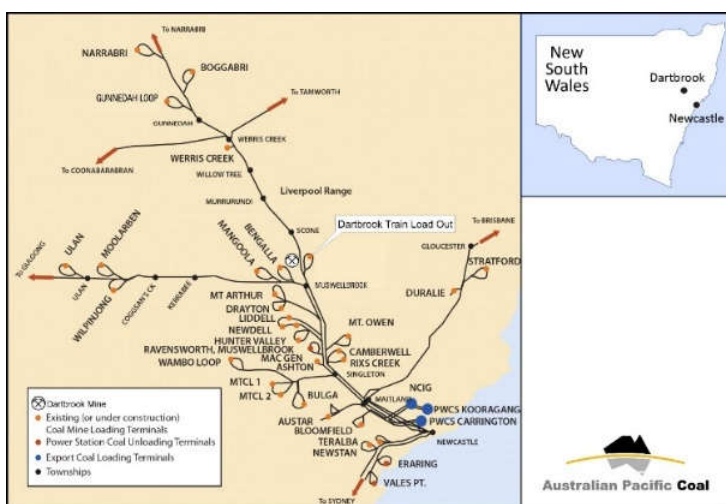


ASX RELEASE (ASX:AQC)

Quarterly Activities Report for the period ended 31 March 2017

Highlights

- *The Company's acquisition of 100% of the Dartbrook Joint Venture ('Dartbrook' or 'the Project') is progressing towards completion.*
- *The acquisition consists of Anglo American Plc's ('Anglo') 83.33% interest in the Dartbrook Joint Venture together with Marubeni Coal Pty Ltd's ('Marubeni') 16.67% interest in Dartbrook. As announced on 18 May 2016, Marubeni has executed formal documentation in relation to the tag-along sale of their 16.67% interest in the Dartbrook Joint Venture to the Company.*
- *During the quarter, the Company entered into a Convertible Loan Deed with Trepang Services Pty Ltd ('Trepang') to raise an additional \$15 million in funding to assist in completing the acquisition of 100% of the Dartbrook Joint Venture ('Dartbrook') from the Anglo American group and Marubeni Coal.*
- *On 31 March 2017, AQC issued 500,000,000 fully paid Ordinary Shares at an issue price of \$0.010 per share raising a total of \$5,000,000. The funds raised will be used by the Company for working capital, with additional working capital being required prior to the completion of the Dartbrook acquisition.*
- *At the Extraordinary General Meeting of the Company held on 13 April 2017, AQC's shareholders unanimously approved the Convertible Loan Deeds that were entered into with the Company's cornerstone investors together with related matters in connection with this financing as outlined in the Notice of Meeting.*



Funding

On 1 March 2017, the Company announced that it entered into a Convertible Loan Deed with Trepang Services Pty Ltd, conditionally securing \$15 million in funding to assist in completing the acquisition of 100% of the Dartbrook Joint Venture ('Dartbrook') from the Anglo American group and Marubeni Coal. The conditions to this funding were satisfied by the passing of the approval resolution at the Company's EGM held on 13 April 2017. This funding, together with earlier fundraisings, will assist the Company in satisfying the conditions precedent in order for the Dartbrook acquisition to proceed. The interest rate on the convertible loan is 10% per annum with the loan being secured against the Company's assets. The principal and any capitalised interest is able to be converted by the convertible loan holders into ordinary shares in AQC at \$0.0138 per share. The Summary Terms and Conditions of the Convertible Loan Deed are set out in the Company's EGM Notice of Meeting announced on 13 March 2017.

On 30 March 2017, the Company issued 500,000,000 fully paid Ordinary Shares at an issue price of \$0.010 per share to, Jet Arm Limited, an unrelated sophisticated investor to raise a total of \$5,000,000 in accordance with approval granted by shareholders under Resolution 7 of the Company's Annual General Meeting held on 13 January 2017. The funds raised will be used by the Company for working capital, with additional working capital being required prior to the completion of the Dartbrook acquisition.

