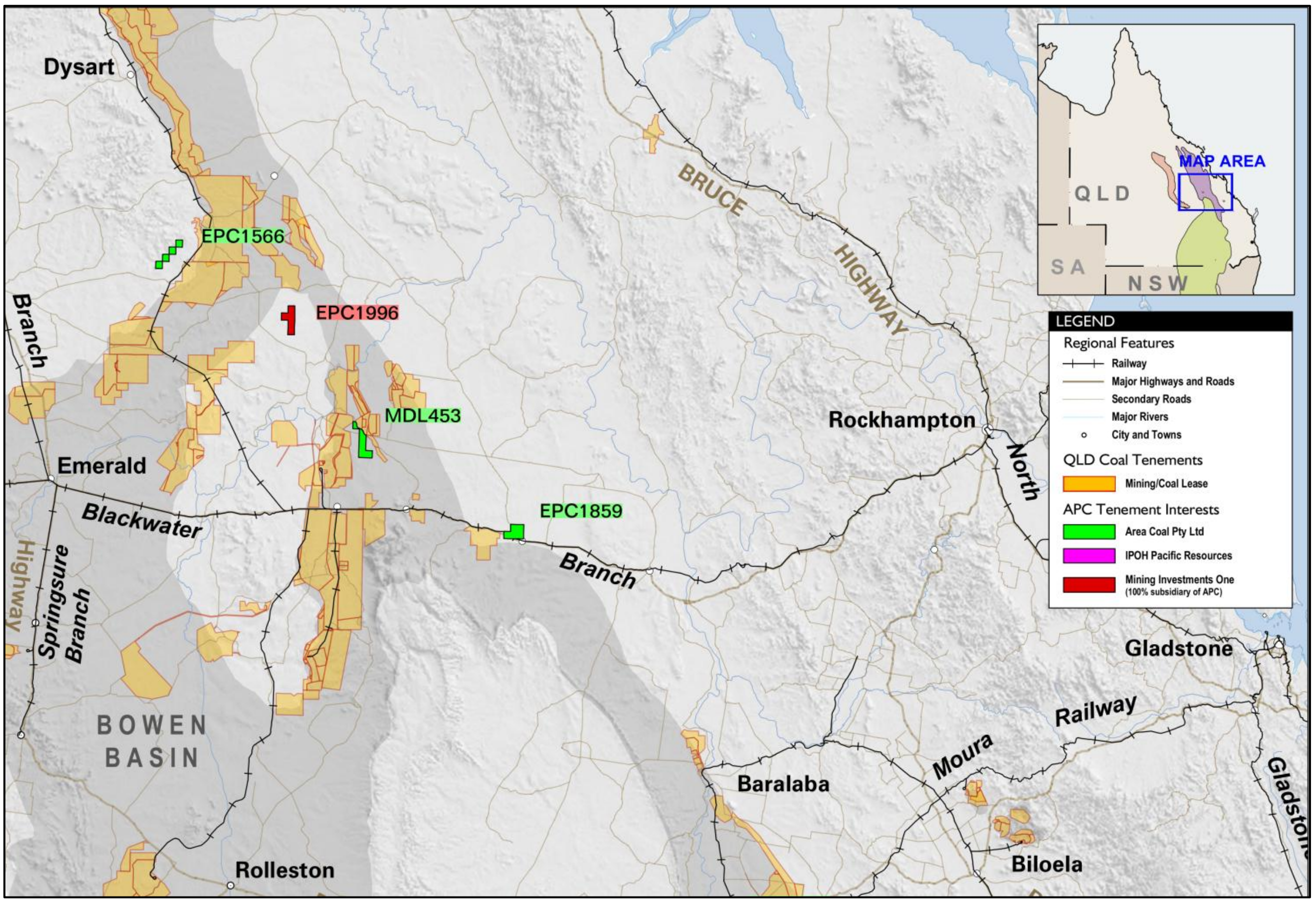
Exploration aims to better define the Burngrove and Fairhill Formation seams and their potential for producing an exploitable hard coking coal product within EPC 1996.

The challenge with this project is the high ash/low yield. Raw ash is generally above 50% with only a few samples in the 40-50% ash bracket. For a product of 10 -12% ash, the yield is likely to be around 20%, based on conventional Float/Sink analysis.

11.3 Location and Background

EPC 1996 (Churchyard Creek) is situated approximately 40km south of Middlemount in the central Bowen Basin, Queensland (Figure 11.1). The tenement is about 240km west of Rockhampton accessed via the Capricorn Highway and then north from Blackwater on the sealed Mount Stuart-Bedford Weir Road.

Figure 11.1 – EPC 1996 Project Location



11.4 Ownership Status

EPC 1996 consists of five sub-blocks (Table 11.1). The EPC was granted to MIO, on the 24 May 2015 for a period of five years, after a renewal of the original grant from 2010.

Table 11.1 – EPC 1996 Sub-blocks

BIM	Block	Sub-Blocks	No.
CLER	2722	L Q V	3
CLER	2721	U	1
CLER	2794	A	1
Total			5

11.5 Potential Planning Constraints

The following items will require consideration when developing EPC 1996:

- Strategic Cropping Land Trigger Areas are mapped across a portion of the tenement

None of the other criteria listed in Section 2.4 were triggered for this tenement.

11.6 Geology

11.6.1 General Structure

The Churchyard Creek tenement is located on the north-eastern side of the Comet Ridge in the central part of the Bowen Basin. The regional dip underlying the tenement is to the east from the Comet Ridge (Cooroorah Anticline) towards the Mimosa Syncline.

EPC 1996 is intersected by an inferred regional east-west trending fault. North-south thrust faulting also exits to the east of the tenement.

The stratigraphy within EPC 1996 consists of the Late Permian Blackwater and Back Creek Group Formations. These include the coal bearing Burngrove and Fairhill Formations and the barren MacMillan Formation. Within the tenement, these outcrop / sub-crop beneath a thin soil horizon, typically less than 2m in thickness. The German Creek formation also outcrops to the south-west of the tenement and has been intersected by drilling at depths of 180m in the southern area of EPC 1996 to over 350m in the northern area of the EPC.

The Burngrove Formation contains mudstone, siltstone, sandstone, coal and tuff and is about 90m thick within the Duaringa map sheet (Kirkegaard, 1970). The underlying Fairhill Formation is 140m to 360m thick and contains lithic and feldspathic labile sandstone, quartzose sublabile sandstone, siltstone, mudstone, calcareous and tuffaceous sandstone, volcanic conglomerate, carbonaceous mudstone and coal. Coal seams are typically interbanded with tuff and claystone partings.

The Late Permian MacMillan Formation is void of any coal seams and is composed of mudstone, siltstone and sandstone. The unit overlies the German Creek Formation which contains quartzose to sub-labile locally argillaceous sandstone, lithic and feldspathic sandstone, siltstone, mudstone, carbonaceous mudstone and coal.

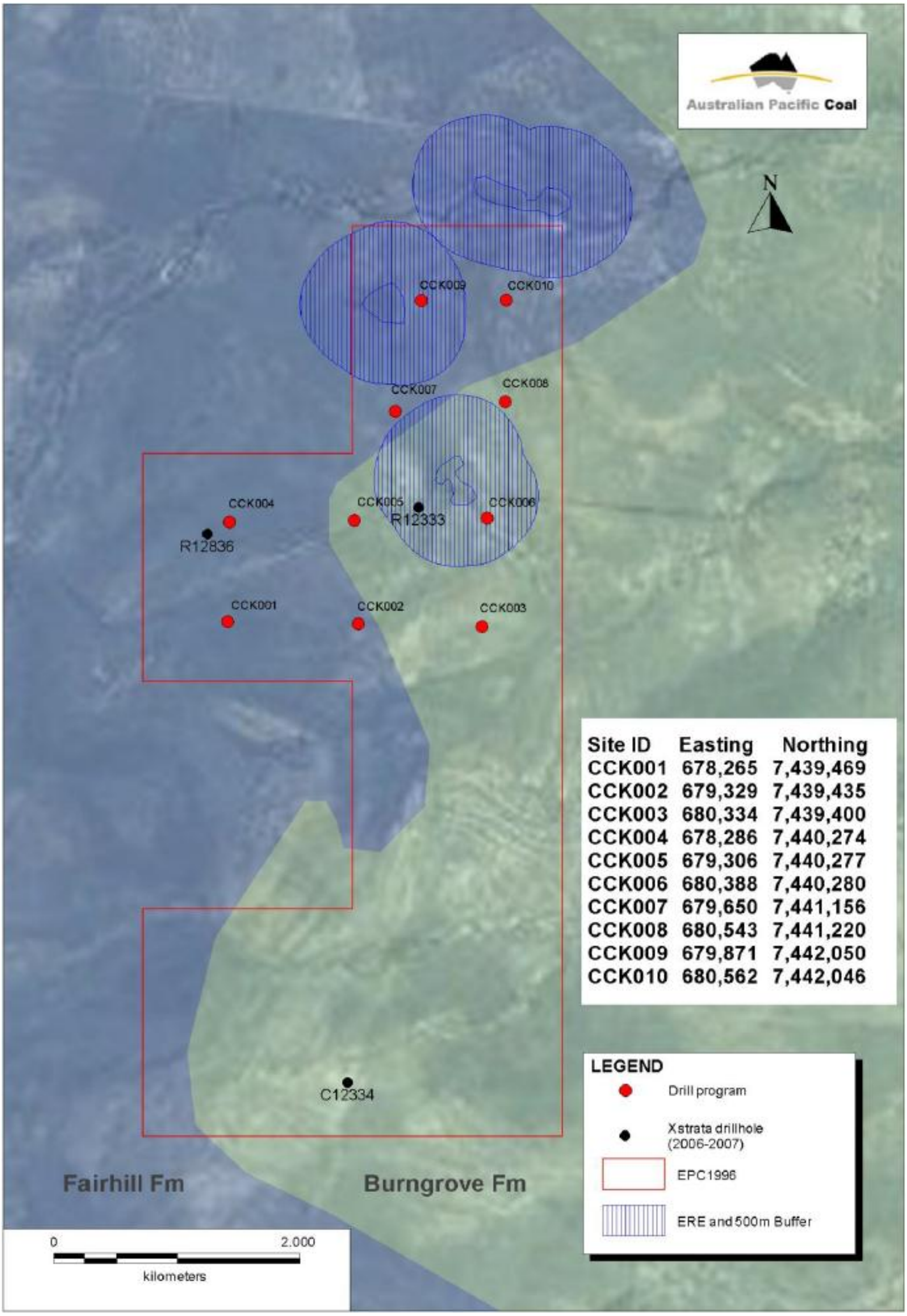
11.6.2 Exploration Activity

The Churchyard Creek project aims to better define the Fairhill Formation seams and their potential for producing anexploitable hard coking coal product within the EPC.

After historical data was reviewed, the Fairhill seams in the northern area were targeted. Burngrove and German Creek Formation Seams were not considered viable targets based on the historical data reviewed.

In year two, 10 holes were drilled, totalling over 1000m, including 540m of HQ core. The target seams were intersected in all holes. Cored coaly and carbonaceous intervals were sampled for analysis in the United Kingdom, by RecyCoal Limited (‘RecyCoal’), and locally in Rockhampton by PreLab Testing Services (‘PrepLab’).

Figure 11.2 – EPC 1996 Drillhole Locations



Site ID	Easting	Northing
CCK001	678,265	7,439,469
CCK002	679,329	7,439,435
CCK003	680,334	7,439,400
CCK004	678,286	7,440,274
CCK005	679,306	7,440,277
CCK006	680,388	7,440,280
CCK007	679,650	7,441,156
CCK008	680,543	7,441,220
CCK009	679,871	7,442,050
CCK010	680,562	7,442,046

11.6.3 Coal Seams

The coal seams within each Formation can be seen in Table 11.2.

Table 11.2 – EPC 1996 Local Stratigraphy

Local Stratigraphy			
Age	**Group**	**Formation**	**Main seams**
Quaternary			
Tertiary			
Late Permian	Blackwater Group	Burngrove Formation	Virgo/Girrah Leo Aquarius Scorpio Centaur
		Fairhill Formation	Pheonix Pegasus Hercules Canis Lepus Fairhill
	Back Creek Group	MacMillan Formation	
		German Creek Formation	Pleiades Aquila Tieri Corvus German Creek

11.6.4 Coal Quality

A total of 136 samples were taken from drillholes DDH001, DDH003 and DDH007 for coal quality testing by PrepLab. Raw sample proximate analysis of the DDH001 samples for the Canis Rider, Canis and Fairhill seams resulted in 50.1%ad, 62.84%ad and 41.85%ad ash respectively. Washability results reflect the high ash content of the raw coal analysis with average yields of 34.5%, 12.86% and 39.27% respectively at F1.6 specific gravity. Across all samples in the three seam intervals, the average cumulative ash content in the F1.6 specific gravity fraction range from 19% to 24%.

During year-3, coal quality analysis was completed by both Recycoal and PrepLab. In summary, RecyCoal found that the average coal yield of 6.4%, in the +0.5mm fraction, possessed an average ash content of 24.1%. On the basis of the low yield and poor quality of the coal it was concluded that recovery of coal from the area tested would not be a viable commercial proposition for RecyCoal at the time of reporting.

Barrow Resources were engaged to review the PrepLab coal analysis results for the purpose of calculating anticipated yields in accordance with their beneficiation process. The DDH001 data reviewed included samples 000094 to 000100, within the Fairhill seam, and samples 000101 to 000133, within the Canis Seam (including Canis Rider seam). It should be noted that the sample material must be tested to verify the estimates presented by Barrow Resources.

It was estimated that the anticipated yields for a product of 10% ash from the Churchyard Creek area could range from of 33% to 37% in the Canis seams and from 52% to 58% in the Fairhill seam subject to testing.

Table 11.3 – EPC 1996 Barrow Method Theoretical Yields

Seam	Total Coal Thickness (m)	Weighted Average Feed Ash%	Anticipated Yield at 10% Ash using Combustible Recoveries of:	
			80%	90%
Canis	8.49	63.4	33%	37%
Fairhill	2.22	42.0	52%	58%

MIO is continuing discussions with Barrow Resources regarding future testing of remaining DDH001, DDH003 and DDH007 samples.

11.6.5 JORC Resources and Reserves

No JORC Resource estimate has been completed for the Churchyard Creek Project.

11.7 Mining Implications

There are two small Endangered Regional Ecosystem (ERE) zones within the tenement.

12 EPC 1965 KANGA CREEK

12.1 Key Outcomes

- EPC 1965 is located in the Southern Bowen Basin, to the West of Moura.
- The main target is the Baralaba Coal Measures, the Rangal equivalent.
- Based on simplified geometry, the seams are expected to be at depths greater than 700m, unless significant up-thrusting has occurred in the area [16].
- No advanced exploration has been carried out to date.
- The prospectivity of the project must be considered low at this stage.

