

ASX RELEASE

10 October 2016

FUNDING UPDATE - ACQUISITION OF DARTBROOK COAL MINE

Australian Pacific Coal Limited ('AQC', or 'the Company') (ASX Code: AQC) is pleased to announce that it has received and accepted the First Extension Notice from each of Mr Paspaley and Mr Robinson pertaining to the total of A\$20 million in convertible loans that they have provided in connection with the funding of the Company's acquisition of its 83.33% interest in the Dartbrook Joint Venture ('Dartbrook') from the Anglo American group. As a result of AQC's receipt of this First Extension Notice, the maturity date on these convertible loans will be extended to 1 February 2018. Messrs Robinson and Paspaley's funds are held in escrow pending the completion of the Dartbrook acquisition.

The Company has also negotiated variations to the terms of the Convertible Loan Deeds entered into by the Company with each of Mr Nicholas Paspaley and Mr John Robinson that were announced to the ASX on 2 February 2016, and 16 June 2016, together with variations to the Secured Loan Deed that the Company entered into with Treppang Services Pty Ltd that was announced on 27 April 2016 and 16 June 2016 to provide A\$5 million in funding for the purchase of Marubeni Coal's 16.67% interest in Dartbrook. These amendments provide for:

- the approval date for the meeting of shareholders ('Approval Meeting') at which the Company will seek shareholder approval for the conversion of the loans and the granting of the security to be extended from 24 October 2016 to 31 January 2017; and
- the Company has agreed that in the event that shareholder approval is not given for the provision of security at the Approval Meeting or this approval is not obtained by the approval date, the Company will apply to the ASX for a waiver under Listing Rule 10.1 in order to permit the Company (and its subsidiaries) to grant these security interests.

Full details of the terms and conditions of the Convertible Loan Deeds (as amended), the Secured Loan Deed (as amended) and all security documents will be included in a Notice of General Meeting that the Company will despatch to shareholders for the purposes of convening a General Meeting to satisfy the shareholder approval conditions detailed in the Convertible Loan Deeds and the Secured Loan Deed.

The General Meeting is to be convened prior to 31 January 2017. The Notice of General Meeting will include an independent expert's report for consideration by shareholders for the purposes of item 7, section 611 of the *Corporations Act 2001* (Cth) in respect of the issue of the convertible loan securities pursuant to the amended Convertible Loan Deeds and the issue of the securities to Messrs Robinson and Paspaley (or nominees) in the event of the conversion of these convertible loan securities into AQC shares, as well as the grant of security to Messrs Robinson and Paspaley. In addition, the Notice of General Meeting will also include provision for the grant of security to Treppang Services Pty Ltd pursuant to the Secured Loan Deed (as amended) in connection with the A\$5 million loan to be provided by this company to fund the purchase of Marubeni Coal's 16.67% interest in Dartbrook.

AQC is pleased that the company remains on track to satisfy the conditions precedent to enable the completion of its Dartbrook acquisition in accordance with the terms and conditions of the Dartbrook transaction documents.