

ASX RELEASE

16 June 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 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 ('the financiers') that were announced to the ASX on 2 February 2016, as well as the terms of the Secured Loan Deed entered with Trepang Services Pty Ltd ('Trepang') as announced on 27 April 2016.

Messrs Robinson and Paspaley provided AQC with A\$20 million in connection with the funding of its acquisition from the Anglo American group of an 83.33% interest in the Dartbrook Joint Venture ('Dartbrook') (as varied, 'the Loans'). The funds raised are held in escrow pending the completion of the Dartbrook acquisition.

Summary Terms and Conditions of each of the Amended Convertible Loan Deeds with Messrs Robinson and Paspaley

Total Principal Amount	\$20,000,000.00
Approved Purpose	Enabling the Company to pay a sufficient amount of money into the Escrow Account for the purposes of satisfying clause 2.1(7) of the 'Sale and Purchase Agreement – Dartbrook' ('SPA') with these funds to be applied in satisfying the obligations of the Company and AQC Investments 2 Pty Ltd under the SPA.
Commencement Date	1 February 2016
Conversion Formula	$N = CA/IP$ Where: N is the number of Conversion Shares to be issued. CA is the Conversion Amount. IP is the Issue Price.
Issue Price	\$0.015 (<i>the same conversion price that was previously announced on 2 February 2016</i>)
Right to convert	Subject to shareholder approval being obtained, the Company will issue the financier a convertible note (in the amount of all amounts owing under the Convertible Loan Deed), which may be converted into Shares in accordance with the conversion formula at any time from date of issue of the note until the Maturity Date.

Interest Rate	<p>10% per annum (<i>previously 15% per annum as announced on 2 February 2016</i>)</p> <p>All interest accruing until the date of completion of the Dartbrook SPA will be capitalised. All interest accruing after the date of completion of the Dartbrook SPA will be payable in cash or Shares (at the 5 day VWAP prior to the relevant interest payment date) or capitalised, at the election of the Company.</p> <p>Interest will be charged at a rate of 15% on any overdue amounts, to be paid in cash.</p>
Maturity Date	<p>1 February 2017, with an ability for the financier to request (and for the Company to accept such request) to extend the maturity date by two further periods of 1 year (with the last possible maturity date being 1 February 2019).</p> <p>If the convertible note has not been converted in full on the Maturity Date, the Company will repay the amount owing in respect of the convertible note on the Maturity Date.</p>
Prepayment offer	<p>The Company is entitled to seek and obtain any third party funding. If the Company is offered funding of at least \$25 million, the Company must offer to repay the principal amount of the convertible loan deeds. If the financier does not accept such offer, the Company may elect to have all or part of the amounts owing under the convertible note converted into Shares in accordance with the conversion formula and the financier agrees to the Company providing security to the third party funder ranking in priority to the security granted under these arrangements.</p>
Security	<p>Subject to shareholder approval being obtained, the Company is to grant (and procure its subsidiaries to grant) to the financier:</p> <ul style="list-style-type: none"> - general security deeds over the Company and each of its subsidiaries; - mortgages over all mining tenements or rights held by the Company and each of its subsidiaries; - mortgages over all real property rights held by the Company and each of its subsidiaries.

In addition, the terms of the Secured Loan Deed entered with Trepang in respect of the acquisition of Marubeni Coal's interest in the Dartbrook Joint Venture as announced on 27 April 2016 have been amended to provide for:

- the drawdown of the principal amount of \$5 million is no longer subject to the grant of an ASX waiver under Listing Rule 10.1 or the provision of the security as was originally required;
- subject to shareholder approval being obtained, the Company is to grant (and procure its subsidiaries to grant) to the financier:
 - o general security deeds over the Company and each of its subsidiaries (the original terms of the Loan required a general security deed over the Company only);
 - o mortgages over all mining tenements or rights held by the Company and each of its subsidiaries;
 - o mortgages over all real property rights held by the Company and each of its subsidiaries.

This will ensure that each of Messrs Robinson and Paspaley and Trepang Services Pty Ltd all hold the same form of security;

- if the Company is offered third party funding of at least \$25 million, the Company must offer to repay the principal amount of the convertible loan deeds as well as the Loan. If Trepang does not accept such offer, it

agrees to the Company providing security to the third party funder ranking in priority to the security granted under the terms of the Secured Loan Deed.

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 condition detailed in the Convertible Loan Deeds and the Secured Loan Deed. The General Meeting is to be convened prior to 24 October 2016. The Notice of General Meeting will also 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 and Trepang Services Pty Ltd.

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