



Australian Pacific Coal

ASX RELEASE
29 JUNE 2021

Notice of General Meeting

Australian Pacific Coal Limited (ASX: AQC) (AQC or Company) is pleased to attached a copy of the following documents in relation to the General Meeting of Shareholders to be held on 30 July 2021 at 10.00am (Brisbane) (General Meeting).

1. Letter to Shareholders (including arrangements for the General Meeting) as despatched to Shareholders;
2. Notice of General Meeting;
3. Proxy Form; and
4. Virtual General Meeting Online Guide.

This announcement has been authorised for release by the Company Secretary.

For further information, please contact:

All enquiries:

Company Secretary

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Australian Pacific Coal

29 June 2021

Dear Shareholders

I am pleased to invite you to a General Meeting of the Company's shareholders (**General Meeting**) to be held at 10:00am (Brisbane time) on Friday, 30 July 2021.

A notice of meeting and accompanying explanatory memorandum was released to ASX on 29 June 2021 (together, **Notice of Meeting**) in respect of the General Meeting of the Company's shareholders.

Offer for Proposed Sale of Property

The Company refers to the announcement of 14 May 2021 regarding the offer received from its major shareholder and creditor Trepang Services Pty Ltd (**Trepang**), an offer for Trepang and entities associated with it to purchase certain real properties and water rights owned by the Company (through its wholly owned subsidiaries AQC Dartbrook Management Pty Ltd and AQC Dartbrook Pty Ltd) that underly its Dartbrook coal mine, and associated water rights.

The offer has been made by Trepang on the basis that proceeds will be used to repay debt that the Company owes to Trepang and its associates (as directed by Trepang).

As you are aware, early this year the Board of AQC advised that a strategic review would be undertaken of the Company's operations and in particular the major asset of the Dartbrook underground thermal coal mine. This asset has been non-operational since 2006.

Fluctuating commodity prices, changing community, corporate and government views on the sector have created enormous challenges broadly and to our Company's drive to realise shareholders' investment in the underground coal operation.

Recently the NSW State Government announced that several possible open cut opportunities within the Hunter Valley will not be approved if sought including that at Dartbrook.

As has also been recently announced the company has been successful in its recent appeal to prevent the Hunter Thoroughbred Horse Breeders Association to join proceedings relating to the MOD 7 application. We continue to liaise with the NSW Government to move ahead in relation to underground coal mining opportunities.

The Board has engaged widely with varying coal operators, financiers, stakeholders and advisors to seek advice that can inform and provide clarity on viable options for consideration. The Board is advanced in its discussions on a range of resource and related enterprise opportunities that it feels provide potential for the Company to pursue. Critical to this must be the reduction of its debt and liabilities.

The proposed land sale to Trepang and continued discussions with our cornerstone shareholder Trepang and its related parties on debt is the priority of the Board to enable us to deal with future opportunities for the Company.

The terms of the proposed sale for consideration by shareholders are set out in the attached Notice of Meeting and are the subject of Resolution 1 (Proposed Sale).

The Non-Interested Directors (being David Conry and Tony Lalor) have given detailed consideration to the Proposed Sale as outlined in the attached Notice of Meeting. The Non-Interested Directors consider that the Proposed Sale is in the best interests of the Company and recommend the Proposed Sale to Shareholders.

Extension to Offer from Trepang

The offer from Trepang as set out in the attached Notice of Meeting is irrevocable and Trepang has confirmed its extension which will lapse 5.00pm on 30 July 2021.

Extension to Trepang Funding

The Company and Trepang have progressively extended the maturity dates of the various financing facilities, with each of the existing facilities other than the Vendor Loan currently having a maturity date of 30 November 2021, and the Vendor Loan having a maturity date of 30 July 2021.

The Company intends to negotiate with Trepang to further extend the Vendor Loan maturity date.

Virtual Attendance – General Meeting

In response to the global COVID-19 pandemic, on 5 May 2020 the Australian Federal Treasurer declared the *Corporations (Coronaviruses Economic Response) Determination (No. 1) 2020 (Determination)*, pursuant to which, subject to certain conditions being satisfied, companies required or permitted to hold a meeting pursuant to the Corporations Act may hold the meeting using one or more technologies.

Accordingly, in order to ensure the safety of Shareholders and the Company's personnel, and to maximise the opportunity for Shareholder participation, the Board has determined that the General Meeting will be held virtually (online) via an online platform accessible at <https://agmlive.link/AQC21>. There will be no physical attendance at the General Meeting.

In accordance with the Determination, the Company has adopted the following protocol for the General Meeting:

- (a) all Shareholders are invited and encouraged to attend the General Meeting virtually (online) via the online platform accessible at <https://agmlive.link/AQC21> or, if they are unable to attend personally, to sign and return the Proxy Form to AQC in accordance with the instructions set out on the Proxy Form;
- (b) in order to attend the General Meeting, Shareholders and proxies will need a desktop or mobile/ tablet device with internet access to log onto the online platform prior to commencement of the General Meeting and provide their details (including their Shareholder Reference Number (SRN) or Holder Identification Number (HIN) as applicable). A detailed guide on how Shareholders can participate in the General Meeting (including how Shareholders can ensure their browser is compatible with the online platform), together with a step-by-step guide to using the online platform, is attached to the Notice of General Meeting (**Online Meeting Guide**);
- (c) Shareholders, their proxy or corporate representatives who plan on attending the General Meeting are asked to log in to the online platform at least fifteen (15) minutes prior to the scheduled start time for the General Meeting using the instructions set out in the Notice of Meeting and the Online Meeting Guide;
- (d) subject to the connectivity of their devices, at the General Meeting, Shareholders will have the opportunity to hear the Chair of the Meeting speak and the discussions which occur at the Meeting, and to ask questions via the online platform; and

- (e) each Resolution considered at the General Meeting will be decided on a poll, such that every Shareholder shall have one vote for every Share registered in their name as at 7:00pm (AEST) on 28 July 2021, which may be voted directly at any time between the start of the General Meeting and the closure of voting as announced by the Chair of the Meeting.

The Company appreciates Shareholders' understanding at this time and looks forward to speaking with Shareholders at the General Meeting.

This announcement has been authorised for release to the ASX by the Board.

For further information, please contact the Company Secretary by telephone on +61 7 3221 0679 or by email at cosec@aqcltd.com.

Yours sincerely
Australian Pacific Coal Limited

David Conry AM
Chief Executive Officer

Australian Pacific Coal Limited ABN 49 089 206 986

Notice of Extraordinary General Meeting and Explanatory Memorandum

Date of Meeting: 30 July 2021

Time of Meeting: 10 am Brisbane time

Place of Meeting: To be held as a virtual meeting, online at <https://agmlive.link/AQC21>

This Notice of Extraordinary General Meeting, Explanatory Memorandum and Independent Expert Report should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

The Independent Expert, Ernst & Young Strategy and Transactions Limited, has concluded that the Proposed Sale is, in the absence of a superior proposal, fair and reasonable to the Non-Associated Shareholders.

Notice of Extraordinary General Meeting

Notice is given that an Extraordinary General Meeting of Shareholders of **Australian Pacific Coal Limited** ABN 49 089 206 986 (**Company**) will be held virtually via an online platform at <https://agmlive.link/AQC21> on 30 July 2021 at 10am Brisbane time.

Terms used in this Notice of Meeting are defined in section 3 of the accompanying Explanatory Memorandum.

The Explanatory Memorandum, the Proxy Form and the Independent Expert Report accompanying this Notice of Meeting are incorporated in and comprise part of this Notice of Meeting.

Agenda

The agenda for the meeting is as follows:

1. Opening of meeting.
2. Resolution 1 – Approval of transactions with Trepang Services Pty Ltd, the Trepang Associates or any of them under Listing Rule 10.1.
3. Resolution 2 - Approval of Employee Incentive Plan.
4. Resolution 3 – Issue of Performance Rights to Mr Tony Lalor.
5. Resolution 4 – issue of Performance Rights to Mr David Conry.
6. Other business.
7. Close of meeting.

Notice of Extraordinary General Meeting

1. **Resolution 1 – Approval of transactions with Trepang Services Pty Ltd, the Trepang Associates or any of them under Listing Rule 10.1.**

To consider and, if thought fit, pass the following Resolution, with or without amendment, as an Ordinary Resolution of the Company:

*“That in accordance with Listing Rule 10.1 and for all other purposes, the Company be authorised, with effect from the passing of this Resolution 1, to proceed with the sale of the Sale Property (being land on which the Company’s Dartbrook coal mine is situated and associated water rights) to Trepang, the Trepang Associates or any of them, with the Sale Price being offset against obligations owed to Trepang, Mr John Robinson (Snr) and Mr Nicholas Paspaley under existing financing arrangements (the **Proposed Sale**) pursuant to the terms and conditions of the Sale Agreement, the details of which are summarised in the Explanatory Memorandum.”*

Notes

For the purpose of Listing Rule 10.5.10, an Independent Expert Report prepared by Ernst & Young Strategy and Transactions Limited is **enclosed** with this Notice of Meeting in Attachment 1.

The Independent Expert, Ernst & Young Strategy and Transactions Limited, has concluded that the Proposed Sale is, in the absence of a superior proposal, fair and reasonable to the Non-Associated Shareholders (Resolution 1).

Further details regarding the Proposed Sale are set out in the accompanying Explanatory Memorandum and Independent Expert Report which the Directors recommend Shareholders read in full before making any decision in relation to Resolution 1.

Voting Exclusion Statement – Listing Rule 10.1

For the purposes of Listing Rule 10.1, the Company will disregard any votes cast in favor of this Resolution by or on behalf of:

- (a) Trepang Services Pty Ltd;
- (b) The Trepang Associates; and
- (d) an Associate of Trepang Services Pty Ltd or the Trepang Associates.

However, the Company need not disregard a vote cast in favour of this Resolution if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote on the Resolution, in accordance with the directions to the proxy or attorney to vote on the Resolution in that way;
- (b) it is cast by the person chairing the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the direction given to the chair to vote as the chair decides; or
- (c) it is cast by a holder acting solely as a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting on the Resolution; and

Notice of Extraordinary General Meeting

- (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

2. Resolution 2 – Approval of Employee Incentive Plan.

To consider and, if thought fit, pass the following Resolution, with or without amendment, as an Ordinary Resolution of the Company:

“ That the Employee Incentive Plan, which is summarised in the attached Explanatory Memorandum and at Attachment 2, be approved and that for the purposes of Exception 13(b) of Listing Rule 7.2 and for all other purposes, the issue of securities under the Employee Incentive Plan within three years from the date of this Resolution be an exception to Listing Rules 7.1 and 7.1A.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution 2 by or on behalf of:

- (a) a person who is eligible to participate in the employee incentive scheme; and
- (b) an associate of that person or those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Restriction pursuant to Section 250BD of the Corporations Act

As Resolution 2 is connected directly or indirectly with the remuneration of a member of Key Management Personnel (**KMP**) for the Company, pursuant to section 250BD of the Corporations Act, a person must not cast a vote, and the Company will disregard any votes cast on this Resolution by:

- (a) any member of the KMP of the Company (or, if the Company is part of a consolidated entity, of the entity); or
- (b) a Closely Related Party of such KMP (or, if the Company is part of a consolidated entity, of the entity),

who is appointed as a Shareholder's proxy, on the basis of that appointment, where the Shareholder does not direct in writing the way the proxy is to vote on this Resolution 2.

Notice of Extraordinary General Meeting

However, the Company need not disregard a vote if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not direct in writing the way the proxy is to vote on this Resolution 2, if the appointment of proxy expressly authorises the chair to exercise the proxy even if this Resolution 2 is connected directly or indirectly with the remuneration of a member of the KMP for the Company or if the Company is part of a consolidated entity, of the entity.

Voting Intention of the Chair

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 2, subject to compliance with the Corporations Act. In exceptional circumstances, the Chair may change his/her voting intention on any Resolution, in which case an ASX announcement will be made. Further details, in relation to the ability of the Chair to vote on undirected proxies are set out in the accompanying proxy form.

3. Resolution 3 – Issue of Performance Rights to Mr Tony Lalor.

To consider and, if thought fit, pass the following Resolution, with or without amendment, as an Ordinary Resolution of the Company:

“That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the Company to issue 750,000 Performance Rights to Mr Tony Lalor on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

Voting Exclusion Statement – Listing Rule 10.14

The Company will disregard any votes cast in favour of this Resolution 3 by or on behalf of:

- (a) a person referred to in Listing Rules 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme the subject of this Resolution 3; and
- (b) an associate of those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Restriction pursuant to Section 250BD of the Corporations Act

As Resolution 3 is connected directly or indirectly with the remuneration of a member of Key Management Personnel (**KMP**) for the Company, pursuant to section 250BD of the

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Corporations Act, a person must not cast a vote, and the Company will disregard any votes cast on this Resolution by:

- (a) any member of the KMP of the Company (or, if the Company is part of a consolidated entity, of the entity); or
- (b) a Closely Related Party of such KMP (or, if the Company is part of a consolidated entity, of the entity),

who is appointed as a Shareholder's proxy, on the basis of that appointment, where the Shareholder does not direct in writing the way the proxy is to vote on this Resolution 3.