Dartbrook Project

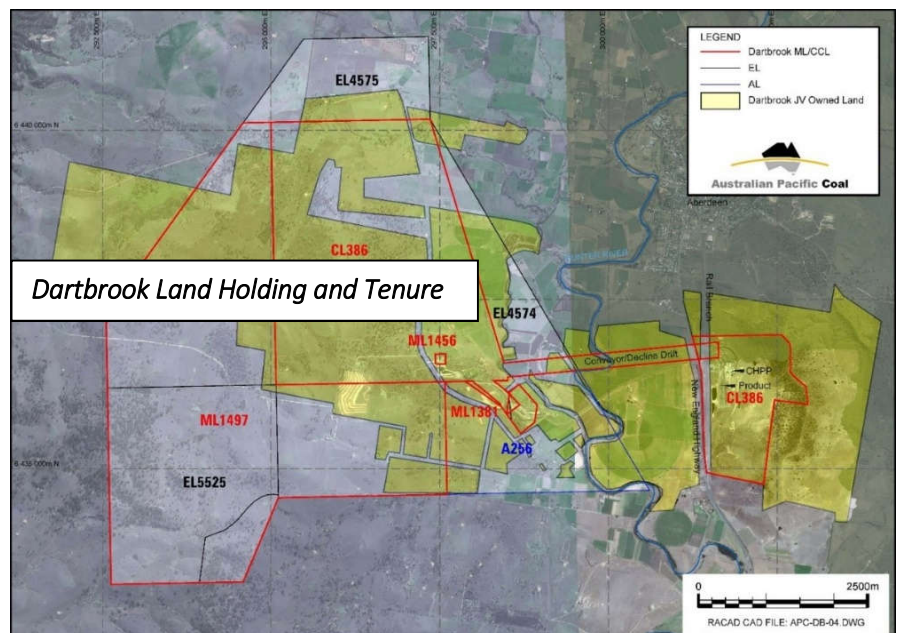
The Company will be able to move to completion of the Dartbrook acquisition as soon as the remaining conditions precedent under the 'Sale and Purchase Agreement – Dartbrook' are either waived or satisfied.

The Company is conducting its activities so as to be in a position to ensure the smooth handover of the mine from the Anglo American Plc group.

Following completion of the Dartbrook acquisition the Company anticipates conducting a series of community briefings setting out its proposals for the Dartbrook mine.

Dartbrook is a tier 1 asset, strategically located and well equipped with existing infrastructure and facilities.

On 27 March 2017 the Company announced its "Dartbrook Kayuga Seam Underground JORC Reserves Statement" ('Underground Reserve Statement'). AQC has decided not to proceed with the identified underground mine plan for Dartbrook at this time based on the factual data and information that is detailed in the announced Underground Reserve Statement. However, a final decision on underground mining at Dartbrook is yet to be made by the Company. Alternative underground mine plan approaches providing a better risk-adjusted financial outcome for AQC will certainly be considered as part of the Company's deliberations regarding any future coal mine development at Dartbrook.



Extraordinary General Meeting – Approval of Convertible Loan Deeds and Security

The Company held an Extraordinary General Meeting of shareholders on 13 April 2017. Shareholders unanimously approved the following resolution at the meeting:

“That in accordance with Chapter 2E and section 611 (Item 7) of the Corporations Act 2001, and under Listing Rules 10.1 and 10.11 and for all other purposes, the Company be authorised, with effect from the passing of this Resolution 1 to proceed with:

- (a) the issue of the Robinson Convertible Note, capable of being converted into Shares in the Company, to Mr John Robinson (Snr) with a face value of \$10,000,000 plus interest capitalised up to the date of completion of the Dartbrook acquisition, pursuant to the terms of the Robinson Convertible Loan Deed;*
- (b) the issue of the Paspaley Convertible Note, capable of being converted into Shares in the Company, to Mr Nicholas Paspaley with a face value of \$10,000,000 plus interest capitalised up to the date of completion of the Dartbrook acquisition, pursuant to the terms of the Paspaley Convertible Loan Deed;*
- (c) the issue of the Trepang Convertible Note, capable of being converted into Shares in the Company, to Trepang Services Pty Ltd with a face value of \$15,000,000, pursuant to the terms of the Trepang Convertible Loan Deed (collectively with the Robinson and Paspaley Convertible Notes, the Convertible Notes);*
- (d) the subsequent conversion of the Convertible Notes into up to 7,521,149,069 Conversion Shares and Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd acquiring a relevant interest in the Conversion Shares on conversion of the Convertible Notes;*
- (e) the issue of up to 3,808,682,792 Interest Shares to Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd in satisfaction of the obligation of the Company to pay interest under the Secured Loan Deed, the Convertible Loan Deeds and Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd acquiring a relevant interest in such Interest Shares;*
- (f) the granting of the Security by the Company to Mr John Robinson Snr, Mr Nicholas Paspaley and Trepang Services Pty Ltd to secure the indebtedness associated with the Convertible Loan Deeds, the Convertible Notes and the Secured Loan Deed;*
- (g) the giving of financial benefits to Trepang Services Pty Ltd, Mr John Robinson Snr and Mr Nicholas Paspaley to the extent they are related parties of the Company;*
- (h) the commencement of the Escrow Deeds and Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd acquiring a relevant interest in the Shares the subject of the Escrow Deeds;*
- (i) the Voting Power of Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd (and their Associates) increasing up to a maximum of 84.90% pursuant to the Convertible Loan Deeds, the Secured Loan Deed and the Escrow Deeds,*

pursuant to the terms and conditions of the Convertible Loan Deeds, the Convertible Notes, the Secured Loan Deed, the Security and the Escrow Deeds, the details of which are summarised in the Explanatory Memorandum.”

Director Resignation

Mr Paul Byrne resigned as a Director of the Company on 15 February 2017. My Byrne has been a strong supporter of the Company since his appointment on 29 November 2005 and the Company wishes him well in his future endeavours.

For further information, please contact:

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