12.2 Overview

The Kanga Creek Project (EPC 1965) is located in the south-eastern Bowen Basin, Queensland, approximately 10 km west of the township of Moura. It is held by Area Coal. The lease consists of 5 sub-blocks. The EPC is near existing infrastructure, including port rail access, which runs adjacent to the Belvedere and Dawson (Anglo American) coal mining operations. To the West of Dawson Mine, Westside Corporation operates the Meridian SeamGas Project (PL94), with about 80 production wells.

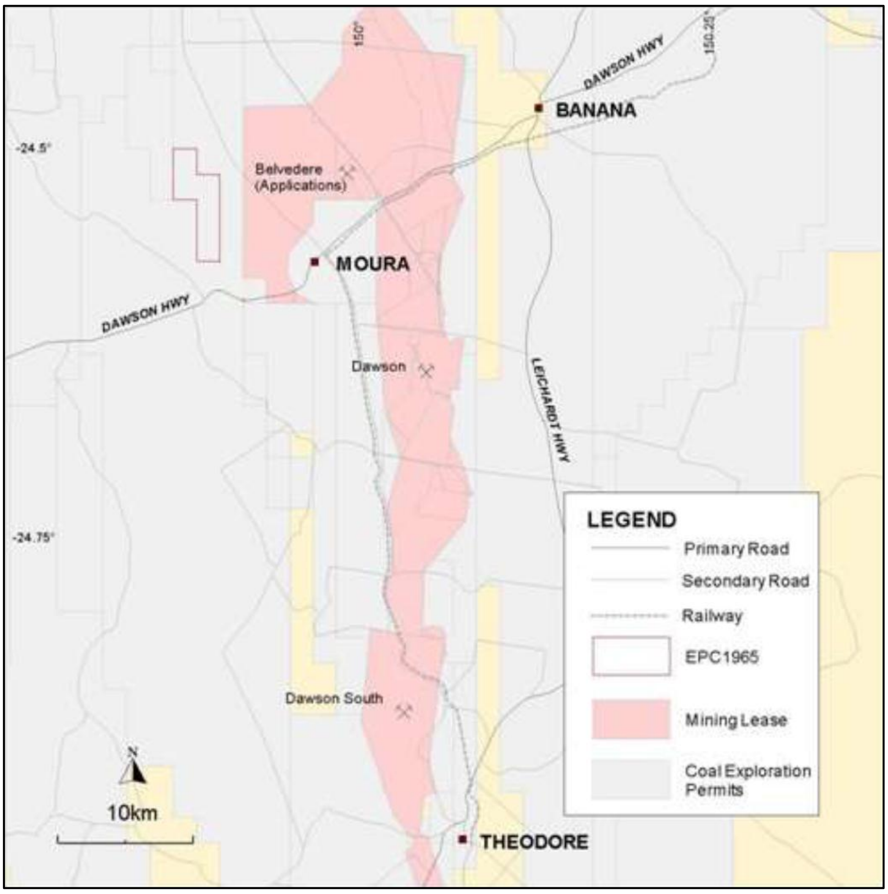
The main target has been to discover large scale faulting that has uplifted the otherwise deep Baralaba Coal Measures. The work so far, based on historical seismic data and gas wells outside of the lease, indicated the top of the Baralaba Coal Measures to be between 700 and 1000m below ground.

No field operations have been conducted within EPC 1965 by Area Coal to date.

12.3 Location and Background

The Kanga Creek Exploration Permit for Coal (EPC 1965) is located approximately 5km west of Moura in the south-eastern Bowen Basin, Queensland (Figure 12.1). Access to the tenement is via the sealed Dawson Highway, which passes through the southern end of the tenement. The port of Gladstone is located approximately 185km north-east of the EPC by rail.

Figure 12.1 – EPC 1965 Location



12.4 Tenure

EPC 1965 was granted to Area Coal Pty Ltd, a fully owned subsidiary of APC, for a term of five years on 28th March 2011. The EPC originally comprised 8 sub-blocks. After partial relinquishments in the last three years, the lease now comprises the following 5 sub-blocks:

Table 12.1 – EPC 1965 Sub-blocks

BIM	Block	Sub-Blocks	No.
CHAR	503	C H J O T	5
Total			5

12.5 Potential Planning Constraints

The following items will require consideration when developing EPC 1965:

- Priority Agriculture Areas are mapped across the entire tenement
- Strategic Cropping Land Trigger Areas are mapped across a significant portion of the tenement.

None of the other criteria listed in Section 2.4 were found to be triggered for this tenement.

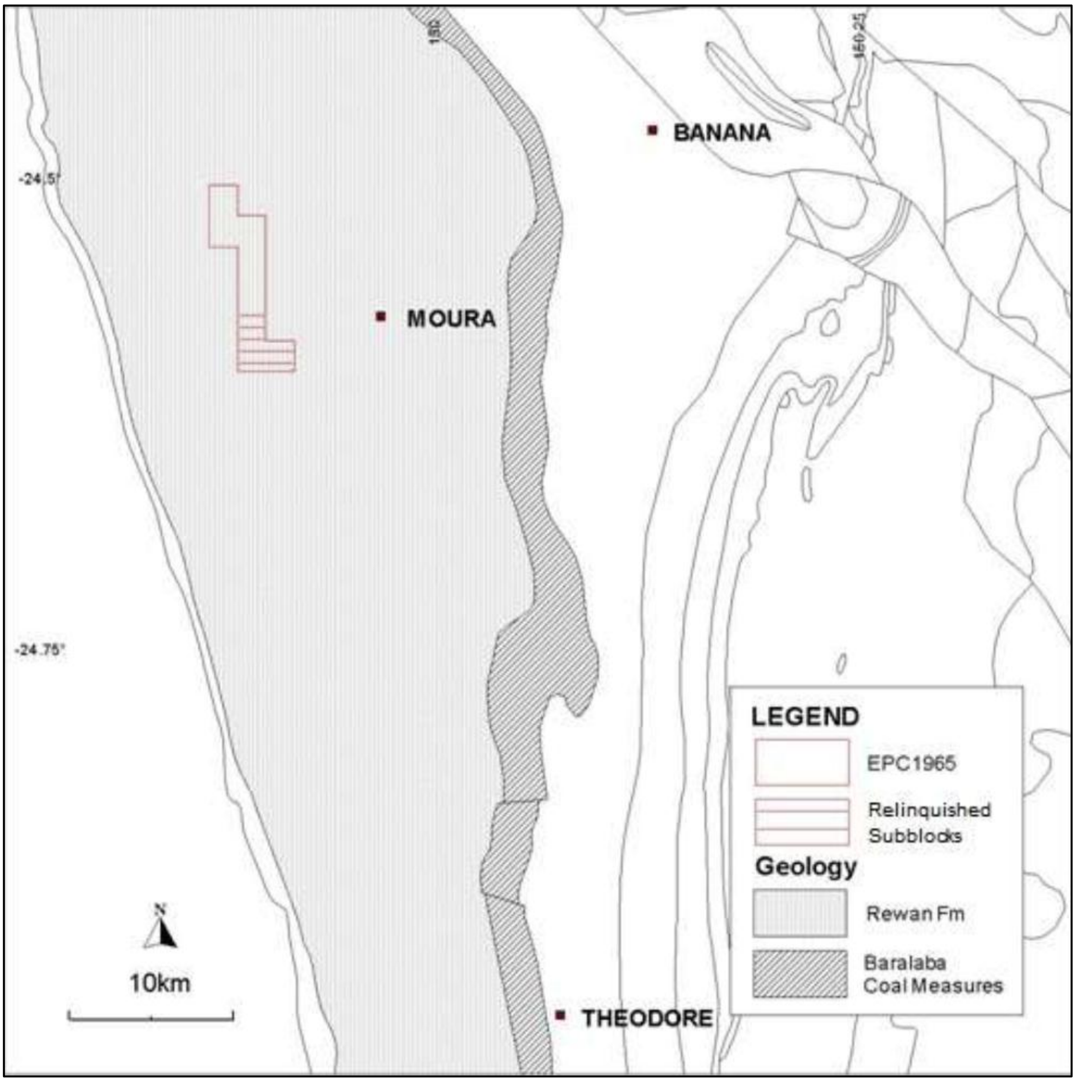
12.6 Geology

EPC 1965 is situated on the Triassic Rewan Group which overlies the Late Permian Baralaba Coal Measures target formation (Figure 12.2). These are stratigraphic equivalents of the Rangal Coal Measures in the central and northern Bowen Basin and the Bandana Formation in the western Bowen Basin.

The Baralaba Coal Measures are up to 450m thick and consists of an upper coal bearing sequence comprising fine to coarse sandstones, and lesser siltstone, claystone, shales, carbonaceous shale, coal and minor conglomerate lenses. The Baralaba Coal Measures overlie the Kaloola Formation (Fort Cooper/Burngrove equivalent).

Regional structure is dominated by the broadly down-folded and south plunging Mimosa Syncline. The EPC is located on the eastern limb of this structure. Strata dip to the West Southwest in the EPC area. Dawson Mine to the east is known to host complex fault zones, particularly towards the North of the mine, as well as in Dawson North, just north of the Dawson Highway.

Figure 12.2 – EPC 1965 Solid Geology



12.6.1 Coal Quality

The coal seams at Dawson produce: medium volatile coking coal, high volatile semi-soft coking coal and low ash thermal coal.

There is no coal quality data available for EPC 1965.

12.6.2 Exploration Data

There is no historical exploration drillhole data within EPC 1965. Open source governmental regional gravity and magnetic images have been reviewed. A scout drilling program has been proposed for next year.

The work so far, based on historical seismic data and gas wells outside of the lease, indicated the top of the Baralaba Coal Measures to be between 700 and 1000m below ground. A Cross Section using regional gas wells can be seen Figure 12.3. The inferred top of the Baralaba Coal Measures enter EPC 1965 in the far west of the section, which means that the main coal seams would appear at depth close to 1000m.

Figure 12.3 - Cross Section Location

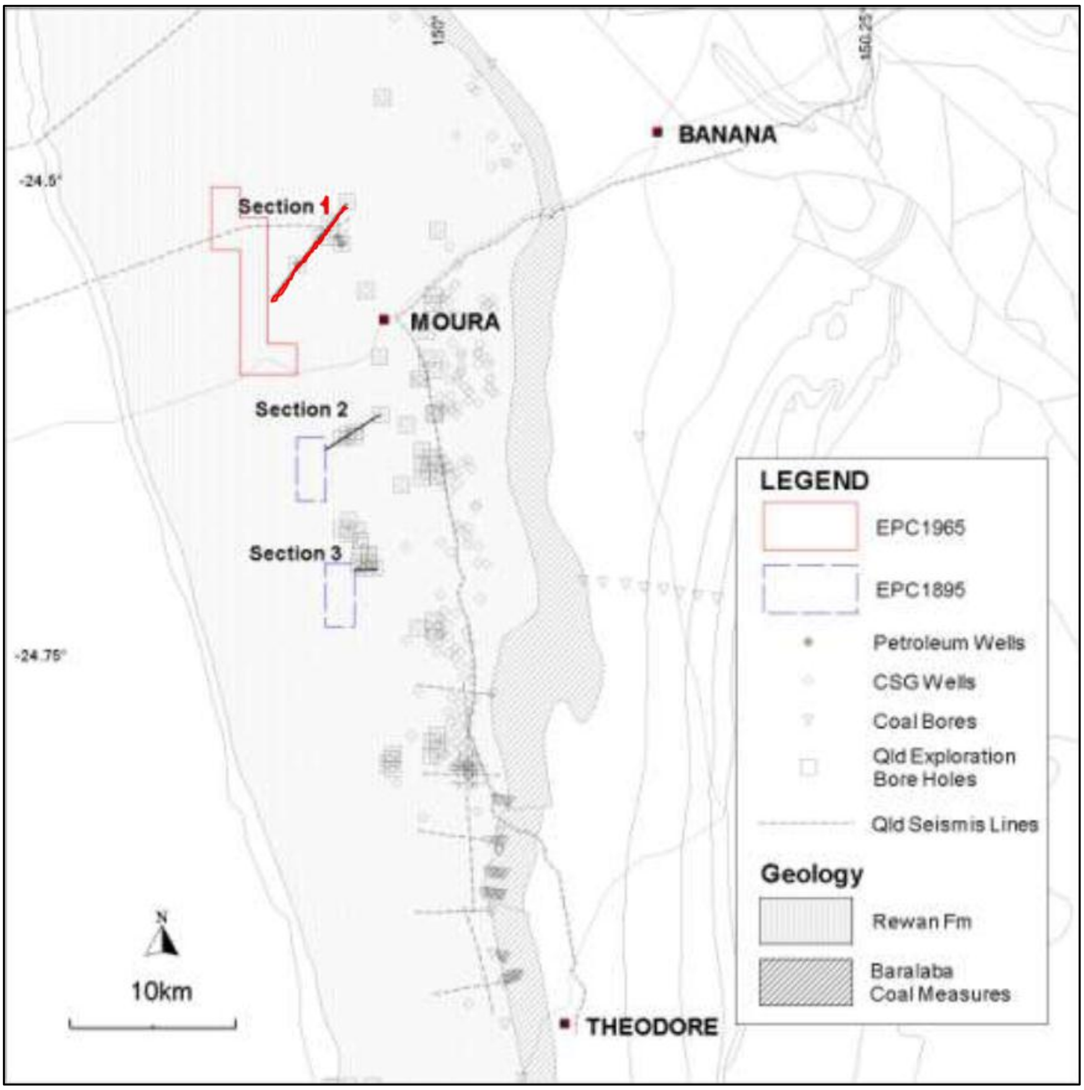
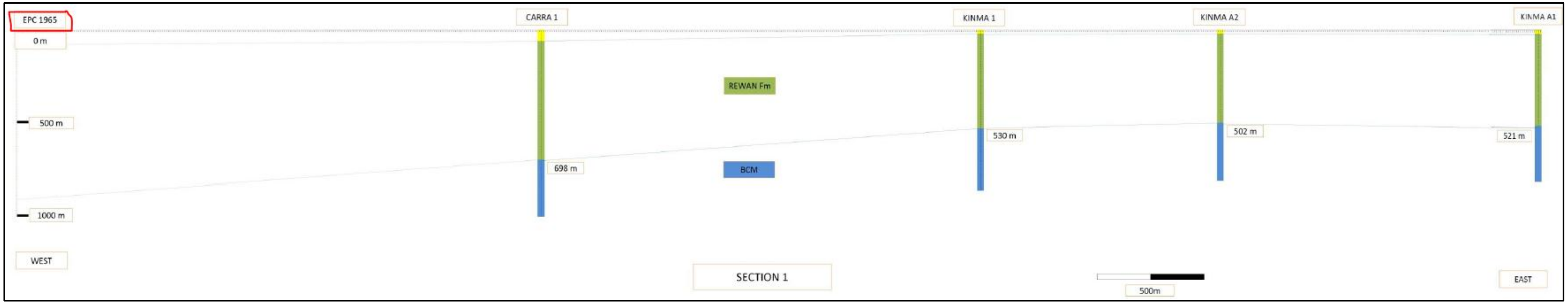


Figure 12.4 - Cross Section Line 1



13 ML 70360 MANTUAN DOWNS

13.1 Key Outcomes

- ML70360 is owned by APC’s 100% owned subsidiary Ipoh Pacific Resources Pty Ltd.
- ML70360 is a bentonite mining lease that operated briefly until 2009.
- The ML has an area of 2.74 km^2.
- The mine is an open pit approximately 10 metres deep, and 25 metres square.
- The mine is currently not producing and is placed under Care and Maintenance.