However, the Company need not disregard a vote if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not direct in writing the way the proxy is to vote on this Resolution 3, if the appointment of proxy expressly authorises the chair to exercise the proxy even if this Resolution 3 is connected directly or indirectly with the remuneration of a member of the KMP for the Company or if the Company is part of a consolidated entity, of the entity.

Voting Intention of the Chair

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 3, subject to compliance with the Corporations Act. In exceptional circumstances, the Chair may change his/her voting intention on any Resolution, in which case an ASX announcement will be made. Further details, in relation to the ability of the Chair to vote on undirected proxies are set out in the accompanying proxy form.

4. Resolution 4 – Issue of Performance Rights to Mr David Conry.

To consider and, if thought fit, pass the following Resolution, with or without amendment, as an Ordinary Resolution of the Company:

“That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the Company to issue 1,000,000 Performance Rights to Mr David Conry on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

Voting Exclusion Statement – Listing Rule 10.14

The Company will disregard any votes cast in favour of this Resolution 4 by or on behalf of:

- (a) a person referred to in Listing Rules 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme the subject of this Resolution 4; and
- (b) an associate of those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

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(i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

(ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Restriction pursuant to Section 250BD of the Corporations Act

As Resolution 4 is connected directly or indirectly with the remuneration of a member of Key Management Personnel (**KMP**) for the Company, pursuant to section 250BD of the Corporations Act, a person must not cast a vote, and the Company will disregard any votes cast on this Resolution by:

- (a) any member of the KMP of the Company (or, if the Company is part of a consolidated entity, of the entity); or
- (b) a Closely Related Party of such KMP (or, if the Company is part of a consolidated entity, of the entity),

who is appointed as a Shareholder's proxy, on the basis of that appointment, where the Shareholder does not direct in writing the way the proxy is to vote on this Resolution 4.

However, the Company need not disregard a vote if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not direct in writing the way the proxy is to vote on this Resolution 4, if the appointment of proxy expressly authorises the chair to exercise the proxy even if this Resolution 4 is connected directly or indirectly with the remuneration of a member of the KMP for the Company or if the Company is part of a consolidated entity, of the entity.

Voting Intention of the Chair

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 4, subject to compliance with the Corporations Act. In exceptional circumstances, the Chair may change his/her voting intention on any Resolution, in which case an ASX announcement will be made. Further details, in relation to the ability of the Chair to vote on undirected proxies are set out in the accompanying proxy form.

General business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

By order of the Board

Craig McPherson
Company Secretary
Australian Pacific Coal Limited

Explanatory Memorandum

1. Introduction

This Explanatory Memorandum is provided to shareholders of **Australian Pacific Coal Limited** ABN 49 089 206 986 (**Company**) to explain the Resolutions to be put to Shareholders at the Extraordinary General Meeting to be held virtually via an online platform at <https://agmlive.link/AQC21> on 30 July 2021 at 10 am Brisbane time.

The Notice of Meeting, which is also **enclosed**, sets out details of proposals concerning the Resolutions to be put to Shareholders.

The Directors recommend Shareholders read the accompanying Notice of Meeting, this Explanatory Memorandum and the Independent Expert Report in full before making any decision in relation to Resolution 1.

Unless otherwise defined, terms used in this Explanatory Memorandum are defined in Section 3.

2. Resolution 1 - Approval of transactions with Trepang Services Pty Ltd, the Trepang Associates or any of them under Listing Rule 10.1.

2.1 Overview

Acquisition of Dartbrook

The Company completed the acquisition of 100% of the Dartbrook Coal Mine from Anglo American Plc and Marubeni Coal on 29 May 2017.

Financing for acquisition, feasibility study and working capital

The Company entered into a number of financing arrangements in order to fund its acquisition of the Dartbrook Coal Mine which completed in May 2017, with Mr John Robinson (Snr), Mr Nicholas Paspaley and Trepang Services Pty Ltd (**Trepang**) (together, the **Existing Financiers**) as well as to fund ongoing working capital requirements of the Company.

The financing arrangements with the Existing Financiers currently comprise the following:

- the Robinson and Paspaley Convertible Loan Deeds with Mr John Robinson (Snr) and Mr Nicholas Paspaley, entered on 1 February 2016 (and subsequently varied), each with an original principal amount of \$10 million, which was used for the acquisition of the Dartbrook Coal Mine;
- the Trepang Convertible Loan Deed with Trepang, entered on 1 March 2017 (and subsequently varied), with an original principal amount of \$15 million, which was used for the acquisition of the Dartbrook Coal Mine;
- the Trepang New Convertible Loan Deed with Trepang, entered on 29 November 2018 (and subsequently varied) with an original principal amount of \$7 million, which was used to repay money owing to Trepang under previous financing arrangements used for the acquisition of the Dartbrook coal mine; and
- the Vendor Loan with Trepang, originally entered on 29 May 2017 with Anglo American Metallurgical Coal Assets Pty Ltd (**AAMCA**), a subsidiary of Anglo American Plc, for AAMCA to provide \$7.7 million in vendor funding to the Company, which (as announced by the Company on 28 April 2020) to be applied towards meeting the costs of conducting a feasibility study into the potential for the open-cut development of the Dartbrook coal mine has been assigned from AAMCA to Trepang, and as such

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Trepang has assumed Anglo's position under the Vendor Loan (see below for further information); and

- the Unsecured Loan, being further funding provided by Trepang from time to time on an unsecured basis,

(the **Existing Facilities**). Each of the Existing Facilities (other than the Unsecured Loan which has no defined drawdown amount) is fully drawn down.

The key terms of:

- the Trepang Convertible Loan Deed and the New Convertible Loan Deed are set out in Schedule 2 and Schedule 3 respectively Schedule 4;
- the New Convertible Note Deed and the New Convertible Note are set out in Schedule 4 and Schedule 5 respectively;
- the Vendor Security and the Vendor Loan Agreement are summarised in Schedule 6 and Schedule 7 respectively;
- the Unsecured Loan are set out in Schedule 8;
- The Robinson and Paspaley Convertible Loan Deeds and the Robinson and Paspaley Convertible Notes are set out in Schedule 9 and Schedule 10.

Security

All money and obligations owed by the Company to the Existing Financiers under the Convertible Loan Deeds are secured by the Security, which has been granted by the Company and its relevant Subsidiaries. Shareholders are referred to the Company's previous notice of meeting dated 29 October 2018, in schedule 6 of which the key terms of the Security are summarised. As at the date of this Notice, the Company and its Subsidiaries have granted the following Security to the Existing Financiers:

- a General Security Deed granted in favour of Trepang by the Company on or about 27 April 2016;
- a General Security Deed granted in favour of Trepang by AQC #2, Area Coal, Ipoh Pacific and Mining Investments One on or about 2 March 2017;
- General Security Deeds granted in favour of each of Mr John Robinson (Snr) and Mr Nicholas Paspaley by the Company, AQC #2, Area Coal, Ipoh Pacific and Mining Investments One on or about 2 March 2017;
- deeds of guarantee and indemnity granted in favour of each of the Existing Financiers by AQC #2, Area Coal and Ipoh Pacific on or about 2 March 2017; and
- mortgages of mining tenements granted in favour of each of the Existing Financiers by Area Coal and Ipoh Pacific on or about 2 March 2017;
- deeds of guarantee and indemnity granted in favour of each of the Existing Financiers by ACDP and ACDAM;
- a mortgage of mining tenements granted in favour of each of the Existing Financiers by ACDP;
- a mortgage of land granted in favour of each of the Existing Financiers by ACDP; and

Explanatory Memorandum

- a mortgage of land granted in favour of each of the Existing Financiers by ACDAM.
- General Security Deeds granted in favour of each of the Existing Financiers by ACDP and ACDAM; and
- a mortgage of land parcel 180/750951 granted in favour of Trepang and John Robinson (Snr) by ACDAM.

The Vendor Loan is secured by the following arrangements:

- the Specific and Featherweight Security Deed, granted by the Company;
- general security deeds, being the AQC #2 General Security Deed granted by the Company's wholly owned subsidiary, AQC #2, and the Target Company GSD granted by ACDP and ACDAM;
- a mortgage over the real property held by ACDP and ACDAM (the Target Company Mortgages).

AAMCA and the Existing Financiers also entered into an Intercreditor Deed providing that the Vendor Security will rank first in priority, ahead of the Security held or to be held by the Existing Financiers. A summary of the key terms of the Intercreditor Deed are set out in Schedule 6 (including the Vendor Security).

As announced by the Company on 28 April 2020, the Vendor Loan Agreement was assigned from AAMCA to Trepang and as such Trepang has assumed Anglo's position under the Vendor Loan, the Vendor Security and the Intercreditor Deed.

Previous Shareholder Approvals

The Company has previously obtained various shareholder approvals in connection with the Existing Facilities and the Vendor Security, including at the EGM held on 13 April 2017, the EGM held on 11 August 2017 and the AGM held on 29 November 2018.

Current repayment dates

The Company and the Existing Financiers have progressively extended the maturity dates of the various financing facilities, with each of the Existing Facilities other than the Vendor Loan currently having a maturity date of 30 November 2021, and the Vendor Loan having a maturity date of 30 July 2021. The Company intends to negotiate with Trepang to further extend the Vendor Loan maturity date.

The following sets out the principal and estimated interest (as at 31 December 2020) of the following facilities of the Company:

Lender	Facility	Principal as at 31 December 2020	Accrued Interest as at 31 December 2021	Total
Trepang	Vendor Loan	\$7,700,000	\$3,311,169	\$11,011,169
Trepang	Unsecured Loan	\$8,744,000	\$1,178,396	\$9,922,396
Trepang	Trepang Convertible Note	\$15,000,000	\$6,479,658	\$21,479,658

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Lender	Facility	Principal as at 31 December 2020	Accrued Interest as at 31 December 2021	Total
Trepang	New Convertible Note	\$7,000,000	\$2,124,820	\$9,124,820
J Robinson (Snr)	Robinson Convertible Note	\$11,266,401	\$5,052,535	\$16,318,936
N Paspaley	Paspaley Convertible Note	\$11,266,401	\$5,052,535	\$16,318,936
Total		\$60,976,802	\$23,199,113	\$84,175,915

2.2 Proposed Sale

As announced by the Company on 14 May 2021, the Company has received from Trepang an offer for Trepang and its associates to purchase certain property and water rights held by the Company, for the price of \$33,794,192 (consisting of \$23,794,192 for the real property and \$10,000,000 for the water rights) with the purchase price to be offset against debt owed by the Company to Trepang and its associates (the **Offer**). The Company has been advised by Trepang that the associates referred to in the Offer are the Trepang Associates.

The Offer is irrevocable and remains open until 5.00pm on 30 July 2021 at which time (if not accepted) it will lapse. The Offer is not conditional on shareholder approval being obtained and accordingly, the Directors intend to only accept the Offer if shareholders approve Resolution 1. The Company aims to negotiate an extension of this date with Trepang, to permit the EGM to be held and the view of shareholders on the Proposed Sale obtained.

If the Offer is accepted, the Company will sell to Trepang, the Trepang Associates or any of them various properties that the Company currently owns, that underly the Dartbrook Coal Project, along with associated water licences (all together, the **Sale Property**), subject to appropriate rights being granted to the Company to allow the Company to continue to operate the Dartbrook Coal Mine. The Company will also enter with Trepang and the Trepang Associates (as appropriate) a number of additional arrangements, including:

- (a) the Access and Compensation Agreement, to allow the Company to continue to operate the Dartbrook Coal Mine up to the earlier of a sunset date of 31 December 2027 or the termination of the Dartbrook Coal Mine authorities;
- (b) the VLAMP Deed;
- (c) the Right of First Refusal;
- (d) various easement arrangements under which the Company will be able to continue to access land within the Sale Property, to allow it to continue to undertake mining operations at the Dartbrook Coal Mine; and
- (e) a term transfer of certain water rights, again to allow it to continue to undertake mining operations at the Dartbrook Coal Mine up to the earlier of a sunset date of 31 December 2027 or the termination of the Dartbrook Coal Mine authorities.

Explanatory Memorandum

The Sale Price to be paid for the Sale Property is to be offset against debt owed to Trepan, Mr John Robinson (Snr) and Mr Nicholas Paspaley by the Company.

This will result in the total debt owed by the Company to the Existing Financiers being reduced from approximately \$84.2 million (as at 31 December 2020) by approximately \$32.3 million.

The Sale Property consists of various blocks of land currently owned by the Company's wholly owned subsidiaries ACDP and ACDAM as set out in Schedule 1, which (other than two lots containing a coal handling plant) represent all property owned by the Company underlying the Dartbrook Project, and associated water rights. The Sale Property is being sold subject to all existing tenancies.

