

ASX ANNOUNCEMENT

1 MAY 2023

## AQC finalises Dartbrook Joint Venture Agreement and increases working interest in the mine; projected production restart in Q4 2023

- Dartbrook Joint Venture Agreement restructured with new terms agreed
- AQC's direct working interest in the project increased from 50% to 80% and its net economic interest increased from 50% to 70%
- JV close to finalising a significant portion of restart funding arrangements linked to a new coal marketing and offtake agreement
- Updated mine plan indicates improved yields should be possible with the potential to produce some semi-soft met coal
- Development works progressing to plan – tunnel dewatering substantially complete
- Dartbrook on track for production restart in early Q4 2023

Australian Pacific Coal Limited (ASX: AQC) (“AQC” or the “Company”) has agreed new terms and executed a restructured Joint Venture Agreement (“JVA”) that will underpin the restart of the Dartbrook underground coal mine as planned in early Q4 2023. The binding term sheet announced in September 2022 has been renegotiated and the new JVA will see AQC increase its direct working interest in the project from 50% to 80% and its net economic interest increase from 50% to 70%.

With the JVA in place, the Dartbrook Joint Venture is currently finalising funding arrangements to meet future restart capex and working capital needs. A significant portion of the funding package will be linked to a new coal marketing and offtake agreement and negotiations with an international third party with extensive global coal marketing experience are in the final documentation stage. Once finalised, this agreement and associated funding will materially de-risk the project and provide a clear pathway for additional funding. Discussions for additional funding involve multiple parties that are in advanced stages of due diligence.

### **Dartbrook Joint Venture**

The Dartbrook mine has ROM coal reserves of 470 million tonnes and saleable coal reserves of 370 million tonnes. Operations are expected to ramp up towards a steady state production of approximately 3 million tonnes ROM coal per annum. AQC owns the coal handling and processing plant that is critical infrastructure and negotiations for rail and port access are progressing well. The Dartbrook mine produces a high-quality coal that is typical of Hunter Valley specification. The Operator has recently updated the mine plan which indicates that the Dartbrook mine should be capable of delivering improved yields relative to historical outcomes, and that there exists the potential to produce some semi-soft metallurgical (i.e. coking) coal into the market, which is essential in the manufacture of steel. 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. With a revised mine plan and development works underway, the JV partners are confident of the target date to commence operations in early Q4 2023.

Tetra Resources Pty Ltd (“Tetra”) will be the exclusive Operator of the JV and will continue to support the ongoing operations of the mine. Tetra has been a long-term partner on the Dartbrook project and they have led the

operations through the initial development stage including the regulatory, operational and safety requirements associated with the mine.

A key change from the previous JV announcement is that Trepang Services Pty Ltd (“Trepang”) will no longer have a 10% working interest in the project. Instead, Trepang will provide land and water access to the mine via a long-term lease which will be equivalent to an indirect 10% economic interest, with a minimum payment of \$5 million per annum, that will be a cost to the JV. Further details on the lease will be provided when the terms are finalised.

Under the terms of the revised agreements, M Resources Pty Ltd (“M Resources”) will no longer be the coal marketing agent but will continue to support AQC by providing ongoing Technical Services advice on marketing and operations. The terms of the advisory role includes a 10% economic interest in the project and advisory fees as outlined in the term sheet attached to this release.

The key terms of the restructured and simplified JV are as follows:

- AQC retains the majority direct working interest which has increased from 50% to 80%.
- Tetra remains a direct JV participant with a 20% working interest and remains the mine Manager and Operator.
- Subject to shareholder and ASX approval, Trepang will no longer have a direct working interest in the JV. Instead, Trepang will provide land and water access to Dartbrook through a long-term lease equivalent to a 10% economic interest, with a minimum payment of \$5 million per annum, which will be an operating cost of the JV.
- M Resources will receive a 10% indirect economic interest in the JV through AQC (therefore reducing AQC’s effective economic interest to 70%).
- M Resources will be retained to provide ongoing Technical Services advice to AQC and receive an advisory fee and retainer for its services.
- The JV is currently in advanced discussions with another party for a coal marketing and offtake agreement which is subject to the provision of a significant component of restart capex funding. Negotiations are well advanced and an announcement will be made as soon as documentation is executed.

Further details on the terms of the JV are provided in the attachment to this announcement.

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

“We have maintained our focus on achieving the commercial and operational milestones to restart production at the Dartbrook mine in 2023 and I am pleased with the excellent progress made to date. The underground remediation works required to reopen the mine are on track and the team has continued work on the mine plan which has indicated the potential for improved yields and a better mix of coal quality that could ultimately result in better margins on coal sales. With the new JVA in place, AQC is in a stronger position having increased its net economic interest from 50% to 70% which is a significant positive outcome for our shareholders.