13.2 Potential Planning Constraints

While it is noted that the tenement operates under a mining lease, the following item may require further consideration when undertaking future development:

- Strategic Cropping Land trigger Areas are mapped across a portion of the tenement.

None of the other criteria listed in Section 2.4 were found to be triggered for this tenement.

14 BLACKWOOD TENEMENTS - EPC 1955, EPC 1957 AND EPC 1987

14.1 Key Outcomes

- Mining Investments One (MIO - a 100% subsidiary of APC), has a Tenement Sale and Joint Venture Agreement with Blackwood Resources Pty Ltd (Blackwood), which is a subsidiary of Cuesta Coal Limited (Cuesta).
- The tenements were transferred to Blackwood on grant.
- Mining Investments One Pty Ltd retains a 10% free carry interest in the tenements until a Feasibility Study has been completed.
- EPC 1955 and 1987 are located in the Surat Basin, to the South East of Wandoan.
- EPC 1957 is located in the Galilee Basin.
- EPC 1955 (the Thorn Hill Project) is the most prospective and currently contains an Estimated Resource in accordance with the JORC code of 44Mt total, including 22 Mt Indicated and 22 Mt Inferred.

14.2 Overview

These tenements will only be given a brief summary, as APC currently only holds a 10% interest in these tenements, and the value is believed to be less material than the other tenements.

14.3 Surat Basin Tenements

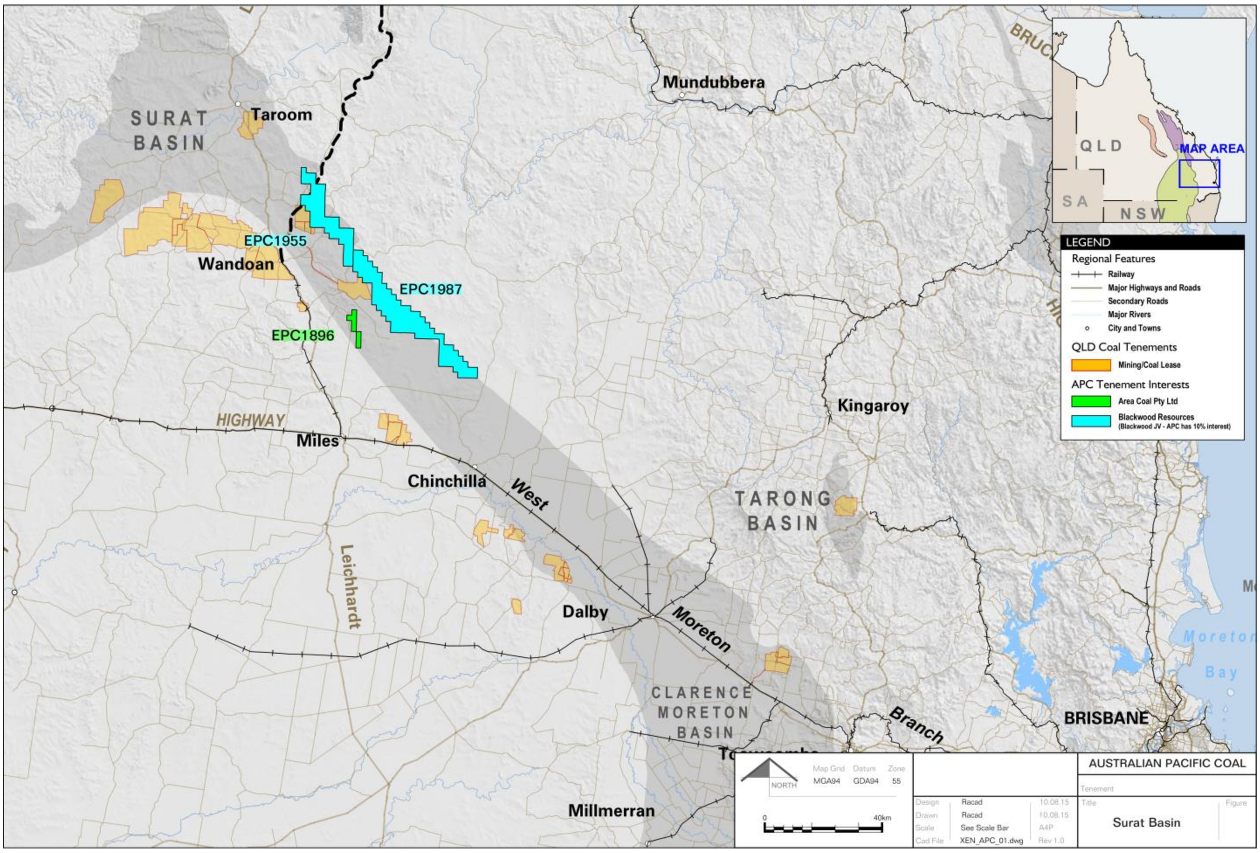
EPC 1955 and 1987 make up the two Blackwood leases in the Surat Basin (Figure 14.1).

Geographically the tenements lie in an area centred some 400km north-west of Brisbane. The tenements are approximately 30kms North-East of the township of Wandoan, located on the Western Darling Downs of Queensland.

The Walloon Coal Measures in this part of the Surat Basin, the Western (Darling) Downs, consist of the upper and lower coals known as the Juandah Coal Measures (JCM) and the Taroom Coal Measures (TCM) respectively. They are separated by a barren unit known as the Tangalooma Sandstone. Locally the coal measures are on the north-eastern side of a structural feature known as the Mimosa Syncline and they gently dip to the south-west. As a result the JCM and the TCM each sub-crop in a parallel belt to the north-east of the syncline.

The TCM being the lower unit is therefore the focus of exploration in EPCs 1955 and 1987. In general it is thought that 1987 are too far east for the sub-crop to occur and likewise much of EPC 1955; however, it is the hope that various structural elements being present causing the lower horizons of the TCM to be present in EPC 1987.

Figure 14.1 – Surat Basin Tenements



14.3.1 EPC 1955, Thorn Hill

- EPC 1955 consists of 64 sub-blocks, and covers approximately 200 km^2.
- The lease is approximately 40 km long and between 5 -10 km wide.
- Taroom Coal Measures, Seams are named A, B, C, D and E.
- Exploration focus and Resource in the south west of the tenement. (Figure 14.2)
- Seams found here are the same as the seams found in MDL433 – Bottletree (Cockatoo Coal) and ML 55001 - The Range (Stanmore Coal).
- To date 59 drillholes, 8 with coal quality
- 44 Mt total Resource, 22.1 Indicated, and 22.5 Inferred as at June 2012. (Table 14.1)
- Thermal coal, moderate ash, Raw Specific Energy ~24Mj/kg. (Table 14.1)

Figure 14.2 – Borehole Locations and Resource Outline

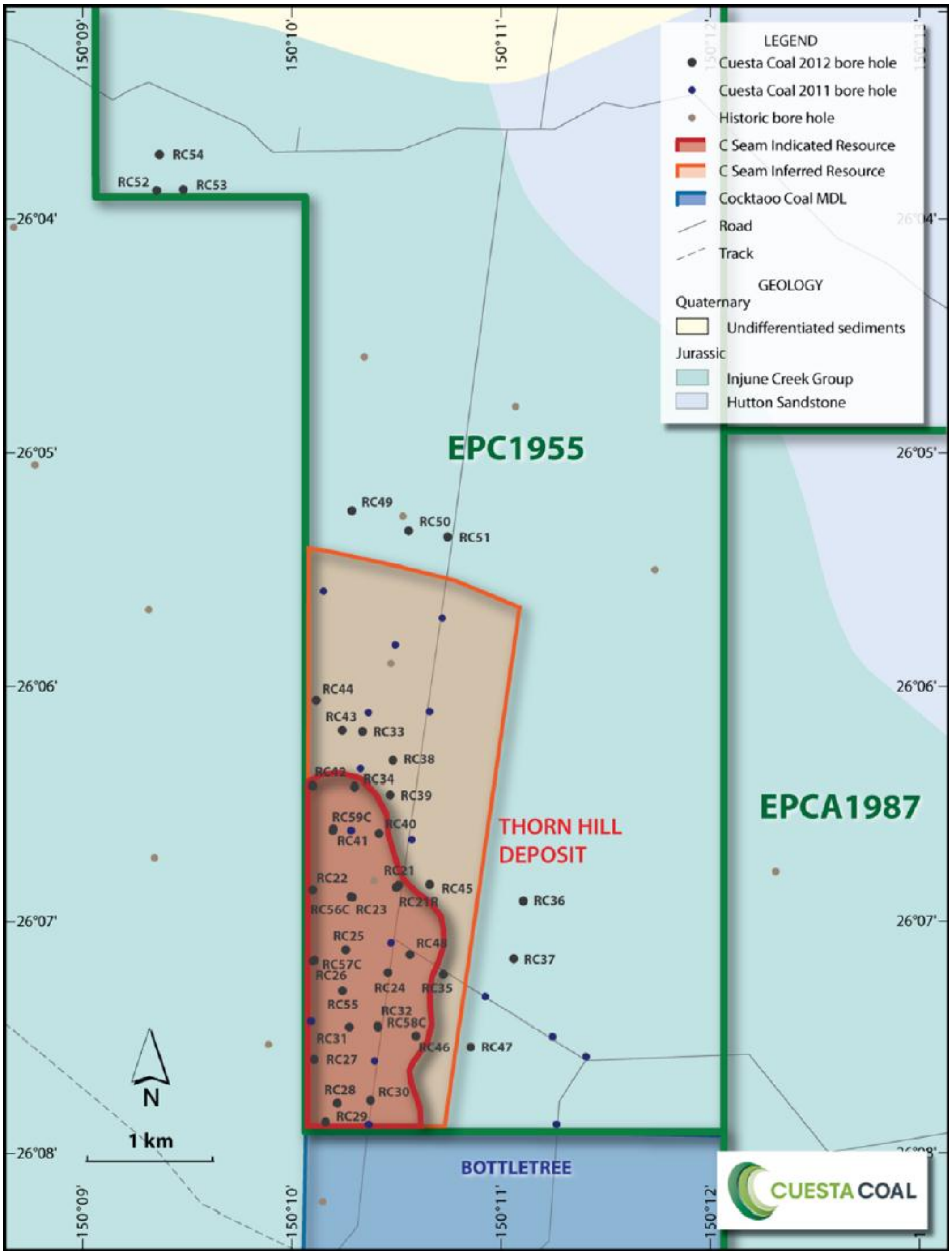


Table 14.1 – EPC 1955 Raw Coal Quality Summary

Seam	No. of Cored Holes	Inherent Moisture % (a.d)	Ash % (a.d)	Volatile Matter % (a.d)	Fixed Carbon % (a.d)	Relative Density g/cc (a.d)	Specific Energy Mj/kg (a.d)	Total Sulphur % (a.d)
A	3	7.8	20.0	39.8	32.5	1.44	23.26	0.45
B	8	7.6	18.7	39.3	34.5	1.44	23.81	0.44
C	7	7.4	20.0	37.8	34.8	1.46	23.42	0.45
D	4	6.7	18.1	38.9	36.3	1.43	24.55	0.46
E	1	5.4	19.7	38.8	36.1	1.44	24.62	0.50

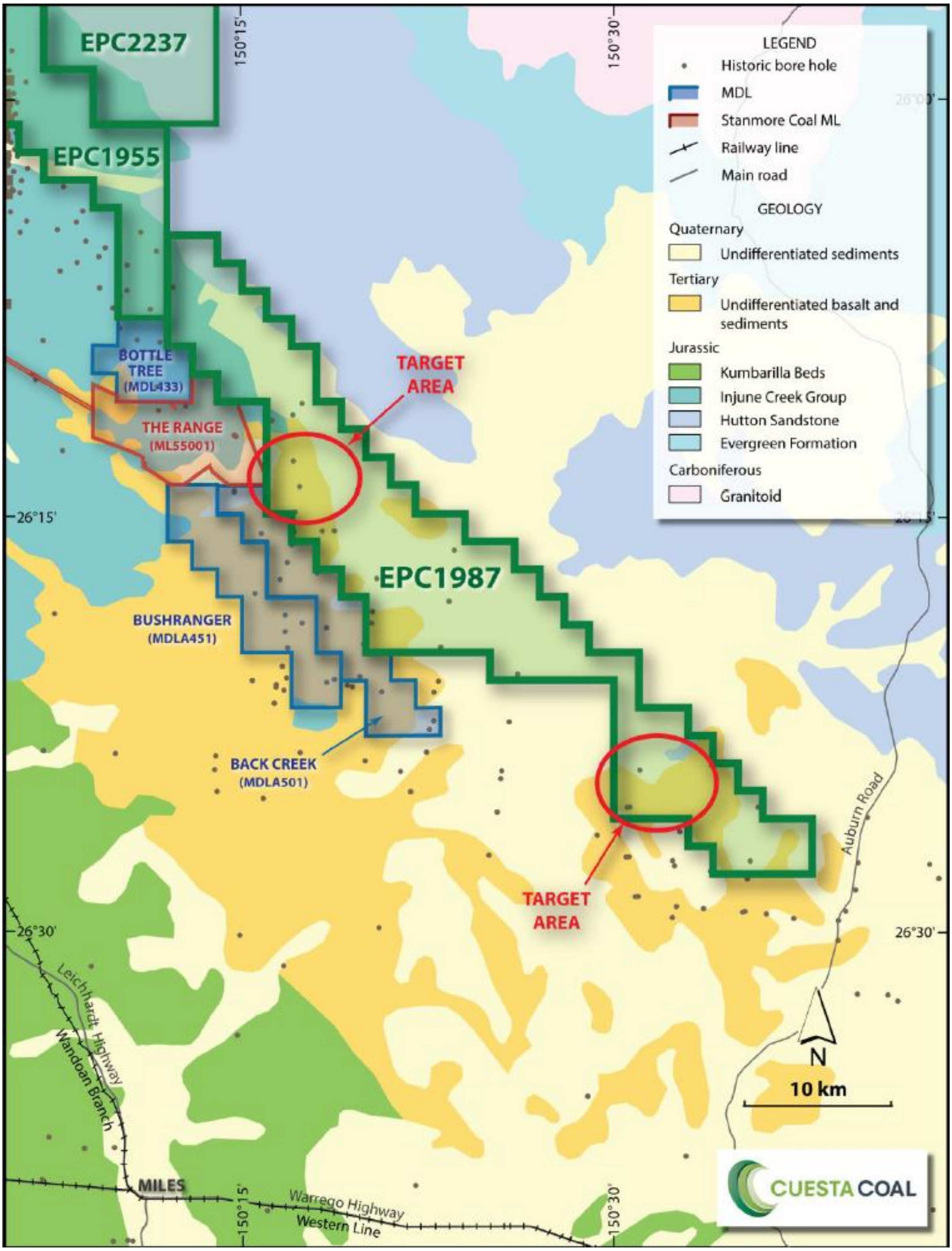
Table 14.2 – EPC 1955 Resource Summary

Resource Category	Value	Taroom Coal Measures					Total Tonnes (Mt)
		A	B	C	D	E	
Measured	Volume (Mm^3) Relative Density (t/m^3)	- -	- -	- -	- -	- -	
	Sub-total Tonnes (Mt)	-	-	-	-	-	-
Indicated	Volume (Mm^3) Relative Density (t/m^3)	- -	6.0 1.42	7.1 1.40	2.6 1.44	- -	
	Sub-total Tonnes (Mt)	-	**8.5**	**9.9**	**3.7**	-	**22.1**
Inferred	Volume (Mm^3) Relative Density (t/m^3)	2.6 1.45	3.0 1.42	5.9 1.40	4.2 1.44	- -	
	Sub-total Tonnes (Mt)	**3.8**	**4.3**	**8.3**	**6.1**		**22.5**
Grand Total Tonnes (Mt)		**3.8**	**12.8**	**18.2**	**9.9**	-	44.6