The Company is seeking Shareholder approval to accept the Offer and enter into and complete the Sale Agreement (including all attachments) in order to implement the Proposed Sale.

The Company has engaged Ernst & Young Strategy and Transactions Limited to prepare an Independent Expert Report to assist Shareholders to decide whether or not to vote in favour of Resolution 1.

2.3 Summary of Proposed Sale and document terms

A fuller explanation of the rationale of the Proposed Sale is set out in section 2.4 and the advantages and disadvantages of the Proposed Sale are set out in section 2.5.

A summary of the key terms of the **Sale Agreement**, including the various attachments, is set out in **Schedule 1**.

A summary of the key terms of the various financing arrangements with the Existing Financiers that could be offset (in whole or in part on completion of the Proposed Sale) or released are set out as follows:

- (a) Trepan Convertible Loan Deed - Schedule 2;
- (b) Trepan Convertible Note - Schedule 3;
- (c) New Convertible Note Deed – Schedule 4;
- (d) New Convertible Note - Schedule 5;
- (e) Vendor Security – Schedule 6;
- (f) Vendor Loan Agreement - Schedule 7;
- (g) Unsecured Loan - Schedule 8;
- (h) Robinson and Paspaley Convertible Loan Deeds – Schedule 9; and
- (i) Robinson and Paspaley Convertible Notes – Schedule 10.

2.4 The Rationale for the Proposed Sale

The Non-Interested Directors have given detailed consideration to the Proposed Sale. The rationale for the Proposed Sale includes:

- (a) The Proposed Sale will allow the Company to pay down a large proportion of the debt currently owed to the Existing Financiers without needing to utilise its cash reserves or raising additional capital.

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- (b) Under the terms of the Sale Agreement the Company will continue to be able to access the Sale Property for the purposes of operating the Dartbrook Coal project.
- (c) There are limited alternative options available to the Company to raise capital.
- (d) The potential Voting Power that the Existing Financiers may acquire under the Existing Facilities will be reduced as the amounts owing under those notes is (in part) offset against the Sale Price.

2.5 Key Advantages and Disadvantages of the Proposed Sale

The passing of Resolution 1 at the Meeting will allow the Company to undertake the Proposed Sale.

The advantages to Non-Associated Shareholders of the Proposed Sale include:

(a) Reduced debt

If the Proposed Sale proceeds to completion, the Company will be left in a position where it has much less debt owing to the Existing Financiers. If the Proposed Sale were not to occur, the Company will owe an amount of approximately \$84.2 million to the Existing Financiers as at 31 December 2020. Subject to the Proposed Sale completing, this will be reduced by approximately \$32.3 million, to an amount of approximately \$51.9 million as at 31 December 2020.

(b) Reduced potential dilution to Shareholders

As a consequence of the reduction in the amount of principal and interest payable to the Existing Financiers following completion of the Proposed Sale, the number of Shares which may be received by the Existing Financiers on conversion of the Trepang Convertible Note, the Robinson Convertible Notes, the Paspaley Convertible Note and the New Convertible Note will be significantly reduced which will therefore reduce the dilution such conversion would have on other Shareholders.

The following table shows the reduced potential dilution to Shareholders following completion of the Proposed Sale as at 31 December 2020:

Holder	Current Shares	%	Shares on full conversion of convertible Existing Facilities (no Proposed Sale)	%	Shares on full conversion of any remaining convertible Existing Facilities post Proposed Sale	%
Trepang, Robinson and Paspaley	21,061,667	41.72%	104,321,855	78.00%	74,876,855	71.79%
Other Shareholders	29,423,143	58.28%	29,423,143	22.00%	29,423,143	28.21%
Total	50,484,810	100%	133,744,998	100%	104,299,998	100%

Note: assumes no other shares in the Company are issued.

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(c) **Change in amount secured by the Security**

While the Security will continue to operate to secure money and obligations owed under the Trepang, Robinson, Paspaley and New Convertible Notes and the Vendor Security will continue to secure money and obligations owed under the Vendor Loan (depending on which of these remain once the Sale Price is offset in accordance with Trepang and the Trepang Associates' directions), the amount secured by the Security and the Vendor Security will be greatly reduced. However, it is noted that the Sale Property will be released from the Security and Vendor Security in order for the Proposed Sale to proceed to completion, which will significantly reduce the assets of the Company Group the subject of the Security and Vendor Security.

(d) **Independent Expert**

The Independent Expert has concluded that the Proposed Sale is, in the absence of a superior proposal, fair and reasonable to the Non-Associated Shareholders.

The disadvantages to Non-Associated Shareholders of the Proposed Sale include:

(a) **Reduction of assets**

The Company's asset base will be significantly reduced if the Proposed Sale were to complete, and the Company would no longer have the benefit of any future increase in land value. This may also have the effect of making the Company less attractive to a potential purchaser, and making it harder to raise funds in the future.

(b) **Security of Tenure**

The Company will move from owning the Sale Property, with all the rights that go with this ownership, to securing its access rights via other means. While the Company has done all it can to secure appropriate access rights (including by the entering of the Access and Compensation Agreement), this is still a less secure form of tenure than outright ownership and continued access during the term of the Access and Compensation Agreement will be dependent on the terms of that agreement and the Company complying with its obligations under that agreement.

(c) **Debt remains**

Even if the proposed Sale completes, and the Sale Price is offset against debt the Company owes under the existing financial arrangements, the Company will still be in debt of approximately \$51.9 million as at 31 December 2020.

2.6 **Independent Expert and Non-Interested Director consideration**

The Independent Expert has assessed that **the Proposed Sale** is, in the absence of a superior proposal, **fair and reasonable to Non- Associated Shareholders**. Shareholders should have regard to all of the information set out in the Independent Expert's Report which appears at Attachment 1 to this Explanatory Memorandum and are also referred to section 2.6 of this Explanatory Memorandum for further details as to the contents of the Independent Expert Report.

Fairness – Proposed Sale

The Independent Expert compared the assessed fair value of the Sale Property with the consideration offered. The assessed value of the Sale Property was between \$29 million and \$36 million, and the consideration to be received by the Company is \$33.8 million. As the

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consideration is within the range of the fair values of the Sale Property, the Independent Expert considered the Proposed Sale fair.

Reasonableness – Proposed Sale

The Independent Expert considered the advantages and disadvantages of the Proposed Sale to determine whether it was reasonable, along with other considerations. These were as follows:

- (a) Advantages:
 - (1) the Company's debt and future interest accruals will reduce following the proposed transaction;
 - (2) there are limited alternative options available to the Company;
 - (3) the Company will be able to continue to pursue its strategic objectives; and
 - (4) if the Proposed Sale is not approved, the Company will require financial support.
- (b) Disadvantages:
 - (1) the attractiveness of the Company to a third party acquirer will likely be reduced.

The Non-Interested Directors (being David Conry and Tony Lalor) have given detailed consideration to the Proposed Sale. The Non-Interested Directors consider that the Proposed Sale is in the best interests of the Company and recommend the Proposed Sale to Shareholders.

2.7 Potential Position of Shareholders if Resolution 1 is Not Approved

As outlined above, if Shareholders do not approve Resolution 1 the Company will not be able to undertake the Proposed Sale. This will have a number of consequences.

(a) The Company will require alternative capital raising to repay the existing financial arrangements

If the Company is required to repay the full current amounts outstanding under the Vendor Loan, Convertible Notes and the Unsecured Loan, the Company will be required to seek alternative methods of capital raising in order to do so (noting that even if the Proposed Sale completes, there will still be debt owed under these arrangements, though a reduced amount).

The Directors consider that the alternatives available to the Company in circumstances where Resolution 1 is not approved and the Company is required to repay the current outstanding amounts under the Vendor Loan, Convertible Notes and Unsecured Loan include:

(1) Raising additional equity capital

This option has been considered by the Directors of the Company.

The difficulty the Company may face in raising additional equity capital was highlighted in prior years where the Company has undertaken to seek funding from various parties to fund the acquisition of the Dartbrook Coal Mine and to fund repayment of the Existing Facilities and the Vendor Loan. To date, the

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only successful financing arrangements available to the Company were the facilities provided the Existing Financiers.

Shareholders should note that further attempts to identify alternative investors on terms reasonable to the Company may require considerable amounts of time and even if an alternative investor was able to be identified, there is no guarantee of the price at which they would invest in the Company or other terms and conditions that would be required.

(2) **Raising additional debt capital**

Alternatively, the Company may need to attempt to establish an additional debt facility. If the Company was able to secure such a facility, there is no guarantee that it would be on terms whether with respect to pricing, security or otherwise that are favourable to the Company.

The difficulty the Company may face in raising debt was highlighted in prior years where the Company has undertaken to seek funding from various parties to fund the acquisition of the Dartbrook Coal Mine and to fund repayment of the Existing Facilities and the Vendor Loan. To date, the only successful financing arrangements available to the Company were the facilities provided the Existing, with a further amount of only \$7,342,700 raised from unrelated parties pursuant to placements since December 2015.

The existing security arrangements granted in favour of the Existing Financiers adds complexity to refinancing discussions with potential debt providers.

2.8 **Shareholder Approval**

Resolution 1 seeks Shareholder approval under Listing Rule 10.1 to the Proposed Sale.

None of Trepang, Mr John Robinson (Snr) or Mr Nicholas Paspaley are Related Parties of the Company and as such no approval of the purposes of Chapter 2E of the Corporations Act is being sought. The Company notes that Mr John Robinson (Snr) has previously been considered a Related Party of the Company as his son, John Robinson (Jnr) was a Director of the Company, however as Mr John Robinsons (Jnr) no longer holds such a position, Mr John Robinson (Snr) is no longer a Related Party of the Company.

In consultation with ASX the Company has determined that Listing Rules 11.1.2, 11.1.3 and 11.2 (concerning significant changes in the nature or scale of a listed company's activities) do not apply to the Proposed Sale. Consequently, the Company will not be required to re-comply with ASX's admission tests in order to complete the Proposed Sale, nor to obtain shareholder approval under Listing Rule 11.1.2 (though it notes shareholder approval is being sought for the purposes of Listing Rule 10.1 in any event).

2.9 **Listing Rules – Listing Rule 10.1**

Listing Rule 10.1

Listing Rule 10.1 requires the Company to obtain Shareholder approval prior to the acquisition or disposal of a substantial asset from or to a Related Party, a child entity, a substantial holder (within the meaning of Listing Rule 10.1.3) or an Associate of any of them. A substantial asset is an asset valued at greater than 5% of the equity interests of the Company as set out in the latest accounts given to ASX by the Company.

The Sale Property is a "substantial asset" of the Company given the Sale Price is significantly higher than 5% of the equity interests of the Company (an amount of \$-44.5 million per the 31 December 2020 accounts).

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Trepang and the Trepang Associates are substantial (10%+) holders in the Company.

As such, the Proposed Sale involves the disposal of a substantial asset to a substantial (10%+) holder, and therefore requires the approval of the Shareholders under Listing Rule 10.1.

The following information is provided for the purposes of Listing Rule 10.5:

Listing Rule	Information
10.5.1 – the name of the person to whom the entity is acquiring or disposing the substantial asset	Trepang Services Pty Ltd ACN 149 489 065 in its own capacity and as trustee for the Trepang Services Unit Trust and the Trepang Associates, or any of them.
10.5.2 – the category in rules 10.1.1 – 10.1.5 the person falls into and why	Trepang and the Trepang Associates (who are associates of each other) currently hold a relevant interest in 21,061,667 Shares, or 41.72% of the Shares on issue. As such, Trepang and the Trepang Associates are substantial (10%) holders as that term is defined in the Listing Rules.
10.5.3 – details of the asset being acquired or disposed of	It is proposed that the Sale Property will be sold to Trepang and the Trepang Associates (or any of them) and an access and compensation agreement will be implemented. Details regarding the Proposed Sale are set out in section 2.2.
10.5.4 – the consideration for the acquisition or disposal	The consideration for the Proposed Sale payable by Trepang and the Trepang Associates to the Company (through its fully held subsidiaries) is the Sale Price (a total of \$33,794,192, consisting of \$23,794,192 for the real property and \$10,000,000 for the water rights). The consideration for the access and compensation agreement payable by ACDP to the Existing Financiers is \$10, payable on demand by the Existing Financiers. The Access and Compensation Agreement also contemplates a licence fee, payable by ACDP to the Existing Financiers for any period during the term of the Access and Compensation Agreement in which the Company uses a building or structure on land owned by the Existing Financiers in the conduct of mining operations (other than certain infrastructure). The licence fee to be paid is to be an amount agreed by the parties as appropriate reasonable recompense for the Existing Financiers for the use of a Licence Improvement. Details regarding the Proposed Sale, including the Access and Compensation Agreement are set out in section 2.2.
10.5.5 – in the case of an acquisition, the intended source of funds (if any to pay for the acquisition)	Not applicable

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Listing Rule	Information
10.5.6 – in the case of a disposal, the intended use of funds (if any) received for the disposal	The Sale Price will be set off against existing debt obligations of the Company to the Existing Financiers. Further details in this regard are set out in section 2.2.
10.5.7 – the timetable for completing the acquisition or disposal.	Completion is anticipated 5 Business Days after the satisfaction of the Conditions Precedent described in Schedule 1.
10.5.8 – if the acquisition or disposal is occurring under an agreement, a summary of any material terms of the agreement	Refer to Schedule 1 for a summary of the terms of the Sale Agreement.
10.5.9 – a voting exclusion statement	A voting exclusion statement is contained in the Notice.
10.5.10 – a report on the transaction from an independent expert	Refer to Annexure 1.

