

ASX RELEASE

20 April 2022

Purchase of Dartbrook Coal Project

Further to the ASX announcement made by Australia Pacific Coal Limited (**'AQC'** or **'Company'**) on 21 February 2022, AQC confirms that it has now entered into conditional binding agreements with Trepang Services Pty Ltd.

As previously announced, AQC has received from its major shareholder and creditor Trepang Services Pty Ltd (**'Trepang'**) an offer for Trepang or its nominee to purchase the Dartbrook Coal Project through the acquisition of the Company's wholly owned subsidiaries (AQC Investments No. 2 Pty Ltd; ACQ Dartbrook Pty Ltd; AQC Dartbrook Management Pty Ltd and Dartbrook Coal (Sales) Pty Ltd (together, **Subsidiaries**) (the **Offer**).

The parties have now entered into a conditional share sale agreement to give effect to the following terms of the Offer:

- (a) AQC selling to Trepang or its nominee 100% of the issued share capital in AQC Investments No. 2 Pty Ltd and contemporaneously transferring to Trepang, all the rights attaching to the shares;
- (b) AQC and Trepang, Paspaley and Robinson (the **Financiers**) agreeing to, or procuring the novation of, the principal amount of all debts owing by AQC to the Financiers, amounting to approximately \$29,988,418, to certain of AQC's Subsidiaries (the ownership of which will be directly or indirectly transferred as part of the transaction) or as may be nominated by Trepang.
- (c) The Financiers agreeing to waive any right for interest to be charged or accrued, whether relating to any past, present or future periods, under any of the Other Financiers loan agreements;
- (d) Trepang agreeing to procure the forgiveness of the debts owing by AQC to John Robinson Jnr equalling \$249,230.64 and contemporaneously entering into a Deed of Debt Forgiveness to document this debt being forgiven;
- (e) Trepang agreeing to release AQC from its guarantee and any obligation to repay the loan advanced to them from Anglo American Metallurgical Coal Assets Pty Ltd (as assigned to Trepang) on such terms as may be acceptable to AQC;
- (f) Trepang agreeing to fund certain costs of AQC for the term of the Share Sale Agreement.

Following completion, AQC's consolidated liabilities will be reduced by approximately \$61m (based on 31 December 2021 balances).

AQC has also entered into a Royalty Deed with AQC Investments No. 2 Pty Ltd to procure the payment of a royalty to AQC by AQC Investments No. 2 Pty Ltd of 50% of the Net Profit of the Mine, provided that the royalty payable to AQC cannot exceed for each Calendar Quarter:

- (a) A\$2.50 per tonne for each tonne of Grantor Coal for a Calendar Quarter, where the Coal Price received for that Calendar Quarter is equal to or less than USD\$150.00 per tonne;
- (b) A\$3.50 per tonne for each tonne of Grantor Coal for a Calendar Quarter, where the Coal Price received for that Calendar Quarter is greater than USD\$150.00 per tonne but less than or equal to USD\$200.00 per tonne;

- (c) A\$5.00 per tonne for each tonne of Grantor Coal for a Calendar Quarter, where the Coal Price received for that Calendar Quarter is greater than USD\$200.00 per tonne.

Grantor Coal means 50% of the Coal sold from the Dartbrook Mine.

The binding agreements remain subject to certain conditions precedent, including shareholder and regulatory approvals. These conditions must be satisfied by 27 June 2022 unless the date is extended by the parties.

AQC has appointed EY to prepare an Independent Expert Report on the proposed transaction and that report together with further detail on the above transaction and agreements will be provided to shareholders in due course.

The AQC board has received interest from certain other parties in relation to the Dartbrook mine but all other approaches have been highly conditional and therefore the board has agreed that this transaction should be considered by shareholders.

This announcement has been authorised for release by the Board of AQC.

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