14.3.2 EPC 1987, Quandong

- EPC 1987 consists of 115 sub-blocks, and covers approximately 355 km^2. 46 sub-blocks are scheduled to be relinquished on 27/09/2015.
- EPC 1987 is elongate NW-SE following the eastern boundary of the Surat Basin. The tenement is some 60km long and between 3 to 15kms wide.
- Explorations focus to the west of ML 55001 - The Range (Stanmore Coal), and Back Creek (Allegiance Coal), and the south part of the tenement. (Figure 14.3)
- Because the TCM is sub cropping within the leases to the west, intersecting the same seams within EPC 1987 heavily relies on the presence of structural elements.
- No drilling has been completed by Blackwood in the area.

Figure 14.3 – EPC 1987 Target Areas



14.4 Galilee Basin Tenement – EPC 1957 – Laguna Creek Project (aka Karura)

The information listed in this section is sourced from the EPC 1957 Annual Report [9], and other open source documents. Some of the information may be out of date.

- EPC 1957 (Galilee), lies adjacent to the eastern flank of the Galilee Basin.(Figure 14.4)
- The tenement consists of 120 sub-blocks, 135 km Northwest of Clermont.
- No drilling has been conducted in EPC 1957 by Cuesta Coal to date
- As part of the Carmichael survey, Canso Resources Ltd conducted a Seismic exploration program in 1983. EPC 1957 is very well covered by an extensive array of seismic lines. The lines suggest syncline structures present that have the potential to preserve the Permian coal measures of the Betts Creek Beds east of the known sub crop. Magnetic Anomaly mapping also supports the possibility of such a structure to be present (Figure 14.5).
- This has been the case in EPC 1802 (Cuesta Coal) directly to the North of EPC 1957, where Cuesta has drilled 39 holes including 5 partially cored holes and intersected coal seams in the north-western sector of EPC 1802. In 2013 Cuesta announced a Maiden Inferred JORC Resource of 364Mt in Q4 2013.
- Drilling was scheduled in 2013, but no reports of any drilling results within EPC 1957 have been reviewed.

Figure 14.4 – EPC 1957 Location

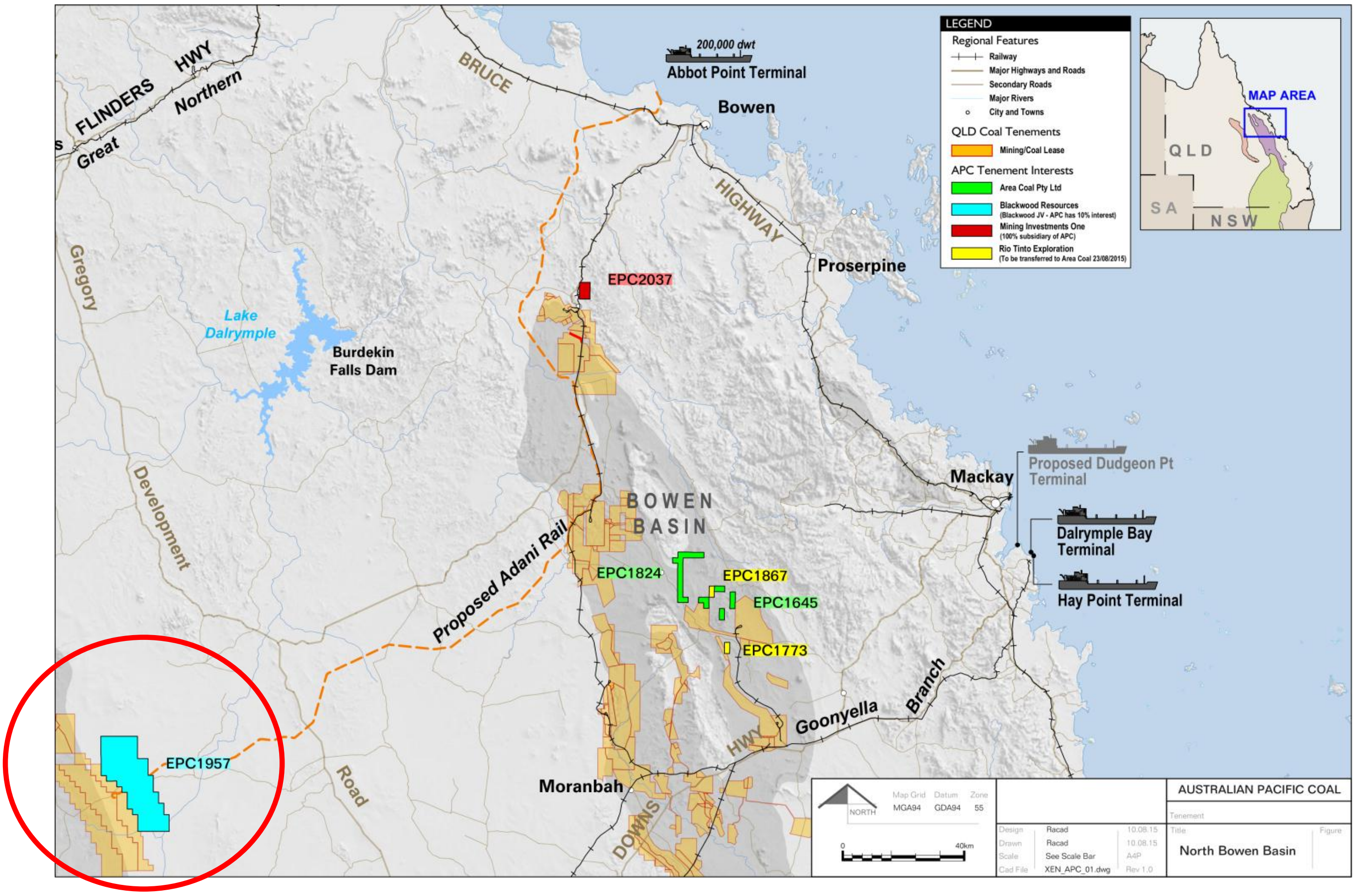
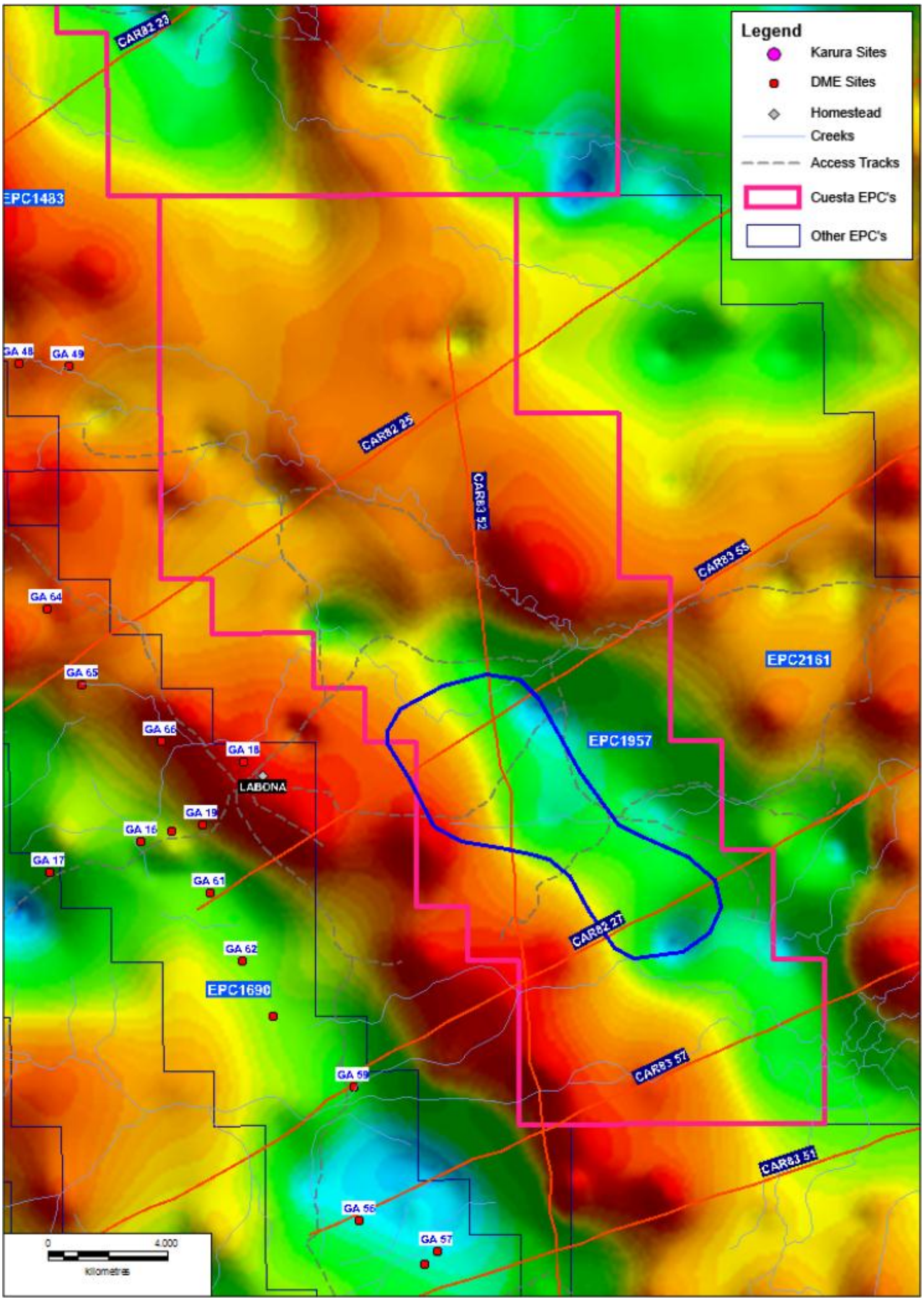


Figure 14.5 – EPC 1957 Seismic Lines and Gravity Anomaly Map



14.5 Potential Planning Constraints

The following items will require consideration when undertaking development of EPC 1955:

- Petroleum Lase tenements PL 176 and PL 101 significantly overlap the tenement
- Surat Basin Infrastructure State Development Area passes through the tenement
- Strategic Cropping Land Trigger Areas are mapped across a significant portion of the tenement
- The tenement overlaps a small portion of the Barakula State Forest.

None of the other criteria listed in Section 2.4 were found to be triggered for this tenement.

The following items will require consideration when developing EPC 1957:

- Galilee Basin Infrastructure State Development Area occupies a significant portion of the tenement

None of the other criteria listed in Section 2.4 were found to be triggered for this tenement.

The following items will require consideration when developing EPC 1987:

- Strategic Cropping Land Trigger Areas are mapped to the north of the tenement
- The tenement overlaps a significant portion of the Barakula State Forest

None of the other criteria listed in Section 2.4 were found to be triggered for this tenement.

15 EPC 1896 BOTTLE TREE CREEK

15.1 Key Outcomes

- Area Coal Pty Ltd has entered into an agreement to transfer its 100% interest in EPC 1896 to Cape Coal Pty Ltd.
- Under the agreement Area Coal Pty Ltd retains a 50% beneficial interest in the tenement. Cape Coal Pty Ltd is to fund 100% of exploration expenditure. Once the exploration phase is completed any further development of the tenement is to be funded in equal shares. Exploration program proposed.
- Surat Basin Location, Potential Taroom Coal Measures.
- No advanced (field) exploration has taken place to date.
- Taroom Coal Measures are believed to be deep in the area, given the location relative to the Bushranger (SE QLD Coal) and The Range (Stanmore Coal).
- Lower Juandah Coal Measures could be present (Iona and Argyle) at shallower depths.

15.2 Summary

EPC 1896 is located in the Surat Basin in Queensland, Australia and covers an area of approximately 24 km^2 without any significant environmental constraints. The tenement was granted on 27th June 2014 for a 5 year period and is managed by Cape Coal under an agreement executed with Australian Pacific Coal (ASX: AQC) subsidiary Area Coal Pty Ltd, who holds the remaining 50% interest.