Listing Rule 10.5.10 provides that Shareholder approval sought for the purpose of Listing Rule 10.1 must include a report on the proposed acquisition from an independent expert. Accompanying this Explanatory Memorandum is an Independent Expert Report prepared by Ernst & Young Transaction Advisory Services Limited. This report provides a detailed examination of the Proposed Sale, and the Independent Expert has concluded that in the absence of a superior proposal the Proposed Sale is fair and reasonable to the Non-Associated Shareholders.

The Independent Expert Report is in part for the purpose of assisting the Non-Associated Shareholders' consideration and assessment of the merits of the Proposed Sale and the making of their decision whether to vote in favour of Resolution 1. Shareholders are urged to carefully read the Independent Expert Report, to understand the scope of the report, the methodology of the valuation and the assumptions made.

A copy of the Independent Expert Report has been provided to each Shareholder entitled to receive this Notice of Meeting and Explanatory Memorandum. Irrespective of this, a copy of the Independent Expert Report is available on the Company's website at www.agcltd.com and hard copies, free of charge, may be requested by a Shareholder by contacting the Company's registered office.

2.10 Directors' Recommendation

Each of the Non-Interested Directors recommend that Shareholders vote in favour of Resolution 1.

As Mark Jagla is the nominee of Trepang, he makes no recommendation with respect to Resolution 1.

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3. Resolution 2 - Approval of Employee Incentive Plan.

3.1 Overview

Pursuant to Resolution 2, the Company is seeking approval of Shareholders for the issue of securities under the Company's Employee Incentive Plan (**Plan**) as an exception under Listing Rule 7.2, Exception 13(b) which would enable securities issued under the Plan over the next three years to be excluded from the calculation of the number of securities issued for the purposes of Listing Rules 7.1 and 7.1A.

The Company wishes to utilise the Plan as a means of rewarding and incentivising its key employees by encouraging employees to share in the ownership of the Company and promote the long-term success of the Company as a goal shared by all employees.

The Plan is set out in Attachment 1 to this Explanatory Memorandum.

3.2 Listing Rules

The Company is proposing to implement an employee incentive plan pursuant to which the Company proposes to issue securities to the Company's employees designed to incentivise employees to achieve the long term objectives of the Company and to attract employees of experience and ability (**Plan Issue**).

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Any Plan Issue currently would not fall within any of these exceptions and as a result, such Plan Issue would reduce the Company's 15% capacity to issue Shares under Listing Rule 7.1.

Resolution 2 seeks the required shareholder approval for the Plan Issue under and for the purposes of Listing Rule 7.1. Specifically, Exception 13 of Listing Rule 7.2 allows the Company to issue securities under the Plan without the issue of such securities being counted towards the Company's 15% issue capacity under Listing Rule 7.1, where Shareholders have approved the issue of securities under the Plan as an exception to Listing Rule 7.1, within three years prior to the issue of the securities. Resolution 2 is being put to Shareholders for this purpose and will allow the Company to utilise Exception 13 of Listing Rule 7.2 for three years from the date of the Resolution being passed.

3.3 Information for Shareholders

In accordance with Exception 13 of Listing Rule 7.2, the Company advises as follows:

- (a) the Plan is set out in Attachment 2;
- (b) no securities have yet been issued under the Plan;
- (c) the maximum number of equity securities proposed to be issued under the Plan following the approval, per the terms of the Plan, shall not at any time exceed 5% of the Company's total issued Shares as at the date of the offer (meaning as of the date of this Notice up to 2,524,240 Shares) when aggregated with;
 - (1) the total number of Shares issued during the previous 5 years under the Plan or any other employee share scheme; and

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- (2) the total number of Shares that would be issued under all outstanding offers under the Plan that have been granted but not yet exercised, terminated or expired,

but excluding:

- (3) any offer made or Shares issued:
 - (A) under an offer to a person situated outside Australia at the time of receipt of the offer;
 - (B) under an offer that did not need disclosure to investors because of s708 of the Corporations Act; or
 - (C) an offer made under a disclosure document,

- (d) a voting exclusion statement is set out in Resolution **Error! Reference source not found.**

3.4 Further considerations

The Company believes that it will derive a significant benefit by incentivising its senior management and key employees through the issue of securities under the Plan. Additionally, the Company believes it to be in the best interests of the Company to preserve the maximum commercial flexibility to issue Equity Securities that is afforded to it by Listing Rule 7.1.

3.5 Outcome of voting for and against the Resolution

If the Resolution is passed, the Company will be able to issue securities under the Plan over the next three years without reducing the Company's 15% capacity to issue Shares under Listing Rule 7.1.

If the Resolution is not passed, the Company will not be able to issue securities under the Plan without either reducing its 15% capacity or seeking approval of Shareholders for every such issue of securities.

3.6 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

5. Resolutions 3 and 4: Issue of Performance Rights to Mr Tony Lalor and Mr David Conry

5.1 Introduction

Subject to the passing of Resolution 2, Resolutions 3 and 4 seek Shareholder approval to issue up to 7500,000 Performance Rightsto (**Lalor Rights**) to Mr Tony Lalor, and 1,000,000 Performance Rights to (**Conry Rights**) to Mr David Conry, under the Company's Plan and as part of their long term incentive arrangements.

The Company seeks Shareholder approval pursuant to Listing Rule 10.14 for the issue of the Lalor Rights and the Conry Rights (and shares to be issued as a results of the Performance Rights) to Mr Tony Lalor and Mr David Conry and for this reason, and for all other purposes, the following information is provided to Shareholders.

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5.2 Right terms

The Lalor Rights and Conry Rights will be issued pursuant to the rules of the Plan, which is attached as Attachment 1 to this Explanatory Memorandum.

The Lalor Rights and Conry Rights will be issued for nil consideration.

The relevant terms of the Rights are set out below:

- (i) 750,000 Rights to Mr Tony Lalor (Lalor Rights) as follows:
 - (A) 375,000 Performance Rights which will convert into Shares on a one-for-one basis in the event that the Company's Shares trade at a volume weighted average price of at least \$0.25 for a minimum of 10 consecutive trading days, the vesting condition shall be deemed satisfied, subject to the milestone being achieved by that date which is 3 years from the date of issue (**Tranche 1 Performance Rights**);
 - (B) 375,000 Performance Rights which will convert into Shares on a one-for-one basis in the event that the Company's Shares trade at a volume weighted average price of at least \$0.35 for a minimum of 10 consecutive trading days, the vesting condition shall be deemed satisfied, subject to the milestone being achieved by that date which is 5 years from the date of issue (**Tranche 2 Performance Rights**).
- (ii) 1,000,000 Rights to Mr David Conry (Conry Rights) as follows:
 - (A) 500,000 Performance Rights which will convert into Shares on a one-for-one basis in the event that the Company's Shares trade at a volume weighted average price of at least \$0.25 for a minimum of 10 consecutive trading days, the vesting condition shall be deemed satisfied, subject to the milestone being achieved by that date which is 3 years from the date of issue (**Tranche 1 Performance Rights**);
 - (B) 500,000 Performance Rights which will convert into Shares on a one-for-one basis in the event that the Company's Shares trade at a volume weighted average price of at least \$0.35 for a minimum of 10 consecutive trading days, the vesting condition shall be deemed satisfied, subject to the milestone being achieved by that date which is 5 years from the date of issue (**Tranche 2 Performance Rights**).
- (iii) Both the Lalor Rights and Conry Rights:
 - (A) are not transferrable and will not be quoted;
 - (B) do not confer any right to vote, except as otherwise required by law;
 - (C) do not confer any entitlement to a dividend;
 - (D) do not confer any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise;
 - (E) do not confer any right to participate in the surplus profit or assets of the Company upon a winding up; and
 - (F) do not confer any right to participate in new issues of securities such as bonus issues or entitlement issues,

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Approval for the issue of the Lalor Rights and Conry Rights is sought in accordance with Listing Rule 10.14. As such, approval will not be required under Listing Rule 7.1 (Listing Rule 7.2, Exception 14) or Listing Rule 10.11 (Listing Rule 10.12, Exception 8).

5.3 Listing Rule 10.14

Listing Rule 10.14 states that a company must not issue or agree to issue Equity Securities under an employee incentive scheme (such as the Plan) to any of the following persons without the approval of holders of ordinary securities:

- (a) a Director;
- (b) an associate of a Director; and
- (c) a person whose relationship with the company or a person to in (a) or (b) directly above is, in the ASX's opinion, such that approval should be obtained.

An Equity Security includes a convertible security or a right to an unissued share.

If Shareholder approval is obtained under Listing Rule 10.14, further approval for the issue of the Lalor Rights and Conry Rights is not required under Listing Rule 7.1 (Listing Rule 7.2, Exception 14) or under Listing Rule 10.11 (Listing Rule 10.12, Exception 8).

Further, if Shareholder approval is obtained under Listing Rule 10.14, further approval for the issue of Shares upon the respective performance milestone being met will not be required pursuant to Listing Rule 10.11 (Listing Rule 10.12, Exception 7).

Accordingly, as the issue of the Lalor Rights and Conry Rights will result in Directors acquiring Equity Securities under the Plan, Shareholder approval has been sought pursuant to Listing Rule 10.14 for the issue of the Lalor Rights and Conry Rights.

If Resolution 3 is not passed, the Lalor Rights will not be issued to Mr Tony Lalor. If Resolution 4 is not passed, the Conry Rights will not be issued to Mr David Conry.

5.4 Information for Shareholders

For the purposes of Listing Rule 10.15 and for all other purposes the following information is provided to Shareholders:

- (a) 10.15.1: Name of the person

The Lalor Rights will be issued to Mr Tony Lalor and the Conry Rights will be issued to Mr David Conry.

- (b) 10.15.2: Which category in Listing Rules 10.14.1 – 10.14.3 the person falls within and why

Mr Tony Lalor is a non-executive Director of the Company and falls within Listing Rule 10.14.1.

Mr David Conry is an executive Director of the Company and falls within Listing Rule 10.14.1.

- (c) 10.15.3: Number and class of securities proposed to be issued to the person

750,000 Performance Rights are being offered to Mr Tony Lalor pursuant to the Plan comprising 375,000 Tranche 1 Performance Rights and 375,000 Tranche 2 Performance Rights.

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1,000,000 Performance Rights are being offered to Mr David Conry pursuant to the Plan, comprising 500,000 Tranche 1 Performance Rights and 500,000 Tranche 2 Performance Rights.

The Lalor Rights and Conry Rights will not be listed.

(d) 10.15.4: Details of the director's current total remuneration package

Mr Tony Lalor currently receives directors' remuneration of \$52,000 per annum (total cost to the Company) for his services as a non-executive Director.

Mr David Conry currently receives directors' remuneration of \$350,000 per annum (total cost to the Company) for his services as Director and Chief Executive Officer.

(e) 10.15.5: Number of securities previously issued under the scheme and the average acquisition price paid for those securities

No securities have previously been issued under the Plan.

(f) 10.15.6: If the securities are not ordinary securities, provide a summary of the material terms of the securities, an explanation as to why that type of security is being used and the value the entity attributes to that security and its basis

A summary of the material terms of the Lalor Rights and Conry Rights is set out above in section 5.2 and in Attachment 1 sets out the terms of the Plan pursuant to which the Lalor Rights and Conry Rights will be granted. The Company has proposed to issue the Lalor Rights and Conry Rights to reward and incentivise Mr Tony Lalor and Mr David Conry as Director to contribute to the growth of the Company. The Company believes that the grant of the Lalor Rights and Conry Rights provides a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. increased remuneration).

The Company has obtained an independent valuation of the Lalor Rights and Conry Rights at 23 June 2021 utilising a underlying security spot price of \$0.175. The Valuation used a barrier up-and-in trinomial pricing model with a Parisian barrier adjustment. The model takes into consideration that the Lalor Rights and Conry Rights will vest at any time during the performance period, provided the 10-day volume-weighted average price of the Company's shares exceeds the barrier of \$0.25 for the Tranche 1 Rights and \$0.35 for the Tranche 2 Rights. For the purposes of the valuation, the Lalor Rights and Conry Rights were valued as at 23 June 2021.