“We are also well advanced in implementing the funding package for the remaining restart capex. This will likely be agreed with a third party in conjunction with a new coal marketing and offtake agreement, which we anticipate announcing in the near future.

“This has been a complex negotiation and reflects the tremendous opportunity that the Dartbrook mine presents. Looking forward, while thermal coal prices have moderated from the highs of 2022, demand continues to be strong and Dartbrook’s low cost base gives it the ability to generate solid projected free cash flows, even at current prices. I want to thank our staff, our partners in the project and shareholders for their patience while we negotiated the revised structure. This is a great outcome for all stakeholders, and we are excited about our plans to develop this mine in a sustainable way that demonstrates how mining and agriculture can coexist and deliver benefits to the broader community.”

**Tetra Resources Executive Chair, Mr Brian MacDonald, said:**

“Over the past six months the team on site, led by Michael Mapp, Tetra’s CEO, have made very good progress on preparatory works to restart underground mining operations at Dartbrook. We welcome the successful execution of the JVA and remain focused on achieving production in early Q4 2023.”

**M Resources CEO, Mr Matthew Latimore, said:**

“The Dartbrook underground coal mine is an exceptional opportunity with the ability to restart production in a matter of months. There are few opportunities like this where the coal quality, geological, infrastructure and economic conditions are suitable for development in such a short timeframe. M Resources is pleased to provide Technical Services advice to AQC where we can add value to all aspects of the mine’s operation and commercial activities.”

**Capital Expenditure Update**

AQCs’ previously published estimate that the Dartbrook underground mine will require capex funding of \$100 million to \$120 million to enable mining operations to restart in H2 2023 remains unchanged. To date, AQC has advanced a loan to the JV of approximately \$10 million to avoid disruption to the development program. This loan will be repaid when the third-party debt facility is executed. A substantial portion of the third-party funding will be linked to a coal marketing and offtake agreement which is currently being agreed with an international third party with extensive global coal marketing experience. Discussions for additional funding involve multiple parties that are in advanced stages of due diligence.

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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 thermal and metallurgical coal projects. AQC’s principal asset is the Dartbrook Coal Mine in the Hunter Valley, NSW. The Dartbrook Coal Mine is located 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 the support industries utilised by major mining companies in the region to serve key customers in Asia.

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# Summary Term Sheet - Dartbrook Project (1 May 2023)

The following are the terms for the revised joint venture arrangements between the Tetra Resources Pty Ltd, and Australia Pacific Coal Limited (**Transaction**). The parties acknowledge that the terms proposed in it will be disclosed to AQC's shareholders and the ASX.

<b>Parties</b>		
1	<b>AQC</b>	Australian Pacific Coal Ltd ACN 089 206 986
2	<b>Tetra</b>	Tetra Resources Pty Ltd ACN 633 892 109 (or its nominee related entity)
3	<b>M Resources</b>	M Resources Pty Ltd ACN 151 351 790
4	<b>Trepang</b>	Trepang Services Pty Ltd ACN 149 489 065
<b>Farmin and Joint Venture</b>		
5	<b>Background</b>	<ul style="list-style-type: none"> <li>As at the date of this Term Sheet, AQC, through its wholly owned subsidiaries, owns the Dartbrook coal mine (<b>Dartbrook</b>).</li> <li>AQC and Tetra are entering a new strategic partnership and joint venture in relation to Dartbrook (<b>Strategic Partnership</b>).</li> <li>The terms of the Strategic Partnership are as set out in this Term Sheet.</li> </ul>
6	<b>Conditions Precedent</b>	<p>The transactions contemplated by this Term Sheet are conditional on:</p> <ul style="list-style-type: none"> <li>in respect of any benefit to be given to Trepang, AQC obtaining all required authorisations including but not limited to shareholder approval, ASX approval by the date which is 120 days from the date of this Term Sheet; and</li> <li>Termination of the Binding Term Sheet executed on 22 September 2022; and</li> <li>Execution of a Deed of Release by all parties to the Binding Term Sheet executed on 22 September 2022.</li> </ul>
7	<b>Joint Venture Farmin</b>	<p>This Term Sheet is documented in a customary long form Farmin and Joint Venture Agreement (<b>JVA</b>)</p> <p>The key terms of the JVA includes the following:</p> <ul style="list-style-type: none"> <li>Tetra, or its affiliate, will earn a 20% direct interest in Dartbrook upon signing the JVA.</li> <li>However, if Dartbrook does not achieve production of 50kt of saleable coal within 12 months after securing funding of the Restart Capex (excluding by reason of a material adverse event or force majeure event), the entirety of Tetra's interests will revert to AQC.</li> </ul>