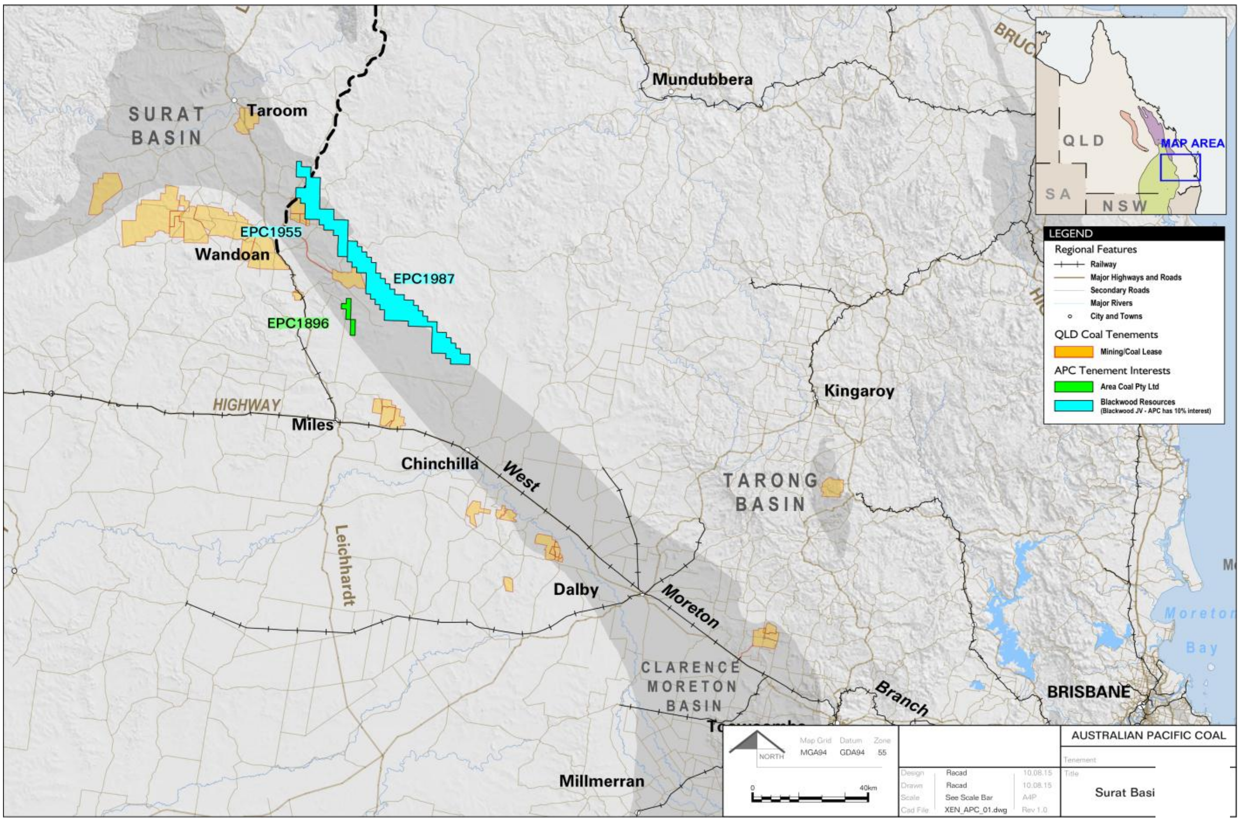
EPC 1896 overlies the Surat Basin equivalents of the Walloon Coal Measures which dip at about 1° to the southwest in the investigation area. Coals of the Walloon Coal Measures and equivalents are Middle Jurassic and produce a thermal coal product and are potentially prospective within the Bottle Tree Creek tenement.

Two major coal horizons have been identified within the Walloon Coal Measures. These consist of the Juandah Coal Member (Upper) and the Taroom Coal Member (Lower). These are separated by a dominantly sandstone member.

The project is located in the Central Surat Basin proximate to Cockatoo Coal's Bushranger MDL and Stanmore Coal's "The Range" MLA. EPC 1896 targets thermal coal in the middle to upper Jurassic Walloon Coal Measures.

No field exploration has been conducted to date. The most promising lead in the historical data assessment was a total cumulative coal thickness of 13.68m in one of the CSG wells in the south of the tenement.

Figure 15.1 – Sunrise Project Tenement Plan



15.2.1 Location and Background

EPC 1896 is located approximately 30km north of the township of Miles in Central Queensland, which is approximately 340km from Brisbane by road. The Leichardt Highway passes approximately 15km to the west of the tenement. (Figure 15.1)

15.2.2 Ownership Status

EPC 1896 consists of 8 sub-blocks and covers an area of approximately 24 km^2. The tenement was granted on the 27th June 2014 for a 5 year period and is managed by Cape Coal under an agreement executed with Australian Pacific Coal (ASX: APC) subsidiary Area Coal Pty Ltd, who holds the remaining 50% interest.

Table 15.1 – EPC 1896 Sub-blocks

BIM	Block	Sub-Blocks	No.
BRIS	1947	D H N S X	5
BRIS	2019	D J O	3
Total			8

15.2.3 Future Work Program

From "EPC 1896 Annual Report Y1" the following recommendations are made regarding future work within the tenement:

"In accordance with the discussion and recommendations above, the proposed year-2 work program should include:

- *Revision and more detailed modelling of all historical data collected in year-1,*
- *Chip drilling of two to three sites across the EPC,*
- *Twinning of any of these chip holes, with a core hole, where significant coal seams are intersected,*
- *Coal quality sampling and analysis of any cored coal seams,*
- *Modelling and review of all data, and*
- *Planning of follow-up drilling to elevate the target/resource status".*

15.3 Potential Planning Constraints

The following items will require consideration when developing EPC 1896:

- Strategic Cropping Land Trigger Areas are mapped across a portion of the tenement.

None of the other criteria listed in Section 2.4 were found to be triggered for this tenement.

Figure 15.2 - Northern Bowen Basin Leases with Granted Petroleum Leases

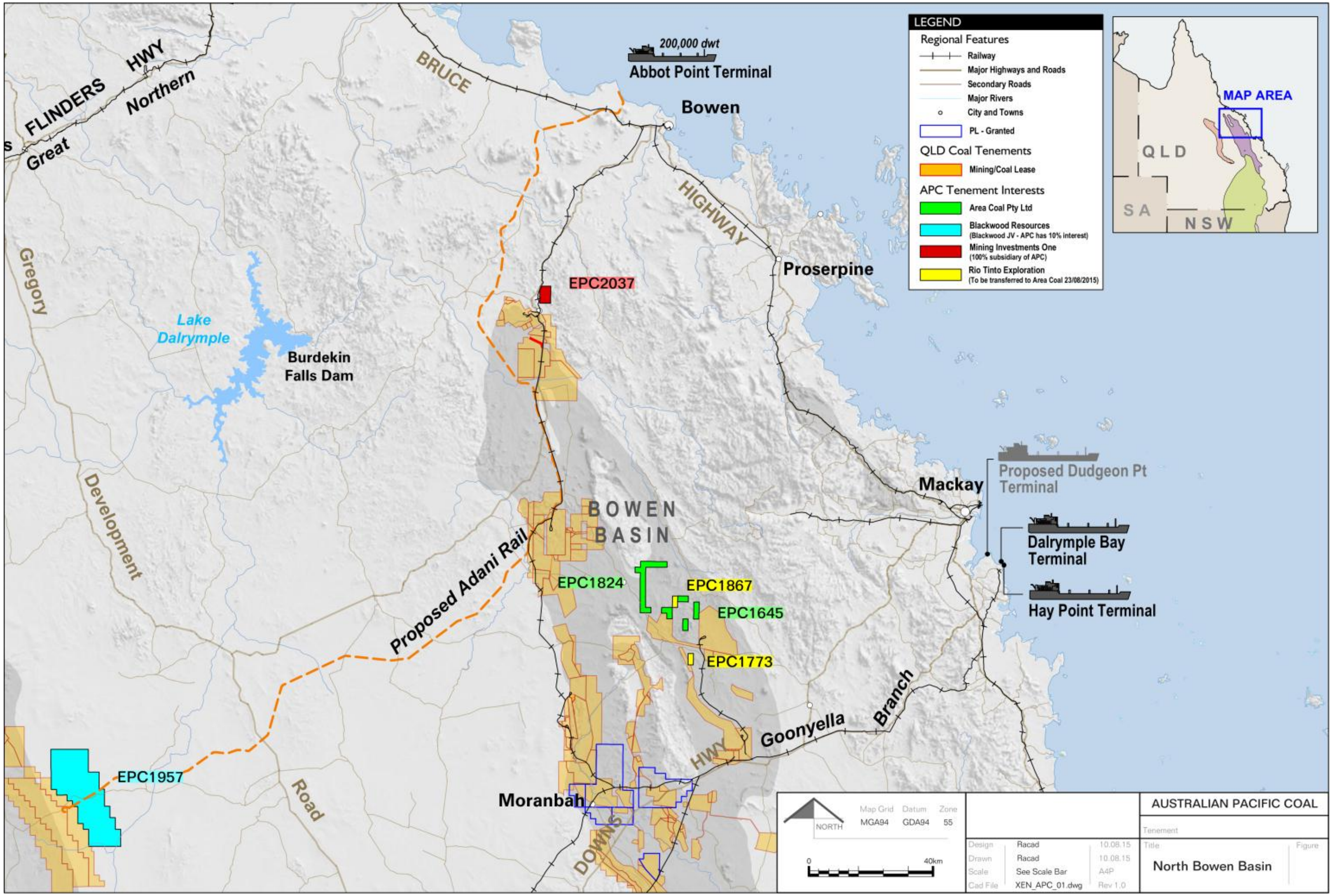


Figure 15.3 - Central Bowen Basin Leases with Granted Petroleum Leases

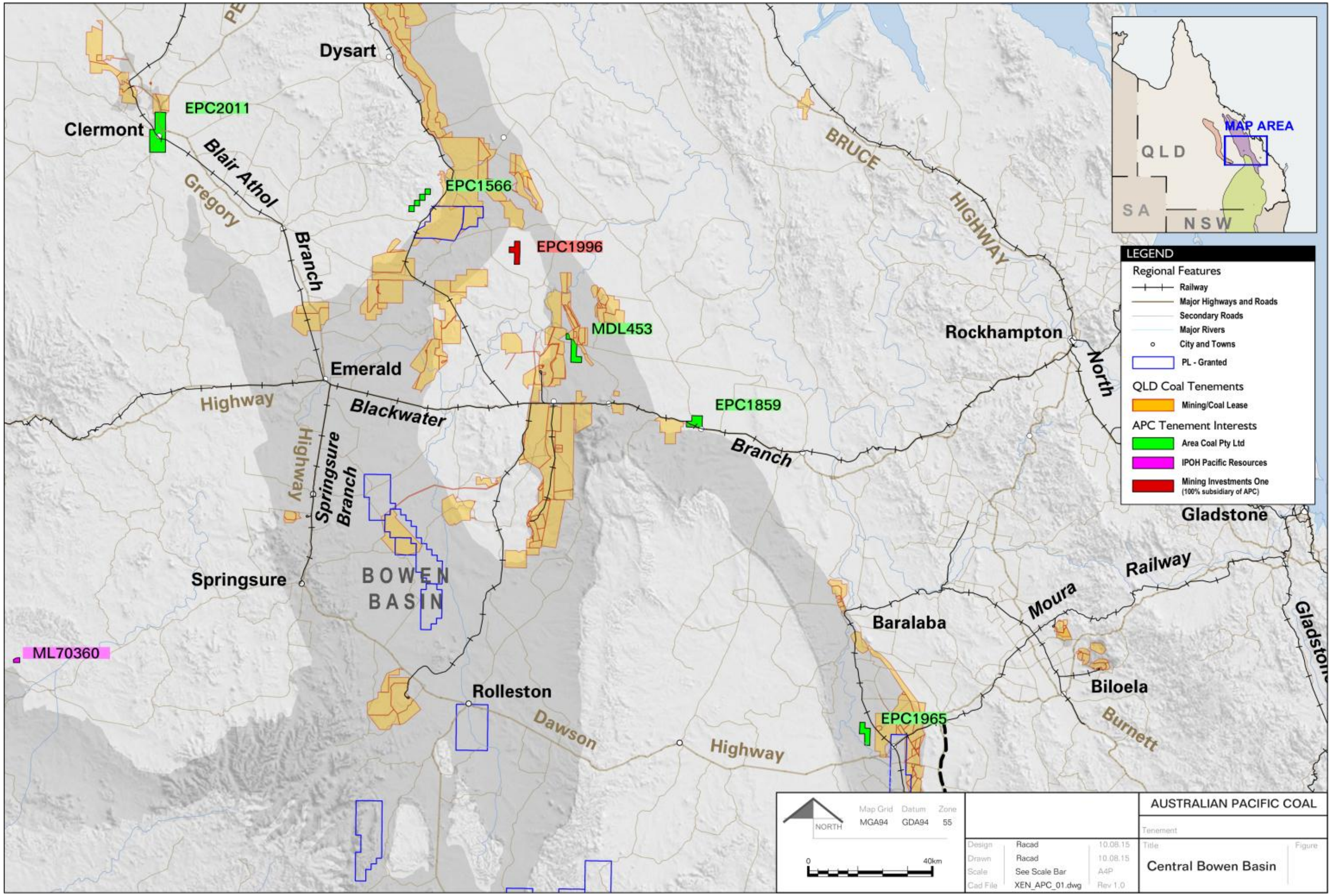
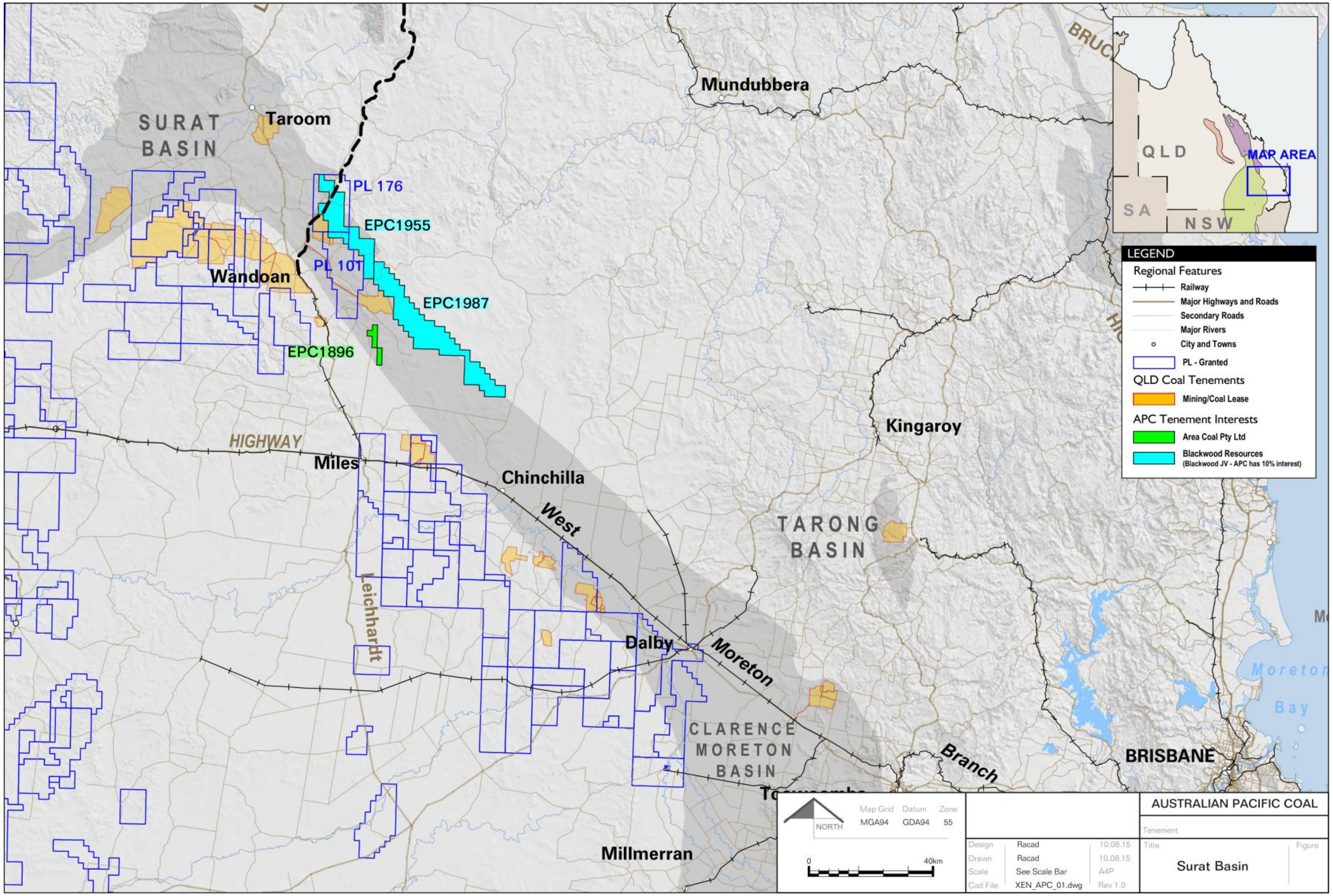