Item	Tranche 1	Tranche 2
Underlying security spot price	\$0.175	\$0.175
Exercise price	Nil	Nil
Performance period (years)	3	5
Volatility	120%	120%
Risk-free rate	0.200%	0.785%
Dividend yield	Nil	Nil
Number of Rights	875,000	875,000

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Valuation per Right	\$0.164	\$0.167
Valuation per Tranche	\$143,500	\$146,125

As such, the total value per the above valuation of the Lalor Rights (375,000 Tranche 1 and 375,000 Tranche 2) is \$124,125 and the total value of the Conry Rights (500,000 Tranche 1 and 500,000 Tranche 2) is \$165,500.

Please note that Lalor Rights and Conry Rights will be valued on the date of shareholder approval and the above is provided as a guide only.

- (g) 10.15.7: The date or dates on or by which the entity will issue the securities to the person under the scheme

The Lalor Rights and Conry Rights are intended to be granted as soon as possible following the Meeting, but in any event, within three (3) years of the date of the Meeting (i.e. 30 July 2024).

- (h) 10.15.8: The price at which the entity will issue the securities to the person under the scheme

The Lalor Rights and Conry Rights will be issued for nil consideration

- (i) 10.15.9: Summary of the material terms of the scheme

The full Plan, under which the Lalor Rights and Conry Rights are to be issued, is set out in Attachment 2 to this Explanatory Memorandum.

- (j) 10.15.10: Summary of the material terms of any loan that will be made to the person in relation to the acquisition

No loan will be provided to Mr Tony Lalor or Mr David Conry in relation to the Lalor Rights and Conry Rights respectively.

- (k) 10.15.11: Statement

Details of any securities issued under the Plan will be published in the Company's annual report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.

Any additional persons covered by Listing Rule 10.14 who will become entitled to participate in an issue of securities under the Plan after Resolutions 3 and 4 are approved (should they be approved) and who are not named in this Notice will not participate until approval is obtained under Listing Rule 10.14.

- (l) 10.15.12: Voting exclusion statement

A voting exclusion statement is set out above in Resolutions 3 and 4.

5.5 Director Recommendation

Mr Mark Jagla, the only other Director other than Mr Tony Lalor and Mr David Conry, recommends that Shareholders vote in favour of Resolutions 3 and 4. As Mr Tony Lalor and Mr David Conry are interested in the outcome of Resolutions 3 and 4, they make no recommendation to Shareholders in respect of these Resolutions.

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2. Voting entitlement

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 7.00pm (Sydney time) on 28 July 2021. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

3. Interpretation

The following terms used in the Notice of Meeting and the Explanatory Memorandum are defined as follows:

\$ means Australian dollars, unless otherwise stated.

AAMCA means Anglo American Metallurgical Coal Assets Pty Ltd ABN 59 081 022 246.

Access and Compensation Agreement means the access and compensation agreement to be entered by ACDP and the Existing Financiers, **attached** as an attachment to the Sale Agreement and summarised in Schedule 1.

ACDAM means AQC Dartbrook Management Pty Ltd ACN 007 377 577 (formerly Anglo Coal (Dartbrook Management) Pty Ltd).

ACDP means AQC Dartbrook Pty Ltd ACN 000 012 813 (formerly Anglo Coal (Dartbrook) Pty Ltd).

AGM means an annual general meeting.

AQC #2 means AQC Investments 2 Pty Ltd ACN 609 954 734.

AQC #2 General Security Deed means a general security deed granted in favour of (then) AAMCA by AQC #2 dated 29 May 2017 over all of its present and future property of any kind.

Area Coal means Area Coal Pty Ltd ACN 132 643 193.

ASIC means the Australian Securities & Investments Commission.

Associates has the meaning given to that term in the Corporations Act, and **Associated** has a corresponding meaning.

ASX means ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange (as applicable).

Board means the board of directors of the Company.

Business Day means a day on which all banks are open for business generally in Brisbane.

Chair means the person chairing the Meeting.

Closely Related Party has the meaning given to that term in the Corporations Act.

Company or **AQC** means Australian Pacific Coal Limited ABN 49 089 206 986 (ASX: AQC).

Company Group means the Company and each of its Related Bodies Corporate.

Conry Rights has the meaning given to that term in section 5.1.

Explanatory Memorandum

Constitution means the constitution of the Company from time to time.

Conversion Price means the price at which the Convertible Notes issued by the Company are converted into Shares.

Conversion Shares means Shares issued on conversion of the Convertible Notes.

Convertible Notes means together, the Paspaley Convertible Note, the Robinson Convertible Note, the Trepang Convertible Note and the New Convertible Note and each of them.

Corporations Act means the *Corporations Act* 2001 (Cth).

Dartbrook Coal Mine means the underground coal mine owned by the Company located in the Hunter Valley, New South Wales.

Dartbrook Joint Venture means joint venture between Anglo Coal (Dartbrook) Pty Ltd, a subsidiary of Anglo American Plc and Marubeni Coal in respect of the Dartbrook Coal Mine.

Directors or **Board** means the board of directors of the Company from time to time.

EGM means an Extraordinary General Meeting.

Equity Securities has the meaning given to that term in the Listing Rules.

Existing Facilities means the Robinson and Paspaley Convertible Notes, the Trepang Convertible Notes, the New Convertible Note and the Unsecured Loan.

Existing Financiers means Trepang, Mr John Robinson (Snr), AO, and Mr Nicholas Paspaley, AC.

Existing Security means the security granted by the Company and the Company Group to the Existing Financiers details of which are set out in section 2.1.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice.

Independent Expert means Ernst & Young Strategy and Transactions Limited.

Independent Expert Report means the Independent Expert report set out in Attachment 1 of the Notice.

Intercreditor Deed means the intercreditor deed between the Company, AQC Investments 2 Pty Ltd, AAMCA and the Existing Financiers dated 29 May 2017.

Ipoh Pacific means Ipoh Pacific Resources Pty Ltd ACN 104 553 504.

Lalor Rights has the meaning given to that term in section 5.1.

Listing Rules means the official listing rules of the ASX as amended from time to time.

Marubeni Coal means Marubeni Coal Pty Ltd ACN 009 932 236.

Meeting means the EGM to be held on 30 July 2021 as convened by the accompanying Notice of Meeting.

Mining Investments One means Mining Investments One Pty Ltd ACN 123 222 266.

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New Convertible Note Deed means the convertible note deed entered between the Company and Trepang on or about 1 March 2017 (as varied from time to time), the key terms of which are summarised in Schedule 4.

New Convertible Note means the convertible note issued to Trepang in accordance with the terms of the New Convertible Note Deed, the key terms of which are summarised in Schedule 4.

Non-Associated Shareholders means the Shareholders whose votes are not to be disregarded on Resolution 1.

Non-Interested Directors means David Conry and Tony Lalor.

Notice of Meeting or **Notice** means the notice of meeting giving notice to Shareholders of the Meeting, and accompanying this Explanatory Memorandum.

Obligor means AQC #2, the Company and the Target Companies.

Offer has the meaning given to that term in section 2.2.

Option means an option to acquire Shares.

Ordinary Resolution means a resolution passed by more than 50% of the votes at a general meeting of Shareholders.

Original Convertible Loan Deeds means together, the Paspaley Convertible Loan Deed, the Robinson Convertible Loan Deed and the Trepang Convertible Loan Deed and each of them.

Original Convertible Notes means the Robinson, Paspaley and Trepang Convertible Notes.

Paspaley Convertible Loan Deed means the convertible loan deed entered between the Company and Mr Nicholas Paspaley on or about 1 February 2016, as amended, restated and varied from time to time and as summarised in Schedule 9.

Paspaley Convertible Note means the convertible note issued to Mr Nicholas Paspaley in accordance with the terms of the Paspaley Convertible Loan Deed on 18 April 2017 and as summarised in Schedule 10.

Plan means the employee incentive plan the subject of Resolution 2 and attached as Attachment 2.

Proposed Sale means the proposed sale of the Sale Property to the Existing Financiers as documented by the Sale Agreement, shareholder approval for which is the subject of the Notice.

Related Body Corporate has the meaning given to it in the Corporations Act.

Related Party has the meaning in section 228 of the Corporations Act.

Relevant Interest has the meaning given to it in sections 608 and 609 of the *Corporations Act*.

Resolution means a resolution set out in the Notice of Meeting.

Right of First Refusal means the first refusal right granted under the Right of First Refusal Deed.

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Right of First Refusal Deed means a deed to be entered between Trepang and ACDP the first right to acquire any Sale Property should it be disposed of by Trepang, summarised in Schedule 1.

Robinson and Paspaley Convertible Loan Deeds means the Robinson Convertible Loan Deed and the Paspaley Convertible Loan Deed.

Robinson and Paspaley Convertible Notes means the Robinson Convertible Note and the Paspaley Convertible Note.

Robinson Convertible Loan Deed means the convertible loan deed entered between the Company and Mr John Robinson (Snr) on or about 1 February 2016, as amended, restated and varied from time to time and as summarised in Schedule 9.

Robinson Convertible Note means the convertible note issued to Mr John Robinson (Snr) in accordance with the terms of the Robinson Convertible Loan Deed on 18 April 2017 and as summarised in Schedule 10.

Sale Agreement means the sale agreements to be entered between the Company and Trepang if shareholders approve Resolution 1, the key terms of which are summarised in Schedule 1, including the attachments to the Sale Agreements which include:

- (a) the Access and Compensation Agreement;
- (b) the VLAMP Deed; and
- (c) the Right of First Refusal Deed.

Sale Price means \$33,794,192, consisting of \$23,794,192 for the real property and \$10,000,000 for the water rights.

Sale Property means the real property and associated water rights the subject of the Sale Agreement, as set out in Schedule 1, and includes all land owned by the Company associated with the Dartbrook Coal Mine other than land on which a coal handling preparation plant is situated.

Secured Assets means any assets which are the subject of the Security.

Securities has the meaning in section 92(1) of the *Corporations Act*.

Security means the security granted by the Company and the Company Group to:

- (d) Mr John Robinson (Snr) to secure the indebtedness associated with the Robinson Convertible Loan Deed and the Robinson Convertible Note;
- (e) Mr Nicholas Paspaley to secure the indebtedness associated with the Paspaley Convertible Loan Deed and the Paspaley Convertible Note; and
- (f) Trepang to secure the indebtedness associated with the Trepang Convertible Loan Deed, the Trepang Convertible Note, the New Convertible Note Deed and the New Convertible Note,

the key terms of which are summarised in Schedule 6 of the Company's previous notice of meeting dated 29 October 2018;

Shareholder means a holder of Shares in the Company.

Shares means fully paid ordinary shares in the Company from time to time.

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SPA means the sale and purchase agreement between Anglo American Metallurgical Coal Assets Pty Ltd, Anglo American Metallurgical Coal Holdings Limited, AQC Investments 2 Pty Ltd and the Company dated 24 December 2015 (as varied) to acquire the interests of the Anglo group in the Dartbrook Joint Venture.

Specific and Featherweight Security Deed means a specific and featherweight security deed granted to AAMCA by the Company dated 29 May 2017.

Subsidiaries has the meaning given to that term in the Corporations Act.

Target Companies means ACDP and ACDAM.

Target Company GSD means the general security deed to be granted by the Target Companies to AAMCA, as described in Schedule 6.

Target Company Mortgages means the mortgages to be granted by the Target Companies to AAMCA, as described in Schedule 6.

Trading Day has the meaning given to that term in the Listing Rules.

Trepang means Trepang Services Pty Ltd ACN 149 489 065 in its own capacity and as trustee for the Trepang Services Unit Trust.

Trepang Associates means John Robinson (Snr), Nicholas Paspaley and any entity which is controlled (as defined in section 50AA of the Corporations Act) by either John Robinson (Snr), Nicholas Paspaley).

Trepang Convertible Loan Deed means the convertible loan deed entered between the Company and Trepang on or about 1 March 2017 (as varied from time to time), the key terms of which are summarised in Schedule 2.

Trepang Convertible Note means the convertible note issued to Trepang in accordance with the terms of the Trepang Convertible Loan Deed on 25 May 2017, the key terms of which are summarised in Schedule 3 .

Unsecured Loan means further funding provided to the Company by Trepang on an unsecured basis from time to time, the key terms of which are summarised in Schedule 8 .

Vendor Loan means the \$7.7 million in vendor funding originally provided by AAMCA under the Vendor Loan Agreement, subsequently assigned to Trepang by AAMCA.

Vendor Loan Agreement means the vendor loan agreement between AAMCA, AQC Investments 2 Pty Ltd, ACDP, ACDAM and the Company dated 29 May 2017, subsequently assigned to Trepang by AAMCA.

Vendor Security means the security granted by the Company and the Company Group to AAMCA under the Vendor Loan Agreement and subsequently assigned to Trepang by AAMCA, as described in Schedule 7.

VLAMP Deed means a voluntary land acquisition and mitigation policy agreement, to be entered by ACDP, ACDAM and the Existing Financiers and attached as an attachment to the Sale Agreement and summarised in Schedule 1.

