

## ASX ANNOUNCEMENT

14 JULY 2023

# Dartbrook Update: Project substantially de-risked with completion of tunnel dewatering; funding plan well advanced

- Dewatering of the Hunter Tunnel completed with approximately 70 megalitres of water removed
- Ventilation circuit re-established and operations to re-support the roof and ribs making good progress
- Redesign of the tunnel conveyor system complete and preparations underway to install new conveyor structure and belting in the Hunter Tunnel and inter-seam drift
- Refurbishment of the Coal Handling & Processing Plant (CHPP) and above ground infrastructure continues with no major issues identified
- \$3 million in additional working capital secured via loan and a sale and lease back agreement with major shareholder Trepang
- AQC targeting production restart at Dartbrook in Q4 2023<sup>1</sup>

Australian Pacific Coal Limited (ASX: AQC) (“AQC” or the “Company”) is pleased to provide an update on Operations and Funding for the restart of the Dartbrook Underground Mine located in the Hunter Valley, NSW.

### Restart Operations

Since the last project update<sup>2</sup>, remediation and refurbishment work at the Dartbrook mine has continued according to schedule and major critical path milestones have been achieved. Importantly, dewatering of the Hunter Tunnel, which passes under the New England Highway linking the underground mining operations with the CHPP, has been completed with approximately 70 megalitres of fluid removed to date. This represents an increase of 23% over the initial estimated volume of 57 megalitres and is a significant step in de-risking the project. Subsequently, the ventilation circuit has been successfully re-established which has enabled ongoing work to re-support the roof and ribs to make good progress.

The re-design of the tunnel conveyor system is now complete and preparations are underway to install the new conveyor structure and belting in the Hunter Tunnel and the inter-seam drift. An assessment of above ground infrastructure was also completed and a refurbishment plan is in place. The CHPP is in very good condition, notwithstanding that a portion of the electrical cabling will require replacement, and will be ready to start when underground production delivers coal to the CHPP area.

The Operator, Tetra Resources, has modified the Mine Plan to provide additional flexibility with regard to timing of equipment purchasing and recruitment. A leading mine consultant was engaged to assist with optimisation of the mine plan, including improving yields, and this work is ongoing. Consultants are also reviewing all historical borehole data logs specifically to review interburden ash levels and continue to work on the ply-by-ply analysis.

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<sup>1</sup> Subject to concluding all necessary JV operating agreements, sufficient confidence of restart funding, ASX and customary approvals.

<sup>2</sup> Refer ASX Announcement of 1 May 2023 - “AQC finalises Dartbrook Joint Venture Agreement”

## Project Funding

Dartbrook underground mine requires \$100 million to \$120 million in restart capex funding in order for mining operations to recommence. As at 30 June 2023, AQC had provided a loan of \$15.5 million to the Dartbrook Joint Venture (JV) to ensure restart operations remain on track while third party funding is negotiated. The loan will be repaid when third party funding is secured. The Dartbrook project has garnered significant international investor interest and AQC is working closely with its advisory and investment banking team to progress these financing solutions in the near term. Currently, a number of parties are at various stages of undertaking confirmatory due diligence and discussions around the term and structure of a capital solution are well advanced. AQC will be hosting site visits at Dartbrook for a number of interested parties over the coming weeks.

To ensure continuation of the remediation work at Dartbrook, AQC has agreed binding terms with its major shareholder, Trepang Services, for a loan of \$3 million for additional working capital while negotiations with potential lenders for the balance of the restart capex funding are finalised. The \$3 million loan is made up of a loan of \$2.2 million and the sale and lease back of the AQC-owned parcel of land occupied by the CHPP to Trepang for \$800,000<sup>3</sup>. The lease will be for an initial period of 10 years with the option to extend. The \$2.2 million balance of the loan plus interest will be repaid within 12 months or when third party funding is secured. AQC also has the option to secure an additional \$2 million from Trepang at a future date if required. As Trepang is a related party, the above transaction is subject to shareholder approval which will be proposed at the next AGM anticipated in November 2023.

### **Australian Pacific Coal's Interim CEO, Ms Ayten Saridas, said:**

"Negotiations with multiple third parties to procure restart capex funding have accelerated since the restructure of the Dartbrook operating joint venture. Understandably, the prevailing market and economic conditions have added another level of complexity to negotiations and extended the timeframe for completion, but by engaging with multiple interested parties we have delivered competitive tension to the process.

"By continuing to advance the remediation works at the mine, we have significantly de-risked the project and this has resulted in strong interest in funding the mine since the start of the year. The support of our major shareholder, Trepang, during this period gives us great confidence that we will finalise the restart funding package for Dartbrook in the near future.

"Our Operations team continues to make excellent progress on underground remediation and surface rehabilitation works and the project remains well positioned for restart in Q4 2023<sup>1</sup>, subject to finalising funding in a timely manner."

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This announcement has been authorised for release to the ASX by the Board of Australian Pacific Coal Limited.

### **About Australian Pacific Coal Limited (ASX: AQC) and the Dartbrook Project**

Australian Pacific Coal Limited (ASX: AQC) is focused on developing, acquiring and value adding coal projects. AQC's principal asset is the Dartbrook Coal Mine located in the Hunter Valley, NSW, approximately 4 km west of Aberdeen and 10 km north-west of Muswellbrook. The Dartbrook site has access to world-class infrastructure, a skilled workforce, and support industries utilised by major mining companies in the region. Dartbrook mine produces a high-quality thermal coal (NEWC spec) that is typical of the Hunter Valley with the potential to produce some semi-soft metallurgical coal. The quality characteristics and the percentage of the overall volume of product coal that may have coking coal properties suitable for end-users are yet to be fully determined.

All enquiries:

#### **Corporate**

Murray Aitken  
Australian Pacific Coal Limited  
M. +61 (0)408 932 158  
E. [maitken@aqcltd.com](mailto:maitken@aqcltd.com)

#### **Investors**

Matt Sullivan  
Meridian Investor Relations  
M. +61 (0)412 157 276

#### **Media**

Paul Ryan  
Citadel-MAGNUS  
M. +61 (0) 409 296 511  
E. [pryan@citadelmagnus.com](mailto:pryan@citadelmagnus.com)

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<sup>3</sup> The loan will attract interest at a rate of 10% per annum. AQC has agreed to grant Trepang a mortgage as security over the CHPP Land.