Figure 15.4 - Surat Basin Leases with Granted Petroleum Leases



16 VALUATION

16.1 Key Outcomes

- Valuation has been prepared to conform to the Australian VALMIN Code (2005)
- In Xenith's opinion, the APC Coal Assets are valued at between A$1.7M and A$5.6M, with a preferred value of A$3.7M.
- The Cooroorah (MDL 453) Project comprises the bulk of Xenith's estimated value, ranging from A$0.6M to A$3.1M, with a preferred value of A$1.9M.
- The Hillalong Project (EPCs 1773, 1824, 1867 and EPCa 1645) accounts for A$1.0M of the preferred value, predominantly in EPC 1824.
- The Dingo Project (EPC 1859) accounts for A$0.3M of the preferred value.
- APC's interest in the Blackwood JV is valued at A$0.1M to A$0.3M, the majority of which is attributable to the resources identified in EPC 1955.

This Mineral Asset Valuation included in this ITSR has been prepared to conform to the Australian VALMIN Code (2005).

The valuation of Mineral Assets is not a precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgement. There is therefore no indisputable single value and Xenith normally expresses an opinion on the value as falling within a likely range, as required by the Code.

There are a number of methods that can be used for valuing mines and mineral deposits. Generally the method adopted depends on the available data and more importantly the stage of the deposit life cycle. These methodologies include asset based, earnings multiples and discounted cash flow.

In relation to the development status of a mineral asset, the VALMIN Code (2005) provides the following categories:

- **Exploration Areas** – properties where mineralisation may or may not have been identified, but where a Mineral or Petroleum Resource has not been identified.
- **Advanced Exploration Areas** – properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A resource estimate may or may not have been made but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the resource category.
- **Pre-Development Projects** – properties where Mineral or Petroleum Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral or Petroleum Resources have been identified, even if no further Valuation, Technical Assessment, delineation or advanced exploration is being undertaken.

- **Development Projects** – properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels.
- **Operating Mines** – mineral properties, particularly mines and processing plants that have been commissioned and are in production.

16.2 Valuation Methods

There are a number of methods that can be used for valuing mines and mineral deposits. Generally the method adopted depends on the available data and more importantly the stage of the deposit life cycle. These methodologies are market-based, income-based or cost-based. Typical methods considered for this Technical Assessment that have been used at various stages of project assessment and development are shown in Table 16.1.

Table 16.1 – Summary of Typical Mineral Resource Valuation Methods [17-19]

Valuation Approach	Method	Summary of Method	Suitability of Method
Cost	Appraised Value	1. Sum the productive past exploration expenditure plus warranted future exploration costs. 2. Generally up to 5 years past expenditure is included.	Very early to early stage exploration (few holes to several holes drilled with encouraging results) that are under active exploration.
	Multiples of Exploration Expenditure (MEE)	1. Estimate the Appraised Value of the asset as above. 2. Apply a prospectivity enhancement multiplier, typically between 0.5 to 3.0	Very early to early stage exploration that are under active exploration.
	Geoscience Factor – Kilburn method	1. Score asset against key characteristics (0.1-5.0) 2. Multiply score against a standard unit value ($/ha)	Very early to early stage exploration. Sensitive to property value and area of the asset which may neglect exploration potential.
Income	Discounted Cash Flow (DCF)	1. Estimate the future cashflows of the operating asset. 2. Discount those cashflows at a required rate of return.	Late stage exploration (scoping to pre-feasibility) through to late stage producing mine
	Option Pricing	Value the options available to management using financial option techniques.	For developed assets where DCF results in low or negative values Complex and requires DCF calculations.
	Geological risk probability	1. Estimate a resource target. 2. Value this resource using a separate valuation method. 3. Apply a probability of success	Very early to early stage exploration.
Market	Comparable Transactions - $/resource or $/km^2	1. Determine enterprise values for recent transactions in comparable assets. 2. Determine unit value in $/tonne or $/ha. 3. Apply unit value to target asset to estimate value.	Very early stage exploration to late stage producing mine. Generally used to estimate valuations within regions. No true comparables available and limited transactions.
	Option agreement / JV terms	Estimate the 100% value based on a pro-rata of the value of commitments and payments proscribed in an option or JV agreement.	Very early stage exploration to late stage exploration where the property is subject to an existing option agreement.

APC Coal Assets range in status from very early exploration to pre-development. The valuation method applied depends on the relative maturity of the exploration for each asset as outlined in Table 16.1. Three methods have been used to value the APC Coal Assets:

- Multiples of Exploration Expenditure (MEE);
- Comparable Transactions using Multiples of coal resources (A$/t); and
- Comparable Transactions using Lease Area (A$/km^2).

16.2.1 Multiples of Exploration Expenditure (MEE)

MEE is a cost approach which relies on a correlation between capital expended on a project and the intrinsic value of that project. MEE sums the value of previous meaningful exploration expenditure plus the warranted future exploration expenditure. A limit of five years of historical expenditure is generally applied by Xenith. A Prospectivity Enhancement Multiplier (PEM), generally between 0.5 and 3.0, is applied to this exploration expenditure according to the future prospectivity of each asset as judged by the Specialist.

16.2.2 Comparable Transactions

The Comparable Transaction method is a market based method which relies on comparing the multiples (EG. $/resource tonne or $/km^2 of lease area) associated with recent transactions and/or publicly listed companies and then applying these multiples to other comparable projects. Ideally, comparable projects will have similar locations, infrastructure access, regulatory frameworks, and geological environments. No two projects are exactly the same and the range of valuation multiples is broad. Therefore, judgement is required by the Specialist to determine the valuation multiples to apply.

The following valuation factors have been considered by Xenith in selecting comparable transaction multiples for the APC Coal Assets:

- The status of exploration and the resource classification;
- The quality of the coal which varies from coking and PCI to thermal;
- The nature of the resource with respect to mining potential and mining method by underground or open cut;
- The location of the tenement and proximity to existing mine operations and infrastructure;
- Market potential for the coal; and
- The forecast coal price trends at the time of the transaction.

Coal Resources – EV/Resource

Figure 16.1 displays comparable ASX-listed coal exploration companies on an EV / Resource basis. Figure 16.2 displays comparable market transactions of coal assets on an enterprise value per tonne of coal resource (EV / Resource) basis.

Figure 16.1 – Comparable ASX-Listed Coal Exploration Companies - EV / Resource

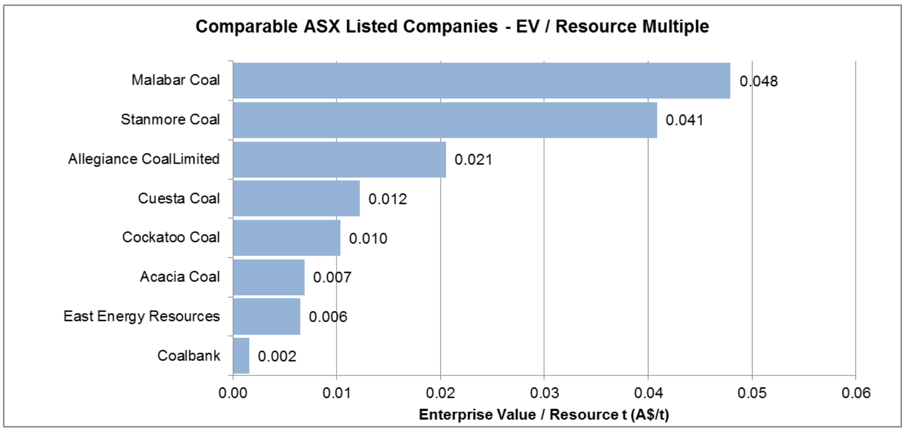
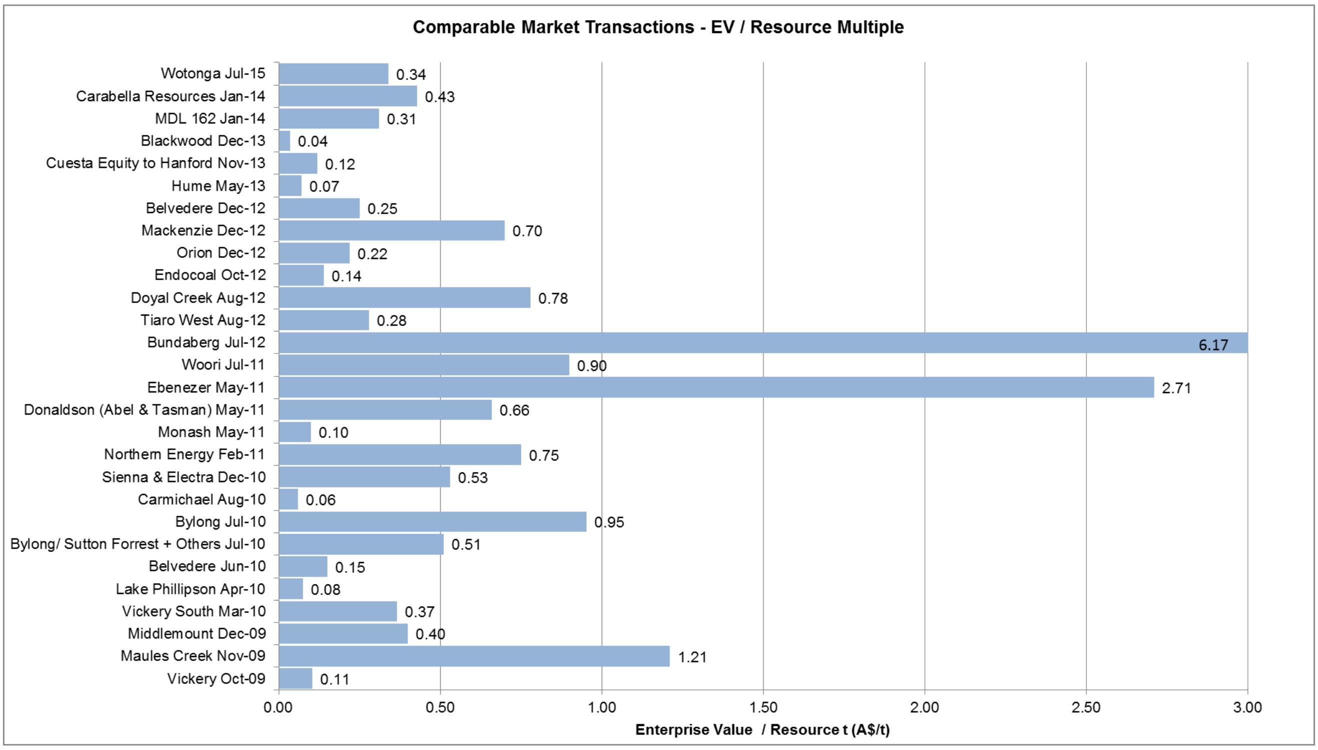


Figure 16.2 – Comparable Market Transaction of Coal Assets EV / Resource



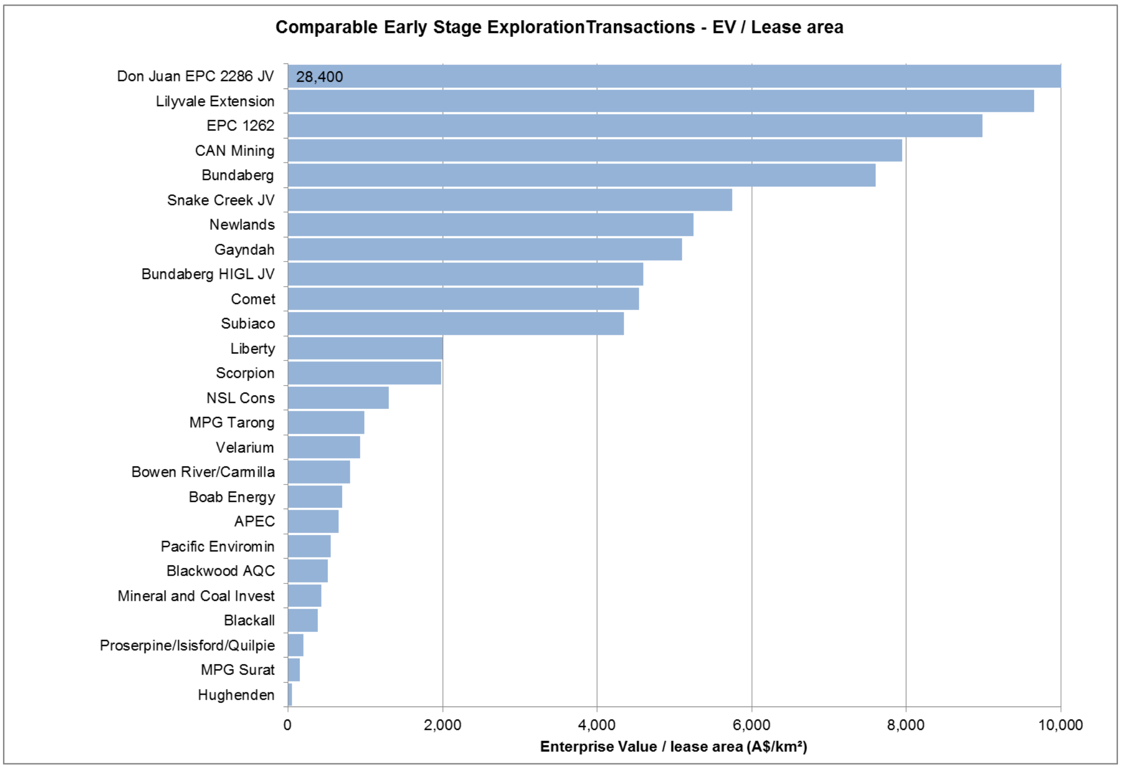
Using the range of multiples identified in Figure 16.2 and Figure 16.1, Xenith has analysed the range, mean and recent trends. Transaction multiples occurring between January 2013 and August 2015 range from A$0.04/t to AU$0.43/t with a median of A$0.22/t. ASX-listed multiples range from A$0.002/t to A$0.048/t. We have judged the ASX-listed multiples as representing the most current indicator of market value of exploration coal projects.