Voting Power has the meaning given to that term in the Corporations Act.

VWAP means, in relation to a Trading Day, the volume weighted average price of the Shares traded in the ordinary course of business on the ASX on that Trading Day, excluding crossings

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executed outside the open session state, special crossings, overseas trades and trades pursuant to exercise of options over Shares.

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Craig McPherson (Company Secretary):

Level 15, 344 Queen Street, Brisbane QLD 4000

+61 7 3221 0679

Explanatory Memorandum

Schedule 1 – Summary of terms of Sale Agreement

Vendor	AQC Dartbrook Management Pty Ltd and AQC Dartbrook Pty Ltd		
Purchaser	Trepang Services Pty Ltd and the Trepang Associates, or any of them.		
Completion Date	5 Business Days after the satisfaction of the Conditions Precedent described below.		
Property to be sold	The following real property:		
	11/253397	2/10/758554	9/12/758554
	110/873834	2/17/758554	9/17/758554
	12/253397	2/21/758554	9/23/758554
	7/112742	2/23/758554	9/9/758554
	1/118826	2/3/758554	1116-36 comprising: Lots 3-4 Section 23 in DP758554
	132/718199	2/835733	11198-28 comprising: Lots 243-244 in DP750926
	16/844652	2/9/758554	12042-180 comprising: Lots 6-7 Section 23 in DP758554
	2/601918	25/750926	15475-99 comprising: Lot 10 Section 21 in DP758554 Lots 12-13 Section 23 in DP758554
	1/10/758554	286/729019	69-166 comprising: Lots 6-7 Section 22 in DP758554
	1/113230	3/17/758554	981-90 comprising: Lots 6-7 Section 17 in DP758554
	1/16/758554	3/2/758554	985-200 comprising: Lots 7-10 Section 20 in DP758554
	1/17/758554	3/3/758554	17/844652
	1/21/758554	3/835733	18/844652
	1/23/758554	3/9/758554	1/505544
	1/3/758554	4/17/758554	1/911212
	1/835733	4/2/758554	11/112742

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	1/9/758554	4/22/758554	114/750926
	10/12/758554	4/3/758554	12/659924
	10/17/758554	4/9/758554	13/750926
	10/23/758554	5/12/758554	1452/583830
	10/9/758554	5/17/758554	1453/628493
	11/1051153	5/2/758554	153/752485
	11/12/758554	5/22/758554	2/505544
	11/23/758554	5/3/758554	22/750926
	11/9/758554	5/9/758554	23/750926
	111/873834	6/12/758554	24/750926
	12/9/758554	6/9/758554	7715-40 comprising: Lots 1-2 in DP112745
	13/253397	7/12/758554	1/961491
	14/23/758554	7/9/758554	174/750951
	14/253397	8/12/758554	175/750951
	14/750926	8/17/758554	188/750951
	15/253397	8/23/758554	10/21/758554
	183/750926	8/9/758554	
Tenancies	Sold subject to existing tenancies		
Conditions Precedent	The Sale Agreement is subject to: - ACDP and ACDAM shareholders (i.e. the Company) approving the Proposed Sale; and - the receipt of any requisite approval or consent from any governmental or regulatory authority. If the above approvals are not received on or before the date that is 42 days after the date of the Sale Agreement, either party may rescind the Sale Agreement.		
Consideration	\$33,794,192, consisting of \$23,794,192 for the real property and \$10,000,000 for the water rights, to be offset against debt owed to Trepang and its associates by the Company at the direction of Trepang and the Trepang Associates, as described in section 2.2 of the Explanatory Memorandum.		
Liquidated damages	If completion does not occur on or before the due date for Completion for any reason not attributable to the Vendor, the Purchaser must on completion pay by way of liquidated damages interest of 10% per annum calculated daily from the due date for completion until completion actually occurs.		

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VLAMP Deed	The Purchaser, ACDP and ACDAM will enter into to the VLAMP Deed, to assist with the Company's mitigation obligations under its environmental approvals, specifically by having the Purchaser release ACDP and ACDAM from their environmental obligations relating to the Dartbrook Coal Mine.
Access and Compensation Agreement	The Purchaser and ACDP will enter into the Access and Compensation Agreement, for the purposes of the <i>Mining Act 1992</i> (NSW) and ensuring continuing access to the Sale Property for the Company. The Access and Compensation Agreement allows ACDP to (and its employees, agents, invitees, servants and contractors) to access the Sale property at any time to carry out mining activities under its mining authorities. The consideration payable to Trepang by ACDP for entering the Access and Compensation Agreement is \$10, payable on demand by Trepang. The Access and Compensation Agreement also contemplates a licence fee, payable by ACDP to the Purchaser, for any period during the term of the Access and Compensation Agreement in which the Company uses a building or structure on land owned by the Purchaser in the conduct of mining operations (other than certain infrastructure). The licence fee to be paid is to be an amount agreed by the parties as appropriate reasonable recompense for the Existing Financiers for the use of a Licence Improvement. The term of the Access and Compensation Agreement runs until the earlier of: - the Dartbrook Coal project mining authorities being cancelled under the <i>Mining Act 1992</i> (NSW); and 31 December 2027 (the "Sunset Date").
Rights of First Refusal	The Purchaser and ACDP will enter into a right of first refusal deed, under which Trepang grants ACDP a right of first refusal to re-purchase the Sale Property if Trepang wishes to dispose of it, or any parts of it.
Sale of water rights and term transfer	The Purchaser, ACDP and ACDAM will enter into a separate contract for the sale of water entitlements associated with the real property to be sold to Trepang, and a term transfer under which Trepang will term transfer specific water licences to ACDP and ACDAM for a term ending on the earlier of: - the date the Dartbrook Coal project mining authorities are cancelled under the <i>Mining Act 1992</i> (NSW); and 31 December 2027 (the "Sunset Date").

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Schedule 2 — Summary of terms of Trepang Convertible Loan Deed

Amount owing	\$21,479,658, reflecting an initial principal amount of \$15,000,000 plus capitalised interest of \$6,479,658 as at 31 December 2020.
Approved Purpose	For the replacement of environmental bonds (\$9,245,000), payment of stamp duty (up to \$1,400,000), partial repayment of principal amount owing pursuant to the Secured Loan Deed (being \$1,000,000 recently advanced for working capital), and the remainder as working capital.
Commencement Date	25 May 2017
Shareholder Approval	On or before 31 May 2017 the Company must convene and hold a meeting of Shareholders to seek approval for (amongst other items) the grant of the Security and the issue of the Original Convertible Notes. Approval was given by Shareholders at the Company's EGM held on 13 April 2017 for (amongst other items) the grant of the Security and the issue of the Original Convertible Notes.
Issue of Convertible Note	The Trepang Convertible Note was issued on 25 May 2017, and 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 and Payment	10% per annum. All interest accruing until the Maturity Date will be, at the election of the Company and subject to the terms of the Vendor Loan Agreement, capitalised or payable in cash or shares (Interest Shares) with such Interest Shares issued at the five day VWAP prior to the relevant interest payment date or at the Conversion Price in respect of capitalised interest converted at the Maturity Date. 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.
Maturity Date	Currently the Maturity Date is 30 November 2021.
Prepayment offer	The Company is entitled to seek and obtain any third party funding. If the Company is offered funding of at least \$42,000,000, the Company must offer to repay the principal amount of the Trepang 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 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.
Immediate Repayment Events	The money owing under the Trepang Convertible 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 Convertible Loan 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.

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Security	The Company and its subsidiaries have granted to Trepang: • 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.
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Explanatory Memorandum

Schedule 3 – Summary of terms of Trepang Convertible Note

Issuer	The Company
Issue date	25 May 2017
Amount owing	\$21,479,658, reflecting an initial principal amount of \$15,000,000 plus capitalised interest of \$6,479,658 as at 31 December 2020.
Interest Rate and Payment	As per Schedule 2.
Maturity Date	Currently the Maturity Date is 30 November 2021.
Conversion Right	The Convertible Notes 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. The Conversion Shares must be issued within five Business Days of receipt of a Conversion Notice subject to compliance with all applicable laws and the Listing Rules. Each Conversion Share will rank equally with the then existing Shares of the Company. The Company will use its reasonable endeavours to apply for quotation on ASX of the Shares issued on conversion of the Convertible Notes and issue a notice under section 708A(5)(e) of the Corporations Act in respect of the Conversion Shares.
Conversion Price	\$0.80.
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.
Redemption of Note	The Company must redeem the Convertible Note and pay all moneys owing under the Convertible Note on the Maturity Date when given written notice by Trepang. The Company may redeem all or part of the Note at any time by giving Trepang written notice.
Security	As per Schedule 2.
Events of Default	As per Schedule 2.
Rights of holder	The Convertible Notes will not carry a right to vote at meetings of the Company prior to any conversion of the Convertible Notes into Shares, nor will it carry any entitlement to participate in future issues of securities by the Company.

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Conversion Price Adjustments	Subject to the <i>Corporations Act</i> and the Listing Rules, the number of Shares issued on conversion of the Convertible Notes will be adjusted if before conversion or redemption of a Convertible Note there is a reorganisation of the Company's share capital (including consolidation, subdivision, bonus issue, reduction or return) (Reorganisation Event). The Company will procure an adjustment so that the entitlement of the Shares issued on conversion of the Note to participate in profits and assets of the Company will be the same as the entitlement of the Shares into which the Note would have been converted had there been no Reorganisation Event.
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Explanatory Memorandum

Schedule 4 – Summary of terms of New Convertible Note Deed

Amount owing	\$9,124,820, reflecting an initial principal amount of \$7,000,000 plus capitalised interest of \$2,124,820 as at 31 December 2020.
Approved Purpose	For the repayment of money owing under the Secured Loan Deed and the Unsecured Loan Deed as at the date of the Company's 27 November 2018 AGM.
Commencement Date	29 November 2018
Shareholder Approval	The New Convertible Note Deed was conditional on shareholder approval being obtained to issue the New Convertible Note, associated Conversion Shares and the extension of the Security to secure the money owing and obligations under the New Convertible Note Deed. This approval was obtained at the Company's 27 November 2018 AGM.
Issue of Convertible Note	11 December 2018
Interest Rate and Payment	10% per annum payable monthly. All interest accruing will be, at the election of the Company and subject to the terms of the Vendor Loan Agreement, capitalised or payable in cash or Shares (Interest Shares), with such interest shares issued at the five day VWAP prior to the relevant interest payment date or at the Conversion Price in respect of capitalised interest converted at the Maturity Date. Interest will be charged at a rate of 15% on any overdue amounts, to be paid in cash. Each Interest Share will rank equally with all existing Shares and the Company will use its reasonable endeavours to apply for quotation on the ASX of the Interest Shares.
Maturity Date	Currently the Maturity Date is 30 November 2021.
Prepayment offer	The Company is entitled to seek and obtain any third party funding. If the Company is offered funding of at least \$42,000,000, the Company must offer to repay the principal amount of the New Convertible Note 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 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.
Immediate Repayment Events	The money owing under the New Convertible 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 New Convertible Note 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.

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Security	The Company and its subsidiaries have granted to Trepang: • 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, each of which was extended to cover the New Convertible note.
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Explanatory Memorandum

Schedule 5 – Summary of terms of New Convertible Note

Issuer	The Company
Issue date	29 November 2018
Amount owing	\$9,124,820, reflecting an initial principal amount of \$7,000,000 plus capitalised interest of \$2,124,820 as at 31 December 2020.
Interest Rate and Payment	10% per annum payable monthly. All interest accruing will be, at the election of the Company and subject to the terms of the Vendor Loan Agreement, capitalised or payable in cash or Shares (Interest Shares), with such Interest Shares issued at the five day VWAP prior to the relevant interest payment date or at the Conversion Price in respect of capitalised interest converted at the Maturity Date. Interest will be charged at a rate of 15% on any overdue amounts, to be paid in cash. Each Interest Share will rank equally with all existing Shares and the Company will use its reasonable endeavours to apply for quotation on the ASX of the Interest Shares.
Maturity Date	Currently the Maturity Date is 30 November 2021.
Conversion Right	The New Convertible Note may be converted into Shares (New Conversion Shares) in accordance with the conversion formula at any time from date of issue of the note until the Maturity Date. The New Conversion Shares must be issued within five Business Days of receipt of a Conversion Notice subject to compliance with all applicable laws and the Listing Rules. Each New Conversion Share will rank equally with the then existing Shares of the Company. The Company will use its reasonable endeavours to apply for quotation on ASX of the Shares issued on conversion of the New Convertible Note and issue a notice under section 708A(5)(e) of the Corporations Act in respect of the New Conversion Shares.
Conversion Price	\$0.80
Conversion Formula	$N = CA/IP$ Where: N is the number of New Conversion Shares to be issued. CA is the Conversion Amount. IP is the Issue Price.
Redemption of Note	The Company must redeem the New Convertible Note and pay all moneys owing under the New Convertible Note on the Maturity Date. The Company may redeem all or part of the New Convertible Note at any time by giving Tre pang written notice.
Security	Refer to Schedule 4.