		<ul style="list-style-type: none"> <li>• The parties will jointly prepare or arrange a capital expenditure restart report detailing the required estimated capital expenditure for recommencing Dartbrook's operations to commercial production levels (<b>Restart Capex</b>).</li> <li>• Tetra and AQC acknowledge that they will (subject to the parties agreeing terms (such agreement not to be unreasonably withheld)) grant security interests over their JV interest, should the financier providing the Restart Capex require security over the entirety of the JV assets, provided it is clear there is no recourse to assets of a JV participant beyond the secured JV interest.</li> <li>• All direct interests in Dartbrook will be at an asset level unless the parties agree otherwise (eg through holding shares in AQC Investments 2 Pty Ltd) following legal, accounting, financial and tax advice.</li> <li>• Tetra's direct JV Interests will be transferred immediately upon entry into the JVA (subject to re-transfer if Tetra does not comply with its farm-in obligations such retransfer at the cost of Tetra).</li> <li>• AQC will have the right to appoint three members (who in turn may appoint nominees) to the operating committee or other joint venture decision making body and Tetra will have the right to appoint one member of the operating committee or joint venture decision making body.</li> <li>• Trepang will be entitled to appoint an observer to the operating committee.</li> <li>• AQC will be entitled to nominate (with the agreement of Tetra) the independent chairman of the operating committee or joint venture decision making body (who will not have a voting right).</li> <li>• Trepang has agreed in the entitlement offer and loan set-off letter dated 28 September 2022 executed by Trepang and AQC (<b>Set Off Letter</b>) that, subject to AQC obtaining the required approvals, including shareholder approval it will agree to amend the existing AQC access and compensation agreement, various easement arrangements and term transfer of water rights on mutually agreeable commercial terms to allow underground mining operations to continue at the Dartbrook coal project for the duration of mine life extension approvals of the existing underground Dartbrook Mine of original permit no: DA 231 07 2000.</li> <li>• In consideration for the amendment and extension of the land access agreements and water rights, and subject to AQC obtaining the required approvals, including shareholder approval, AQC and Tetra will enter into a lease agreement with Trepang and pay Trepang the greater of 10% of EBITDA or \$5 million as a joint venture expenditure.</li> <li>• The parties further acknowledge that under the terms of the Set Off Letter, Trepang and AQC will identify and agree an area or areas within the Trepang properties (being the properties which are the subject of the extended land access and water rights agreements), to</li> </ul>
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		<p>be used by AQC to allow underground mining operations to continue at the Dartbrook Mine (<b>Relevant Area</b>).</p> <ul style="list-style-type: none"> <li>• Details of the Trepang lease will be documented in a lease agreement to be finalised before shareholder approval is sought.</li> <li>• Assuming the condition precedents are satisfied, and saleable coal production targets are met in the relevant timeframes required, the overall joint venture equity ownership interest will be: <ul style="list-style-type: none"> <li>- AQC: 80%</li> <li>- Tetra: 20%</li> </ul> </li> </ul>
<b>Mine Management Services Agreement</b>		
8	<b>Appointment</b>	Tetra (or its related entity) be appointed as the manager of Dartbrook (subject to the supervision and direction of the joint venture management committee) ( <b>Dartbrook Management Co</b> ).
9	<b>Duties &amp; Functions</b>	Duties and functions consistent with draft JV documentation circulated as at the date of this Terms Sheet.
10	<b>Fees</b>	<p>The following fees will be paid monthly in arrears to the Dartbrook Management Co as an operating cost of the JV:</p> <ul style="list-style-type: none"> <li>• A\$2,500,000 per annum for the first 3 years; and</li> <li>• thereafter, A\$5,000,000 per annum.</li> </ul>
11	<b>Termination</b>	In addition to any contractual termination rights under the JVA, AQC will have the right, but not the obligation to terminate Tetra as Manager if Tetra's interest in the JV falls below 10%.
12	<b>Indemnity</b>	Tetra will indemnify and hold harmless AQC in respect of any loss suffered by AQC as a result of a breach by the Dartbrook Management Co of the Mine management services agreement.
<b>Mine Operation and Maintenance</b>		
13	<b>Mine Operation and Maintenance</b>	Tetra (or a nominee related entity) will be appointed as the Operator of Dartbrook.
14	<b>Duties &amp; Functions</b>	<p>Usual duties and functions under industry standard operation and maintenance agreement. This shall include, but not be limited to:</p> <ul style="list-style-type: none"> <li>○ Preparation of mine plans and management plans, including capital works plans, budgets, strategic plans, detailed operating plans, and rehabilitation plans associated or related with the Dartbrook mine;</li> <li>○ Execution of all operational and activities involved in the above, including capital works, operating functions and maintenance functions within and associated with the Dartbrook mine and coal processing/infrastructure facilities;</li> </ul>