Xenith has estimated an indicative value for coal exploration projects with a JORC coal resource at between A$0.005/t to A$0.025/t with a preferred value of A$0.015. The range varies for each project in the APC Coal Assets based on the valuation factors as discussed in the valuation factors highlighted above.

Lease Area – EV/km²

The use of lease area as a valuation multiple disregards the prospectivity of the coal asset and is suitable only for very early stage exploration projects where information for other more suitable valuation methods is not available. Figure 16.3 displays comparable market transactions of coal assets on an enterprise value per km^2 of lease area (EV / km^2) basis.

Figure 16.3 – Comparable Early Stage Exploration Transactions – EV / Lease Area



16.3 Valuation of APC Assets

The results of each valuation method applied to the APC Coal Assets (100% basis) are displayed in Figure 16.1, Figure 16.2 and Figure 16.3.

Table 16.2 – Valuation Summary using Multiples of Exploration Expenditure (100% basis)

Tenement	Project Name	Reported Expenditure	PEM Low	PEM High	PEM Preferred	MEE Value Low	MEE Value High	MEE Value Preferred
		A$M				A$M	A$M	A$M
EPC 1566	Bee Creek	0.01	0.5	0.5	0.5	0.00	0.00	0.00
EPCa 1645	Mount Hess	0.00	0.5	0.5	0.5	0.00	0.00	0.00
EPC 1773	Kemmis Creek	0.02	0.5	0.5	0.5	0.01	0.01	0.01
EPC 1824	Mount Hillalong	0.68	0.7	2.0	1.5	0.47	1.35	1.01
EPC 1859	Dingo	0.17	1.5	2.0	1.7	0.25	0.33	0.28
EPC 1867	Mount Hess West	0.05	0.5	1.0	0.7	0.02	0.05	0.03
EPC 1896	Bottle Tree Creek	0.01	0.5	0.5	0.5	0.01	0.01	0.01
EPC 1955	Bungaban Creek	0.03	1.5	2.0	1.7	0.05	0.07	0.06
EPC 1957	Laguna Creek	0.01	1.0	1.5	1.2	0.01	0.01	0.01
EPC 1965	Kanga Creek	0.02	0.5	0.5	0.5	0.01	0.01	0.01
EPC 1987	Quandong	0.01	0.5	1.0	0.7	0.00	0.01	0.00
EPC 1996	Churchyard Creek	0.05	0.5	1.0	0.6	0.02	0.05	0.03
EPC 2011	South Clermont	0.21	1.0	1.5	1.2	0.21	0.32	0.25
EPC 2037	Almoola	0.02	0.5	0.5	0.5	0.01	0.01	0.01
MDL 453	Cooroorah	2.86	2.0	2.5	2.2	5.72	7.15	6.30

Table 16.3 – Valuation Summary using Comparable Transactions (EV/Resource multiple) (100% basis)

Tenement	Project Name	Total Resource	Resource Multiple Low	Resource Multiple High	Resource Multiple Preferred	Resource Value Low	Resource Value High	Resource Value Preferred
		Mt	A$/t	A$/t	A$/t	A$M	A$M	A$M
MDL 453	Cooroorah	124.9	0.005	0.025	0.015	0.6	3.1	1.9
EPC 1955	Bungaban Creek	44.6	0.005	0.150	0.010	0.2	6.7	0.4
EPC 1859	Dingo	33*	0.005	0.025	0.015	0.2	0.8	0.5

* Dingo resource based on upper range of exploration target.

Table 16.4 – Valuation Summary using Comparable Transactions (EV/Lease Area multiple) (100% basis)

Tenement	Project Name	Lease Area	Lease Area Multiple Low	Lease Area Multiple High	Lease Area Multiple Preferred	Lease Area Value Low	Lease Area Value High	Lease Area Value Preferred
		km^2	A$/$km^2$	A$/$km^2$	A$/$km^2$	A$M	A$M	A$M
EPC 1566	Bee Creek	13	200	600	400	0.003	0.008	0.005
EPCa 1645	Mount Hess	32	380	4350	2000	0.012	0.139	0.064
EPC 1773	Kemmis Creek	6	380	4350	2000	0.002	0.028	0.013
EPC 1824	Mount Hillalong	48	380	4350	2000	0.018	0.208	0.096
EPC 1859	Dingo	16	380	4350	2000	0.006	0.068	0.031
EPC 1867	Mount Hess West	6	380	4350	2000	0.002	0.028	0.013
EPC 1896	Bottle Tree Creek	25	200	600	400	0.005	0.015	0.010
EPC 1955	Bungaban Creek	197	300	1000	600	0.059	0.197	0.118
EPC 1957	Laguna Creek	381	200	600	400	0.076	0.229	0.152
EPC 1965	Kanga Creek	16	200	600	400	0.003	0.010	0.006
EPC 1987	Quandong	354	300	1000	600	0.106	0.354	0.212
EPC 1996	Churchyard Creek	16	380	4350	2000	0.006	0.069	0.032
EPC 2011	South Clermont	57	380	4350	2000	0.022	0.247	0.114
EPC 2037	Almoola	19	200	600	400	0.004	0.012	0.008
MDL 453	Cooroorah	17	380	4350	2000	0.006	0.072	0.033

16.3.1 Valuation of Cooroorah (MDL 453)

The Comparable Transaction methodology using coal resource multiples has been adopted to estimate the value of the Cooroorah Project. The project is at advanced exploration to pre-development stage. 125Mt of coal resources have been identified in MDL 453 and a significant proportion is an indicated resource. This valuation is summarised in Table 16.3 Cooroorah is a potential underground PCI and SSCC project located in the highly productive Bowen Basin. It is located nearby transport infrastructure in a well-developed coal mining province.

In estimating a range of valuation multiples, Xenith has considered positive factors including location with a coal mining province, access to infrastructure and a favourable regulatory regime. Key negative considerations are the depth of seams and the significant operating and capital costs of extraction typical of underground operations as well as the current low coal price environment.

Xenith has used a valuation range from A$0.005/t to A$0.025/t with a preferred value of A$0.015/t. APC's 100% interest has a valuation range of A$0.6M to A$3.1M.

16.3.2 Valuation of Hillalong Project (EPCs 1773, 1824, 1867 and EPCa 1645)

On 22 August 2011, RIO and APC agreed upon a joint venture in Mt Hillalong Project. On 25 June 2015, APC announced that RIO would not exercise its option to acquire the Mt Hillalong Project resulting in EPCs 1773, 1824, 1867 and EPCa 1645 being transferred to APC effective 23 August 2015. This valuation assumes that 100% ownership in the Mt Hillalong Project is transferred to APC as per the announcement. However, Xenith did not have access to all exploration data collated by RIO at the date of this report and valuations are based on historical data and public information.

The MEE methodology has been adopted to estimate the value of the Hillalong Project. The PEM range is relatively wide to reflect the lack of available data. The project is at exploration stage. No coal resources have been identified. This valuation is summarised in Table 16.2.

RIO exploration expenditure as at February 2015 (EPC 1824 and 1867) and APC accounts have been relied upon to estimate exploration expenditure. As little data is available from this historical exploration work, Xenith has limited the value of previous exploration work to 70% of actual cost for valuation purposes and to reflect the current coal market conditions.

The Hillalong project potentially holds a deep Rangals coal target over its 93km^2 of lease area in the northern Bowen Basin. Little drilling and exploration data within the lease is available. Hail Creek Mine is located nearby and these tenements may be attractive to the Hail Creek owners (RIO) in the event of expansion.

APC's 100% interest in the Hillalong Project has a valuation range of A$0.5M to A$1.4M.

16.3.3 Valuation of Dingo Project (EPC 1859)

The MEE methodology has been considered to estimate the value of the Dingo Project. The project is at exploration stage. No coal resources have been identified. This valuation is summarised in Table 16.2. APC historical accounts and the costs of the proposed stage 2 drilling and seismic acquisition program have been relied upon to estimate exploration expenditure.

A geological model of Dingo is reported to exist, however, this model was not provided to Xenith. Dingo is located in the central Bowen Basin, nearby transport infrastructure in a well-developed coal mining province. Exploration suggests highly faulted geology and the lease overlaps the township of Dingo.

Xenith has considered the reported potential coal target of 19Mt to 33Mt compared to the required costs of exploration to identify these resources in accordance with the JORC Code. Current market conditions provide a potential market value on 33Mt of resource at between A$0.2M to A$0.8M (see Table 16.3). As the value of the high range of the potential target resource is not significantly higher than the cost of the exploration work, we have not included this exploration work in the valuation of the Dingo Project and have based the valuation on historical exploration costs only. Xenith has also limited the value of previous exploration work to 30% of actual cost due to the value of the potential resource target identified by this exploration in the current market.

Xenith has used a PEM range from 1.5 to 2.0 with a preferred PEM of 1.7. APC's 100% interest in this project has a valuation range of A$0.2M to A$0.3M. This valuation has been cross- checked by valuing the reported potential exploration target against an EV/Resource multiple which provides a secondary valuation of A$0.2M to A$0.8M.

16.3.4 Valuation of Churchyard Creek Project (EPC 1996)

The MEE methodology has been adopted to estimate the value of the Churchyard Creek Project. The project is at exploration stage. No coal resources have been identified. This valuation is summarised in Table 16.2. APC historical accounts and the costs of the proposed stage 2 drilling and coal quality program have been relied upon to estimate exploration expenditure.

Churchyard Creek is located in the central Bowen Basin, nearby transport infrastructure in a well-developed coal mining province. Coal quality tests indicate a very low yielding coal target using an untested processing method. Xenith judges that there is currently no economic value in this coal product due to the untested nature of the process, the low yield and the difficult coal market conditions. None of the proposed exploration work has been judged as warranted for valuation purposes. Xenith has also limited the value of previous exploration work to 10% of actual cost.

Xenith has used a PEM range from 0.5 to 1.0 with a preferred PEM of 0.6. APC's 100% interest in this project has a valuation range of less than A$0.1M.

16.3.5 Valuation of South Clermont (EPC 2011)

The MEE methodology has been adopted to estimate the value of the South Clermont Project. The project is at exploration stage. No coal resources have been identified. This valuation is summarised in Table 16.2. APC historical accounts and the costs of the proposed phase 1 drilling program have been relied upon to estimate exploration expenditure.

South Clermont is located in the western Bowen Basin, nearby transport infrastructure in a well-developed coal mining province. This tenement contains the township of Clermont which has been declared a Restricted Area by the QLD Government.

Xenith has used a PEM range from 1.0 to 1.5 with a preferred PEM of 1.2. APC's 100% interest in this project has a valuation range of A$0.2M to A$0.3M.

16.3.6 Valuation of Blackwood Resources JV (EPC 1955, 1957, 1987)

In April 2010, a 90% interest in EPC 1955, 1957, 1979 and 1987 was acquired by Blackwood Resources Pty Ltd for $500,000 in cash and a commitment to fund exploration while APC retained a 10% free carried interest in the joint venture up to bankable feasibility stage. This transaction implied a $510/km^2 valuation multiple. Since this transaction, a decision not to renew EPC 1979 has been announced (and therefore EPC 1979 is not included in this valuation) and relinquishments of 106 sub-blocks have occurred.

Valuation of EPC 1955

The Comparable Transaction methodology using coal resource multiples has been adopted to estimate the value of EPC 1955. EPC 1955 project is at advanced exploration stage. 45Mt of coal resources have been identified in EPC 1955 and a significant proportion is an indicated resource. This valuation is summarised in Table 16.3.

EPC 1955 is located in the Surat Basin which contains current mining operations in the Eastern areas. However, development of EPC 1955 requires significant investment in transport infrastructure in the Surat Basin. This project is a potential open cut thermal coal project.

Xenith has used a valuation range from A$0.005/t to A$0.015/t with a preferred value of A$0.010/t. APC's 10% interest has a valuation range of A$0.1M to A$0.3M.

Valuation of EPC 1957 and 1987

The Comparable Transaction methodology using lease area multiples has been adopted to estimate the value of these tenements. No coal resources have been identified in these assets and little information is available on actual exploration spending to date. These tenements are at exploration stage. This valuation is summarised in Table 16.4.

EPC 1957 is located in the Galilee Basin with no access to transport infrastructure and little prospect of infrastructure development in the foreseeable future. The geology has potential to house a prospective target of the Bandanna Coal Measures.

EPC 1987 is located in the Surat Basin which contains current mining operations in the Eastern areas. However, development of EPC 1987 requires significant investment in transport infrastructure in the Surat Basin and is likely too far east to contain the prospective Taroom Coal Measures.

For EPC 1957, Xenith has used a valuation range from A$200/km^2 to A$600/km^2 with a preferred value of A$400/km^2. For EPC 1955 and 1987, Xenith has used a valuation range from A$300/km^2 to A$1000/km^2 with a preferred value of A$600/km^2. APC's 10% interest in these projects has a valuation of less than $0.1M.

16.3.7 Valuation of other coal exploration assets (EPC 1566, 1896, 1965, 2037)

An average of the MEE methodology and the Comparable Transactions methodology using lease area has been adopted to estimate the value of EPCs 1566, 1896, 1965 and 2037. These projects are at exploration stage. No coal resources have been identified. These valuations are summarised in Table 16.2 and Table 16.4. APC historical accounts have been relied upon to estimate exploration expenditure.

EPC 1566 is a small lease in the central Bowen Basin with low prospectivity. EPC 1965 is in the southern Bowen Basin and contains seams too deep for economic mining. EPC 2037 is located in the northern Bowen Basin and has little exploration data available and low prospectivity based on nearby drilling. EPC 1896 is in the northern Surat Basin, has little exploration data available and has low prospectivity. A 50% free carried interest in this tenement is held by APC and Cape Coal is the operator with the remaining 50% interest.