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Events of Default	Customary events of default including: • if the Company fails to remedy a material breach of any provisions of the New Convertible Note 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. If an event of default occurs, the money owing will, at the option of the financier, become immediately payable to the financier.
Rights of holder	The New Convertible Note does not carry a right to vote at meetings of the Company prior to any conversion of the New Convertible Note into Shares, nor does it carry any entitlement to participate in future issues of securities by the Company.
Conversion Price Adjustments	Subject to the <i>Corporations Act</i> and the Listing Rules, the number of Shares issued on conversion of the New Convertible Note will be adjusted if before conversion or redemption of the New Convertible Note there is a reorganisation of the Company's share capital (including consolidation, subdivision, bonus issue, reduction or return) (Reorganisation Event). The Company will procure an adjustment so that the entitlement of the Shares issued on conversion of the New Convertible Note to participate in profits and assets of the Company will be the same as the entitlement of the Shares into which the New Convertible Note would have been converted had there been no Reorganisation Event.

Explanatory Memorandum

Schedule 6 – Summary of terms of Vendor Security

1. Overview

All money and obligations owed by AQC #2 to Trepang (previously to AAMCA, before the assignment of the Vendor Loan Agreement to Trepang as announced by the Company on 28 April 2020) under the Vendor Loan Agreement are secured by comprehensive securities:

- granted by AQC #2 and the Company on 29 May 2017; and
- granted by the Target Companies on 28 August 2017.

The Target Companies acceded to the Vendor Loan Agreement as a 'Guarantor' (as defined under the Vendor Loan Agreement) and granted general security deeds (**Target Company GSD**) and mortgages (**Target Company Mortgage**) in favour of (then) AAMCA on 28 August 2017. Trepang now has the benefit of the Target Company GSD and the Target Company Mortgage.

The following provides a summary of:

- the Target Company GSD;
- the Target Company Mortgages;
- the AQC #2 General Security Deed;
- the Specific and Featherweight Deed; and
- the Intercreditor Deed.

A summary of the key terms and conditions of the Vendor Loan Agreement is set out in Schedule 7.

In this Schedule:

Accession Deed Poll means a deed poll under the Vendor Loan Agreement by which an entity becomes a party to the Finance Documents as an additional guarantor.

Finance Documents means:

- (a) the Vendor Loan Agreement;
- (b) the Intercreditor Deed;
- (c) each Vendor Security;
- (d) each Accession Deed Poll;
- (e) a document that AQC #2 and Trepang agree is a 'Finance Document'; and
- (f) a document entered into for the purpose of amending or novating, any document referred to in a paragraph above.

2. Target Company General Security Deed

Under the Target Company GSD, granted by the Target Companies in favour of Trepang, the Target Companies grant a security interest in all of their "Collateral" to secure payment of the Vendor Secured Money. Where the Vendor Secured Money comprises indebtedness of either of the Target Companies, each of the Target Companies is jointly and severally liable to Trepang for the payment of the Vendor Secured Money.

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“Collateral” refers to any present and future property of the Target Companies of any kind, including anything in respect of which it has at any time a sufficient right, interest or power to grant a security interest. “Vendor Secured Money” refers to all money that the Target Companies or an Obligor is or may become liable to pay to Trepang in connection with a Finance Document.

The Target Company GSD restricts the manner in which the Target Companies can deal with their Collateral. In particular, unless permitted to do so under the Target Company GSD or another Finance Document, the Company and ACDM must not:

- (a) create or allow another security interest in any of the Collateral; or
- (b) dispose of any Collateral.

Under the Target Company GSD, if a “Default” or an “Event of Default” (as defined in a Finance Document) occurs and is subsisting, Trepang may declare that any or all of the Vendor Secured Money is immediately due and payable, while all security interests created under the Target Company GSD will become enforceable. In addition, a default under any of the Vendor Security will be considered a default under the Target Company GSD.

The form of the Target Company GSD is reasonably market-standard for this type of transaction. It contains a basic range of representations and warranties and undertakings including requiring the Target Companies to keep the Collateral in good condition and protect their title in the Collateral.

If all the Vendor Secured Money has been paid in full and the Target Companies have complied with their obligations under each Finance Document in full, the Target Companies may require Trepang to release the Collateral.

3. Target Company Mortgages

Under the Target Company Mortgages, the Target Companies agree to mortgage the Mortgaged Property and to mortgage by assignment all rents payable to the Target Companies in respect of the Mortgaged Property, to secure payment of the Vendor Secured Money.

“Mortgaged Property” refers to:

- (a) each Target Companies’ estate or interest from time to time in:
 - (i) the real property described in the Target Company Mortgages, together with the benefit of any easements, paths, rights of way, mines, quarries, water, trees, timber and other benefits on or used with that real property;
 - (ii) any present or future improvements on the real property; and
 - (iii) any present or future lease of the real property or any part of it, together with any extension or renewal of that lease, and any agreement to enter into a new lease of the same property;
- (b) any other property deemed by the Target Company Mortgages to form part of the Mortgaged Property; and
- (c) any certificate, registration, title or other evidence of ownership of, or rights to, anything described in a paragraph above.

Under the Target Company Mortgages, if a “Default” or an “Event of Default” (as defined in a Finance Document) occurs and is subsisting, Trepang may declare that any or all of the Vendor Secured Money is immediately due and payable.

The form of the Target Company Mortgages is reasonably market-standard for this type of transaction. It contains a basic range of representations and warranties and undertakings including requiring the Target Companies to keep the Mortgaged Property in good condition and protect their title in the Mortgaged Property.

Explanatory Memorandum

If all the Vendor Secured Money has been paid in full and the Target Companies have complied with their obligations under each Finance Document in full, the Target Companies may require Trepang to release the Mortgaged Property.

4. **AQC #2 GSD**

Under the general security deed granted by AQC #2 to (then) AAMCA (executed on 29 May 2017), AQC #2 grants a security interest in all of their "Collateral" to secure payment of the Vendor Secured Money.

In relation to the AQC #2 GSD, "Collateral" refers to any present and future property of AQC #2 of any kind, including anything in respect of which it has at any time a sufficient right, interest or power to grant a security interest. "Vendor Secured Money" refers to all money that AQC #2 is or may become liable to pay to (now) Trepang in connection with a Finance Document.

The terms of the AQC #2 GSD are substantially similar to those of the Target Company GSD as described above.

5. **Specific and Featherweight Deed**

Under the Specific and Featherweight Deed granted by the Company to (then) AAMCA, the Company grants a security interest in all of their Collateral to secure payment of the Vendor Secured Money.

In relation to the Specific and Featherweight Deed, "Collateral" means:

- (a) Full Resource Collateral – all of the shares (present and future) held by the Company in AQC #2 together with all rights to acquire further marketable securities as a result of AQC holding those shares or any other proceeds arising as a result of the Company holding those shares; and
- (b) Featherweight Collateral - all of the Company's present and future property of any kind, excluding Full Recourse Collateral.

"Vendor Secured Money" refers to all money that the Company or an Obligor is or may become liable to pay to Trepang in connection with a Finance Document.

The Specific and Featherweight Security Deed restricts the manner in which the Company can deal with its Collateral, with more stringent restrictions being imposed on Full Recourse Collateral. Unless permitted to do so under the Specific and Featherweight Security Deed or another Finance Document, the Company must not:

- (a) create or allow another security interest in any of the Full Recourse Collateral; or
- (b) transfer or dispose of any Full Recourse Collateral.

The Company may dispose of, permit or create a security interest in, or otherwise deal with any of the Featherweight Collateral. However, if an administrator is appointed to the Company, the security interest created in respect of the Featherweight Collateral becomes immediately enforceable and as a result the Company's right to so deal with the Featherweight Collateral ends and the Company must not sell or dispose of any of the Collateral unless Trepang first consents.

If all the Vendor Secured Money has been paid in full and the Company has performed its obligations under the Finance Documents, Trepang must discharge the security of the Company at the Company's written request.

The form of the Specific and Featherweight Security Deed is reasonably market-standard for this type of transaction.

6. **Intercreditor Deed**

AQC #2, the Company, (then) AAMCA and the Existing Financiers entered into the Intercreditor Deed, to set out the relative priorities of the securities granted (or to be granted) by the Company and its subsidiaries to (then) AAMCA and the Existing Financiers.

Explanatory Memorandum

Under the Intercreditor Deed, money owing to any Existing Financier (**Second Debt**) will be subordinated to and rank in priority after money owing to (now) Trepang under each Finance Document (**First Debt**) until either:

- (a) the First Debt is paid in full and Trepang is satisfied that no payment will be void or voidable; or
- (b) the First Debt is transferred to the Existing Financiers (or their nominee) and Trepang is satisfied that no payment will be void or voidable,

(the **Subordination Period**).

During the Subordination Period, none of the Second Debt is payable, except for certain permitted payments. Permitted payments include the \$1,000,000 repayment under the Trepang Secured Loan Deed on 29 May 2017, the capitalisation of interest, fees, costs or charges in respect of the Second Debt, the issue of Shares in lieu of interest payable on the Second Debt and the issue of Shares on conversion of the Convertible Notes in respect of the Second Debt. In addition, unless Trepang otherwise first consents in writing, the Existing Financiers must not do a number of things in relation to the Second Debt or security held in respect of the Second Debt including:

- (a) demand or accept payment or discharge of any of the Second Debt other than for a permitted payment or conversion of the Second Debt into Shares;
- (b) change an Existing Financier's rights or obligations in respect of the Second Debt, other than to convert the Second Debt into Shares;
- (c) take any steps to recover or accelerate payment of any Second Debt or enforce their security interests in relation to the Second Debt; or
- (d) increase their debt, except by way of capitalisation of interest.

The Intercreditor Deed provides for Trepang and the Existing Financiers to consent to the security granted or to be granted to each of them. Additionally, the Existing Financiers agree that the Vendor Security granted (or to be granted) in favour of Trepang has priority over and ranks ahead of any security granted to the Existing Financiers (**Existing Security**) for all amounts secured under the Existing Security.

The Intercreditor Deed contains provision for one or more of the Existing Financiers (or their nominee) to purchase the entire First Debt from Trepang at par. In addition, if Trepang wishes to sell all or any part of the First Debt it must first offer to sell such part of the First Debt to the Existing Financiers (or their nominees) at the same offer price.

The Company, AQC #2 and the Target Companies have waived their right to claim or exercise a right of subrogation or contribution in respect of the finance documents with Trepang and the Existing Financiers unless the Subrogation Period has ended.

7. Deed of Accession

Under the Vendor Loan Agreement, AQC #2 was required to ensure that, within 90 days of drawdown of the Vendor Loan, each of the Target Companies have acceded to the Vendor Loan Agreement via a deed of accession (**Deed of Accession**), the form of which is contained in the Vendor Loan Agreement. This occurred on 28 August 2017.

Under the Deed of Accession, the Target Companies each agreed to become a party to the Finance Documents as a new 'Guarantor'. As a new Guarantor, the Target Companies acquired all rights and benefits of, and agree to comply with and be bound by all present and future obligations of, a Guarantor under the Finance Documents. In addition, as new Guarantors the Target Companies agreed to do all things that a Guarantor is required under a Finance Document to procure or ensure are to be done by it in connection with becoming a Guarantor.

As Guarantors, the Target Companies irrevocably and unconditionally guarantee to Trepang the payment of the Vendor Secured Money, and the performance by each Obligor of all its other obligations, under the Finance Documents.

Explanatory Memorandum

If an Obligor does not pay any Vendor Secured Money when required, each Guarantor (including the Target Companies) must pay that money on demand as if they were the principal obligor. In addition, if any Obligor does not perform any of its other obligations under a Finance Document, each Guarantor (including the Target Companies) must perform, or procure the performance of, those obligations.

In addition, each Guarantor (including the Target Companies) indemnifies Trepang for any loss that Trepang suffers due to any obligation or liability of a Guarantor being or becoming unenforceable, an Obligor failing to pay any Vendor Secured Money or perform any obligations under the Finance Documents, any Vendor Secured Money not being recoverable, or an insolvency event in respect of any Obligor (but only to the extent the loss relates to the Vendor Secured Money).

Trepang does not need to enforce its rights against any other person before enforcing its rights against the Guarantor.

There are a range of provisions which are usual and market-standard for a subsidiary guarantee of this type which restricts the ability of the Company to reduce their liability under the guarantee (for example due to an insolvency event of an Obligor, an Obligor's obligation under any Finance Document being void or voidable or the grant of a waiver to an Obligor or any other person).

