



ASX RELEASE

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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 conditionally secured an additional A\$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. Upon satisfaction of all conditions to this funding (further details of which are set out below), this funding will assist the Company in satisfying the condition precedent requiring the Company to provide evidence of its ability to replace the Dartbrook environmental bonds in the amount of \$9.245 million in order to proceed with the acquisition.

The Company has entered into a Convertible Loan Deed with Trepang Services Pty Ltd ('Trepang'), a cornerstone investor that is owned and controlled by John Robinson and Nick Paspaley who together had previously provided the A\$20 million by way of a convertible loan (presently held in escrow) for the Dartbrook acquisition and has agreed to provide a further \$5 million as consideration for Marubeni Coal's interest in Dartbrook by way of a secured loan.

Summary Terms and Conditions of the Convertible Loan Deed

Total Principal Amount	\$15,000,000.00
Approved Purpose	For replacement of environmental bonds, payment of stamp duty, partial repayment of principal amount owing pursuant to a secured loan deed between the Company and Trepang (being \$1 million recently advanced for working capital), and the remainder as working capital.
Conditions of drawdown	Trepang will not be obliged to advance the money unless on or before the Sunset Date (as defined in the SPA, which is presently 14 April 2017) the Company obtains shareholder approval for the Convertible Loan Deed, the voluntary escrow deeds and all security documents and these documents are fully executed. If such conditions are not met, Trepang may elect to advance the funding at its sole discretion. If Trepang agrees to advance the funds without shareholder approval being obtained before 31 May 2017, Trepang may by written notice require the Company to repay the funds in full within 28 days of the notice.
Commencement Date	2 business days prior to the completion date defined in the Sale and Purchase Agreement – Dartbrook ('SPA') or such other date agreed by the parties.
Conversion Formula	$N = CA/IP$ <p>Where:</p> <p>N is the number of Conversion Shares to be issued.</p> <p>CA is the Conversion Amount.</p> <p>IP is the Issue Price.</p>

Issue Price	The lower of \$0.015 and the 30 trading day VWAP prior to the date of the shareholder meeting approving the Convertible Loan Deed.
Right to convert	Subject to shareholder approval being obtained, the Company will issue Trepang 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. AQC has no right to elect to convert the note other than as provided below under 'Prepayment Offer'.
Interest Rate	<p>10% per annum or in the event that shareholder approval or an ASX waiver is not obtained by 31 May 2017, interest will accrue at 16% per annum from 31 May 2017 until such shareholder approval or ASX waiver is obtained at which point the interest rate will revert back to 10% per annum.</p> <p>All interest accruing until the Maturity Date will be capitalised or payable in AQC shares (at the 5 day VWAP prior to the relevant interest payment date), at the election of the Company.</p> <p>Interest will be charged at the higher of a rate of 15% or the interest rate that applied immediately prior to the maturity date on any overdue amounts, to be paid in cash.</p>
Maturity Date	<p>1 February 2018, with an ability for Trepang to request (and for the Company to accept such request) to extend the maturity date by two further periods of 1 year each (with the last possible maturity date being 1 February 2020). This provides AQC with the ability to consider any extension 3 months in advance of the Loans' maturity date.</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	The Company is entitled to seek and obtain any third party funding. If the Company is offered funding of at least \$40 million, the Company must offer to repay the principal amount of the Convertible Loan Deed. If Trepang does not accept such offer, the Company may elect to have all or part of the amounts owing under the convertible note converted into AQC shares in accordance with the conversion formula and Trepang agrees to the Company providing security to the third party funder ranking in priority to the security granted under these arrangements.
Security	<p>Subject to shareholder approval being obtained or receipt of an ASX waiver, the Company is to grant (and procure its subsidiaries to grant) to Trepang:</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.

Immediate Repayment Events

The money owing under the Loan Deed will at the option of Trepang become immediately repayable on any of the following occurring:

- if the Company fails to remedy a material breach of any provisions of the Deed within five Business Days after receipt of notice to remedy that breach from the financier;
- the Company suffers an Insolvency Event; and
- the Company ceases to be listed on the ASX.

As noted above, the terms of the Convertible Loan Deed provide for the voluntary escrow of all AQC shares held by the following persons at the Commencement Date and any new AQC shares issued to them pursuant to incentive arrangements with the Company, for a period of up to 3 years from the Commencement Date:

- Peter Ziegler and associated or related entities;
- John Robinson Jnr;
- Shane Stone and associated or related entities; and
- Kevin Mischewski and associated or related entities.

Full details of the terms and conditions of the Convertible Loan Deed, the voluntary escrow deeds 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 Deed. The General Meeting is intended to be held on 13 April 2017. 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, conversion shares and interest shares pursuant to the Convertible Loan Deed, the grant of the securities to Trepang and in respect of any relevant interest obtained pursuant to the voluntary escrow deeds.

The acquisition of Dartbrook remains subject to outstanding conditions and further updates will be provided to the market in due course.

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