		<ul style="list-style-type: none"> <li>○ The provision of all mining plant and equipment required to be procured and undertaken in the mining and processing of the coal;</li> <li>○ Employment of all persons required to be engaged in the Dartbrook project related to the matters as noted herein;</li> <li>○ The negotiation, entering into, and management of, all contracts with service providers, utilities, and external parties for all counter-party provisions required in order to execute the capital and operating plans;</li> <li>○ Planning, development and implementation of all statutory safety and other associated management plans for the business;</li> <li>○ Assumption of the statutory safety risks, employment of all the statutory safety personnel and liaison with the NSW Gov't mining regulators and mines rescue authorities;</li> <li>○ The procuring of insurance and related risk related financial coverage instruments;</li> <li>○ The provision of timely reporting of the matters as detailed herein;</li> <li>○ Liaison with all external local, state and federal government authorities, interested external stakeholders within the community, and associated approval authorities in respect of the management of the operation, and the advancement of the project including further planning consent modifications, mining lease applications and extensions of any of these permits;</li> <li>○ Liaison with the JV parties, The Marketing Agent in the management of the mining, processing and logistics and coal marketing to add best value to the Dartbrook mine.</li> <li>○ All other things that may be required to develop, operate and maintain the Dartbrook Coal mine as would ordinarily be required within the context of prevailing industry practice.</li> </ul> <p>If Tetra's JV interest is less than 10%, AQC may terminate Tetra as the Operator of Dartbrook.</p>
15	<b>Fees</b>	<p>Tetra will be compensated for the direct and indirect costs reasonably and properly incurred in the development, operation and maintenance of the mine (<b>Mine Operation and Maintenance Costs</b>), including onsite and offsite supporting costs attributable to the Dartbrook business. For clarity this shall include all activities required in the Pre-Production phase, the Production phase, and the mine closure/rehabilitation phase of the project.</p> <p>The Mine Operation and Maintenance Costs are costs of the JV.</p>
<b>Other</b>		
16	<b>Termination of Term Sheet dated 27 September 2022</b>	<ul style="list-style-type: none"> <li>● M Resources, Trepang, Tetra and AQC has agreed to terminate the executed Binding Term Sheet – Dartbrook Project dated 27 September 2022 (<b>Original Term Sheet</b>).</li> </ul>

		<ul style="list-style-type: none"> <li>The parties have signed a Deed of Release and waive any rights that may have accrued under the Binding Term Sheet executed on 27 September 2022.</li> </ul>
17	<b>Settlement Terms with M Resources</b>	<p>In exchange for M Resources waiving its rights, reducing its economic interest from 20% to 10% and giving up the marketing rights under the Binding Term Sheet, M Resources will be entitled to the following:</p> <ul style="list-style-type: none"> <li>10% indirect economic interest through AQC's;</li> <li>The economic interest will accrue until a distribution is made by the JV and paid in proportion to M Resources share of the economic interest;</li> <li>M Resources will receive a strategic advisory fee of 0.5% of AQC's net share of coal sales.</li> <li>The advisory fee will also include a management fee of A\$500k payable pa for the first 3 years and \$1m thereafter on a rolling 3 year basis.</li> <li>M Resources indirect interest in the JV reverts back to AQC in the event that Dartbrook does not achieve production of 50kt of saleable coal within 12 months for securing funding of the Restart Capex (excluding by reason of a material adverse change or force majeure event).</li> </ul>
18	<b>Severability</b>	<p>If anything in this Term Sheet is unenforceable, illegal, void or contravenes the law then it is severed and the rest of this Term Sheet remains in force. The rights and obligations of each party are not affected by any law that, but for this provision, would affect those rights and obligations.</p>
19	<b>Governing law and jurisdiction</b>	<p>This term sheet is governed by the laws of New South Wales</p>
20	<b>Duty</b>	<p>Each party must pay any stamp duty in respect of its earned JV interest (but not in respect of any JV interest acquired by any other party) whether under:</p> <ul style="list-style-type: none"> <li>this document; or</li> <li>any other agreement or document entered into or signed under this document.</li> </ul>
21	<b>Termination</b>	<p>The parties agree that should Dartbrook not achieve production of 50kt of saleable coal within 12 months of securing funding of the Restart Capex (excluding by reason of a material adverse change or force majeure event), this Term Sheet, the JVA and all other documents entered into pursuant to this Term Sheet are to immediately come to an end.</p>