Xenith has used a PEM of 0.5 and a lease area multiple range of A$200/km^2. to A$600/km^2. APC's interest in these projects has a valuation range of less than A$0.1M.

16.3.8 Valuation of Mantuan Downs Project (ML 70360)

All industrial metals tenements previously held by APC have been surrendered with the exception of the Mantuan Downs Project. Mantuan Downs is a very small, uneconomic open pit bentonite mine that ceased operating in 2009. Due to the very small size of the project, we do not expect a material rehabilitation cost. There are no immediate plans for exploration or redevelopment of this project. Divestment has been considered with little worthwhile interest.

A zero value is apportioned to this asset.

16.4 Valuation Summary

The APC Coal Asset valuations are summarised in Table 16.5. In Xenith's opinion, the APC Coal Assets are valued between A$1.70M and A$5.57M, with a preferred value of A$3.71M. The wide range in value reflects the uncertainty in the coal market, the precision of the valuation methods and the underlying valuation assumptions.

The Cooroorah (MDL 453) Project comprises the bulk of Xenith's estimated value, ranging from A$0.6M to A$3.1M, with a preferred value of A$1.9M. The Hillalong Project (EPCs 1773, 1824, 1867 and EPCa 1645) accounts for A$1.0M of the preferred value, predominantly in EPC 1824. The Dingo Project (EPC 1859) accounts for A$0.3M of the preferred value.

APC's interest in the Blackwood JV is valued at A$0.1M to A$0.3M, the majority of which is attributable to the resources identified in EPC 1955.

Table 16.5 – Valuation Summary – Preferred Valuation Methodology

Tenement	Project Name	Preferred Valuation Method	APC Ownership	Value Low (APC Share)	Value High (APC Share)	Value Preferred (APC Share)
			%	A$M	A$M	A$M
EPC 1566	Bee Creek	Average of MEE & EV/lease area	100.0%	0.00	0.01	0.00
EPCa 1645	Mount Hess	Multiples of Exploration Expenditure	100.0%	0.00	0.00	0.00
EPC 1773	Kemmis Creek	Multiples of Exploration Expenditure	100.0%	0.01	0.01	0.01
EPC 1824	Mount Hillalong	Multiples of Exploration Expenditure	100.0%	0.47	1.35	1.01
EPC 1859	Dingo	Multiples of Exploration Expenditure	100.0%	0.25	0.33	0.28
EPC 1867	Mount Hess West	Multiples of Exploration Expenditure	100.0%	0.02	0.05	0.03
EPC 1896	Bottle Tree Creek	Average of MEE & EV/lease area	50.0%	0.00	0.01	0.00
EPC 1955	Bungaban Creek	Comparable Transactions EV/resource	10.0%	0.06	0.31	0.19
EPC 1957	Laguna Creek	Comparable Transactions EV/lease area	10.0%	0.00	0.00	0.00
EPC 1965	Kanga Creek	Average of MEE & EV/lease area	100.0%	0.01	0.01	0.01
EPC 1987	Quandong	Comparable Transactions EV/lease area	10.0%	0.00	0.00	0.00
EPC 1996	Churchyard Creek	Multiples of Exploration Expenditure	100.0%	0.02	0.05	0.03
EPC 2011	South Clermont	Multiples of Exploration Expenditure	100.0%	0.21	0.32	0.25
EPC 2037	Almoola	Average of MEE & EV/lease area	100.0%	0.01	0.01	0.01
MDL 453	Cooroorah	Comparable Transactions EV/resource	100.0%	0.62	3.12	1.87
			Total Value	**1.70**	**5.57**	**3.71**

Appendix A. LIST OF ABBREVIATIONS

Item	Description
$/t	Australian dollar / tonne
A$	Australian dollars
alluvial	Relatively recent deposits of generally poorly consolidated sedimentary material laid down in river beds, flood plains and lakes.
anticline	A line or axis to which strata rise from both directions in an arch shape.
ar	As received basis, defining the moisture basis for coal quantity and quality parameters
ash	The inorganic residue remaining after a pulverised sample of coal is incinerated under standard laboratory conditions
APC Coal Assets	All coal leases owned by APC
APC	Australian Pacific Coal Ltd
Area Coal	Area Coal Pty Ltd, a 100% owned subsidiary of APC
attributable resources	That part of the resources from a mine or project in which APC has an economic interest. It therefore excludes resources attributable to the interests of any other partners.
basalt	Fine grained igneous rock from an extrusive lava flow
basement	The older rock mass which underlies an ore body or a sedimentary basin. Often refers to rocks of Precambrian age which may be covered by younger rocks.
BDO	BDO Corporate Finance (QLD) Ltd
Bentley Resources'	Bentley Resources Pte Ltd, a proposed participant in the APC capital raising.
Carboniferous	The period from about 345 to 280 million years ago. It is part of the Paleozoic era
coal measures	A sequence of strata deposited within the same geological period that contains coal seams
coal mine	coal mine means an operating mine producing coal
coal, bituminous	A rank of black coal
coal, coking	Coal which is suitable for marketing and use as metallurgical coal, which is generally used in the steel making process
coal, PCI	Coal which is suitable for direct injection into blast furnaces in a pulverized state and which has a high level of volatile matter
coal, metallurgical	A broader term for describing coal which comprises both coking coals and PCI coals, both of which are used in the steel making process
coal, SSCC	Coal which is not suitable as a hard coking coal but is suitable as a component in coke oven blends
coal, thermal	Coal which is combusted to provide heat for steam generation and subsequent power generation, or burned for heat generation only
Competent Person	A professionally qualified specialist defined by the JORC Code.
conglomerate	A coarse grained sedimentary rock comprising large fragments set in a fine grained matrix of sand and cementing material
CSN	Crucible Swell Number; a measure of the swelling properties of coal when heated; one of the most common tests to determine coal suitability for coking
daf	daf means dry ash free
dyke	Igneous material cutting across the strata usually in a vertical or near vertical plane
fault	A fracture in the earth one side of which is displaced with respect to the other in any direction
FC	FC means fixed carbon
fluvial	Pertaining to rivers. River environment for deposition of material
fold	Deformation of the strata due to tectonic forces
gar	Gross as received basis

Item	Description
geotechnical	The engineering properties of rocks
Igneous	Material that has originated from a molten state
IM	IM means Inherent Moisture,
In situ or insitu	Material in the ground in its natural state; not mined, not processed
interburden	Rock material separating coal seams
ISO	International Standard Organization
ITSR	Independent technical specialist report
joint	Natural fractures in rock generally vertical
JORC Code	Australian Code for Reporting of Mineral Resources and Ore reserves, prepared by Joint Ore Reserves Committee of Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia (JORC 2012). International accepted.
JV	Joint venture
km	Kilometre (s)
kt	kt means thousand (kilo) tonnes
lithological	Description of the features of sedimentary rocks such as colour, grain size and composition
lithology	General description relating to the physical composition of rock forming materials
m	Metre
M	Million (s)
magnetic survey	A geophysical technique that measures the earth's magnetic field and its changes
Measured Resources	for which quantity and quality can be estimated with a high degree of confidence. The level of confidence is such that detailed mine plans can be generated, mining and beneficiation costs, and wash plant yields and quality specifications, can be determined
metallurgical coal	metallurgical coal means coking coal and pulverised coal used in making steel,
Mining Investments One, (MIO)	Mining Investments One Pty Ltd, a 100% owned subsidiary of APC.
mm	Millimetres
moisture, air dried	Moisture in the analysis sample (as determined) or the residual moisture in equilibrium with the prevailing laboratory conditions
moisture, as received	Moisture determined on the as-received coal.
moisture, in situ	Bed moisture; natural moisture content of the coal in situ in the seam, that exists as an integral part of the coal seam in its natural state.
moisture, inherent	Moisture that exists as part of the coal seam in its natural state. In the case of most coals, the inherent moisture may be equated to the bed moisture and to the total moisture. In South Africa however, the term inherent moisture generally refers to the moisture in the analysis sample or the residual moisture.
moisture, residual	Moisture content that remains in the coal after it has been air-dried at room temperature and that can be removed by heating at 105 °C.
Mt	million metric tonnes
Mt Hillalong Project	The coal tenements comprising EPCs 1773, 1824, 1867 and EPCa 1645
outcrop	An exposure of strata projecting through the overlying cover of detritus and soil
overburden	Strata that lies above the coal seam
paleo	Ancient reference to past geological times
paleozoic	An era of geological time from about 570 to 225 million years ago
PCI	Pulverized Coal Injection
Permian	The period from 280 to 225 million years ago. It is sometimes considered part of the Carboniferous period. It is part of the Paleozoic era
ply	A layer of a coal seam of distinguishing properties formed from different plant and sediment material deposited separately

Item	Description
Quaternary	The period following the Tertiary extending to the present
relative density (RD)	
Resources, Indicated	As per Chapter19, "..that portion of a mineral resource for which quantity and quality can only be estimated with a lower degree of certainty than for a measured mineral resource because the sites used for inspection, sampling and measurement are too widely or inappropriately spaced to enable the material or its continuity to be defined, or its grade throughout to be established."
Resources, Inferred	A third classification of Mineral Resources with lower confidence than both Measured Resources and Indicated Resources which is defined in many international mineral estimating codes; including both the JORC (Australian) and the SAMREC (South African) codes. Note that Inferred Resources are not mentioned in Chapter19.
Resources, Measured	As per Chapter19, "..that portion of a mineral resource for which tonnage or volume can be calculated from outcrops, pits, trenches, drill-holes or mine workings, supported where appropriate by other exploration techniques. The sites for inspection, sampling and measurement must be so spaced that the geological character, size, shape, quality and mineral content will be established with a high degree of certainty;"
Resources, Mineral	As per Chapter19, "..include metallic and non-metallic ores, mineral concentrates, industrial minerals, construction aggregates, mineral oils, natural gases, hydrocarbons and solid fuels including coal;"
RL	Reference Level
RIO	Rio Tinto Exploration
sandstone	A sedimentary rock comprising sand set in a matrix of silt or clay united by a cementing material. Contains 85%-90% quartz
seam	A stratum of coal
SSCC	SSCC means semi-soft coking coal which is a coal unable to make a strong coke in its own right but is suitable as a component blend in coke ovens
sub-basin	A regional low area within a wider basin structure
subcrop	A mineral occurrence, including coal seams and plies, which comes near the surface but is covered by a thin layer of non-mineral overburden
syncline	A line or axis towards which strata dip or slope down from both directions
t	metric tonnes
TC	Total carbon
tectonic	Relates to the movement and structural features of the earth's crust
Tertiary	The period between about 65 million and 2 million years ago
TM	TM means Total Moisture content of coal as sampled,
Triassic	The period from 225 to 190 million years ago. It is part of the Mesozoic era
Trepang Services'	Trepang Services Pty Ltd, a proposed participant in the APC capital raising.
TS	Total sulphur
tuff	A general term for consolidated material ejected from a volcanic vent
VALMIN Code	"Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, The VALMIN Code, 2005 Edition", prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.
VM	VM means volatile matter, the loss in mass of a coal sample when it is heated under laboratory conditions
Xenith	Xenith Consulting Pty Ltd

Appendix B. PROJECT TEAM

Troy Turner – Troy is a Geologist with over 20 years' experience in exploration, geology and operations for the open cut coal and mineral sands sectors. With a solid combination of technical skills, coal geology expertise and mining business management acumen. Troy specialises in the planning of exploration programs, resource assessments, 3D modelling and conceptual evaluations as well as being a qualified competent person under the JORC Code.

Oystein Naess – Oystein is a geologist with 12 years' experience in Australia in exploration, resource and mine geology for the open cut coal and coal seam gas industries. He has skills in coal resource estimation, exploration planning and supervision, mine geology as well as geotechnical areas. Oystein specialises in 3D modelling, resource estimates, and the planning of exploration programs. Oystein is a qualified competent person under the JORC Code.

Mathew Lynch – Mathew is a CFA charterholder and an experienced financial analyst holding both post-graduate financial and geological qualifications. With over 10 years' experience in equity markets and mining project analyst roles, Mathew couples his commercial background with technical geology skills to specialise in financial modelling, analysis, due diligence and project valuations.

Garry Gough – Garry is a chemical engineer with over 27 years of experience in environmental approvals and management across the resources, energy, linear infrastructure, and property sectors. Garry has sound working relationships with statutory authorities at commonwealth, state and regional levels, is very experienced in negotiating with government and other stakeholders. He possesses a firm understanding of state and commonwealth environmental legislation. Garry sits on the Queensland Resource Council's Environment Committee which is a leading industry body involved in development of environmental legislation.

Appendix C. CONTRAINTS

Tenure Type	No.	Name	Restricted Area No. (RA)	Overlapping PL	PLA	PAA	SEA	SCL Trigger Area	World Heritage Area or National Park	Nature Reserve	SDA	State Forrest
EPC	1566	Bee Creek	NA	No	No	No	No	No	No	No	No	No
EPC	1645	Mount Hess	NA	No	No	No	No	yes	No	Kemmis Creek	No	No
EPC	1773	Kemmis Creek	NA	No	No	No	No	no	No	no	No	No
EPC	1824	Mount Hillalong	404/384	No	No	No	No	yes	No	no	No	No
EPC	1859	Dingo	NA	No	No	No	No	no	No	no	No	No
EPC	1867	Mount Hess West	NA	No	No	No	No	yes	No	no	No	No
EPC	1896	Bottle Tree Creek	NA	No	No	No	No	yes	No	no	No	No
EPC	1955	Bungaban Creek	NA	PL176 and PL 101	No	No	No	yes	No	no	Surat Basin Infrastructure SDA	Barakula State Forrest
EPC	1957	Laguna Creek	NA	No	No	No	No	no	No	no	Galilee Basin SDA	No
EPC	1965	Kanga Creek	NA	No	No	Yes	No	yes	No	no	No	No
EPC	1987	Quandong	NA	No	No	No	No	yes	No	no	No	Barakula State Forrest
EPC	1996	Churchyard Creek	NA	No	No	No	No	yes	No	no	No	No
EPC	2011	South Clermont	391 / 189	No	No	No	No	Yes	No	no	No	Aspley State Forest and Copperfield State Forrest
EPC	2037	Almoola	384	No	No	No	No	no	No	no	Galilee Basin SDA	Sonoma State Forrest
MDL	453	Cooroora	NA	No	No	No	No	yes	No	no	No	No
ML	70360	Mantuan Downs No. 1	NA	No	No	No	No	yes	No	no	No	No

Legend
SDA = State Development Area
SCL = Strategic Cropping Area
PLA = Priority Living Area
PL = Petroleum Lease
PAA = Priority Agricultural Area
SEA = Strategic Environmental Area

Appendix D. REFERENCES

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