Explanatory Memorandum

Schedule 7 – Summary of terms of Vendor Loan Agreement

Total Principal Amount	\$7.7 million
Purpose	An amount equal to the Total Principal Amount is to be applied towards meeting the costs of conducting a feasibility study into the potential for the open-cut development of the Dartbrook Coal Mine as soon as practicable after Financial Close.
Commencement Date	The date the Vendor Loan was provided (' Financial Close '), which occurred simultaneously with completion of the Company's acquisition of the Dartbrook Coal Mine (i.e. 29 May 2017).
Conditions Subsequent	Subsequent to the Commencement Date, AQC #2 and the Company were required to ensure that: • within 90 days of Financial Close the Target Companies had acceded to this Vendor Loan Agreement (this occurred on 28 August 2017); and • an amount equal to the Total Principal Amount was applied towards a study for the feasibility of conducting an open-cut development of the Dartbrook Coal Mine as soon as practicable after Financial Close.
Interest Rate	10% per annum. All interest will be capitalised monthly and will be payable at maturity.
Current accrued interest	\$3,311,169 as at 31 December 2020.
Loan Maturity Date	30 July 2021, unless repayable earlier in accordance with the mandatory repayment regime below. Note that the Company aims to negotiate a further extension of this maturity date with Trepang.
Prepayment and mandatory repayment	AQC #2 may prepay all or part of the outstanding amount at any time. If AQC #2 (or any other Obligor) raises any new equity, obtains any new debt (other than certain permitted debt) or disposes of certain key assets, then it must first apply the proceeds to the repayment of the Vendor Loan, except where, in the case of new equity or debt, the funds have been raised for working capital purposes (provided no more than \$10 million has been raised for working capital purposes since the date of the Vendor Loan (which is to be a lower amount of \$2 million until the Target Companies have acceded and the full suite of Securities set out below are granted and registered).
Security	The following first ranking security has been granted in favour of: • the Specific and Featherweight Security Deed; • the AQC #2 General Security Deed; • the Target Company GSD; and • the Target Company Mortgages. Details of the Security are set out in Schedule 6 above.
Events of Default	If a Default (as set out below) occurs and subsists, AAMCA may by notice to AQC #2 declare that the Vendor Secured Money is immediately due and payable. A Default includes, but is not limited to, any of the following occurring: • an Obligor fails to pay any of the Vendor Secured Money payable by it when due, or to comply with an obligation under a Finance Document and does not remedy this failure within 10 business days;

Explanatory Memorandum

	• a statement, representation or warranty made in a Finance Document is incorrect or misleading; • a Finance Document is terminated, or a provision of a Finance Document becomes void or impossible to perform; • a debt of an Obligor or the Target Companies (for an amount exceeding \$500,000) becomes payable before its maturity, or is not paid when due; • an Insolvency Event occurs in respect of an Obligor; • any judgement is obtained against an Obligor or a Target Company for an amount exceeding \$500,000; • a Vendor Security ceases to have the priority ranking contemplated in it; • the Company ceases to hold all shares in AQC #2, or AQC #2 ceases to hold all shares in the Target Companies without Trepang's prior approval; • There is a change in the persons who control, or one or more persons acquire control of, AQC #2 or the Target Companies.
Assignment	As per the Company's announcement of 28 April 2020, the Vendor Loan Agreement has been assigned from AAMCA to Trepang and as such Trepang has assumed Anglo's position under the Vendor Loan. This Summary has therefore listed trepang as the recipient of the obligations owed by the Company under the Vendor Loan Agreement.

Explanatory Memorandum

Schedule 8 - Terms of the Unsecured Loan

Amount owing	\$9,922,396, This reflects an initial principal amount of \$8,744,000 plus capitalised interest of \$1,178,396 as at 31 December 2020.
Approved Purpose	Not applicable.
Shareholder Approval	None required.
Interest Rate and Payment	10% per annum, payable monthly.
Maturity Date	Payable on demand.
Security	Unsecured.

Explanatory Memorandum

Schedule 9 - Summary of terms of Robinson and Paspaley Convertible Loan Deeds

Amount owing	\$22,532,802 (split into two tranches of \$11,266,401 each in the form of the Paspaley Convertible Loan Deed and the Robinson Convertible Load Deed).
Approved Purpose	Enabling the Company to pay a sufficient amount of money into escrow for the purposes of satisfying clause 2.1(7) of the 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
Shareholder Approval	The Company was required to convene and hold a meeting of Shareholders on or before 31 May 2017 to seek approval for the grant of the Security and the issue of the Robinson and Paspaley Convertible Notes. Approval was given by Shareholders at the April EGM for the grant of the Security and the issue of the Robinson and Paspaley Convertible Notes.
Issue of Convertible Note	The Robinson and Paspaley Convertible Notes were issued on 18 April 2017, and 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.
Accrued Interest	As at 31 December 2020: \$5,052,535 each (\$10,105,070 total)
Interest Rate and Payment	10% per annum payable monthly. All interest accruing until the date of completion of the Dartbrook SPA was capitalised. All interest accruing after the date of completion of the Dartbrook SPA will be, at the election of the Company and subject to the terms of the Vendor Loan Agreement, capitalised or payable in cash or Shares (Interest Shares), with such interest shares issued at the five day VWAP prior to the relevant Interest Payment Date or at the Conversion Price in respect of capitalised interest converted at the Maturity Date. Interest will be charged at a rate of 15% on any overdue amounts, to be paid in cash. Each Interest Share will rank equally with all existing Shares and the Company will use its reasonable endeavours to apply for quotation on the ASX of the Interest Shares.
Maturity Date	30 November 2021.
Prepayment offer	The Company is entitled to seek and obtain any third party funding. If the Company is offered funding of at least \$42,000,000, the Company must offer to repay the principal amount of the Robinson and Paspaley 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. The Company is not otherwise entitled to prepay the principal amount.
Events of Default	Customary events of default including: • if the Company fails to remedy a material breach of any provisions of the Robinson and Paspaley Convertible Loan Deeds 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. If an event of default occurs, the money owing will, at the option of the financier, become immediately payable to the financier.

Explanatory Memorandum

Security	The Company and its Subsidiaries have granted) to the financier: • General Security Deeds over the Company and each of its Subsidiaries; • Mortgage of Land; and • Mining Mortgage.
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Explanatory Memorandum

Schedule 10 - Summary of terms of Robinson and Paspaley Convertible Notes

Issuer	The Company
Issue date	18 April 2017
Amount owing	\$16,318,936 each (\$32,637,872 total). This reflects an initial principal amount of \$11,266,401 per Note (\$22,532,802 in total) plus capitalised interest of \$5,052,535 per Note as at 31 December 2020.
Interest Rate and Payment	As per Schedule 9.
Maturity Date	30 November 2021.
Conversion Right	The Robinson and Paspaley Convertible Notes 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. The Conversion Shares must be issued within five Business Days of receipt of a Conversion Notice subject to compliance with all applicable laws and the Listing Rules. Each Conversion Share will rank equally with the then existing Shares of the Company. The Company will use its reasonable endeavours to apply for quotation on ASX of the Shares issued on conversion of the Convertible Notes and issue a notice under section 708A(5)(e) of the <i>Corporations Act</i> in respect of the Conversion Shares.
Conversion Price	Currently the conversion price is \$.80.
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.
Redemption of Note	The Company must redeem the Robinson and Paspaley Convertible Notes and pay all moneys owing under the Robinson and Paspaley Convertible Notes on the Maturity Date. The Company may (in whole or in part) redeem the Notes at a time of its choosing.
Security	As per Schedule 9.
Events of Default	As per Schedule 9.
Rights of holder	The Robinson and Paspaley Convertible Notes will not carry a right to vote at meetings of the Company prior to any conversion of the Robinson and Paspaley Convertible Notes into Shares, nor will it carry any entitlement to participate in future issues of securities by the Company.

Explanatory Memorandum

Conversion Price Adjustments	Subject to the Corporations Act and the Listing Rules, the number of Shares issued on conversion of the Robinson and Paspaley Convertible Notes will be adjusted if before conversion or redemption of a Robinson and Paspaley Convertible Notes there is a reorganisation of the Company's share capital (including consolidation, subdivision, bonus issue, reduction or return) (Reorganisation Event). The Company will procure an adjustment so that the entitlement of the Shares issued on conversion of the Note to participate in profits and assets of the Company will be the same as the entitlement of the Shares into which the Note would have been converted had there been no Reorganisation Event.
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Explanatory Memorandum

Proxy, representative and voting entitlement instructions

All resolutions will be by poll

In accordance with clause 27.1 of the Company's constitution, the Chair intends to call a poll on each of the resolutions proposed at the Meeting. Each resolution considered at the Meeting will therefore be conducted by a poll, rather than on a show of hands. The Chair considers voting by poll to be in the interests of the Shareholders as a whole and is a way to ensure the views of as many Shareholders as possible are represented at the Meeting.

Virtual (Online) Voting and Attendance Entitlement

The Board has determined that the Meeting will be held virtually (online) via an online platform accessible at <https://agmlive.link/AQC21>. There will be no physical attendance at the Meeting.

The Board has determined that those persons who are registered as holding Shares as at 7:00pm (AEST) on 28 July 2021 will be entitled to attend and vote at the Meeting. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

If more than one joint holder of a Share is present at the Meeting (whether personally, by proxy, by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the Company's Share register will be counted.

Proxies and representatives

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a Shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the Shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a Shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under section 250D of the *Corporations Act 2001* (Cth).

The proxy form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the *Corporations Act*.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **deposited at, posted to, or sent by facsimile transmission to the address listed below, or to the Share Registry, C/-Link Market Services Limited, Locked bagA14 Sydney South NSW 1235 Australia** not less than 48 hours before the time for holding the Meeting, or the adjourned Meeting as the case may be, at which the individual named in the proxy form proposes to vote.

Australian Pacific Coal Limited

Level 15, 344 Queen Street, Brisbane, Queensland, 4000

Telephone Phone: +61 7 3221 0679

Facsimile No: +61 7 3229 9323

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

A proxy form is **attached** to this Notice.

Signing instructions

Explanatory Memorandum

You must sign the proxy form as follows in the spaces provided:

- Individual: Where the holding is in one name, the Holder must sign.
- Joint Holding: Where the holding is in more than one name, all of the security holders should sign.
- Power of Attorney: To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone.

Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary.

Please indicate the office held by signing in the appropriate place.

Attachment 1- Independent Expert Report

Independent Expert's Report and Financial Services Guide

In relation to the proposed acquisition by
Trepang Services Pty Ltd and associated
entities of certain assets of Australian
Pacific Coal Limited

28 June 2021

Part 1 – Independent Expert’s Report

The Non-Associated Directors
Australian Pacific Coal Limited
Level 15, 344 Queen Street
Brisbane QLD 4000

28 June 2021

Dear Non-Associated Directors

Proposed acquisition by Trepang Services Pty Ltd and associated entities of certain assets of Australian Pacific Coal Limited

Background

Australian Pacific Coal Limited (“AQC” or the “Company”) is an Australian coal exploration and evaluation company that listed on the Australian Securities Exchange (“ASX”) in 1999. The Company’s key assets include various coal exploration tenements in Queensland’s Bowen, Galilee and Surat basins¹, and the Dartbrook Coal Mine, located in the Hunter Valley, NSW. Upon its acquisition in May 2017 the Dartbrook Coal Mine was not operational and, following several years of negotiations and appeals, the Company has now entered into a revised agreement for the recommencement and extension of mining operations with the Minister for Planning and Public Spaces under s34(3) of the Land and Environment Court Act 1979. However, as at the date of this report, the Hunter Thoroughbred Breeders’ Association (“HTBA”) has made a further application to participate in the proceedings. As such, the outcome as to any recommencement of mining is currently unknown. Thus, AQC currently has no operational assets.

In order to fund its acquisition of the Dartbrook Coal Mine as well as to fund ongoing working capital requirements, the Company entered into a number of financing arrangements with Mr John Robinson (Snr), Mr Nicholas Paspaley and Trepang Services Pty Ltd (“Trepang”), (collectively, “Existing Financiers” and/or “Trepang and its associates”). AQC has loans owing totalling \$84.2 million as at 31 December 2020 and a current market capitalisation of approximately \$8.6 million. Given the current nature of AQC’s debt obligations, the Company has recently been exploring its options with respect to its future strategy, funding and debt obligations.

AQC subsequently announced, on 14 May 2021, that it had received an offer from Trepang that would enable Trepang and any of its associates to purchase certain real properties and water rights owned by AQC (the “Transaction”). These properties and water rights are held by AQC through its wholly owned subsidiaries AQC Dartbrook Management Pty Ltd (“AQCDM”) and AQC Dartbrook Pty Ltd (“AQCD”). The real properties and water rights are broadly defined as all land associated with the Dartbrook Coal Mine, inclusive of water rights entitlements and improvements, other than two lots upon which the coal handling and processing plant (“CHPP”) is situated (“Sale Property”).

The proposed sale agreements include a contract for the sale and purchase of land, contract for the sale and purchase of water entitlements, and a Voluntary Land Acquisition and Mitigation Policy (“VLAMP”) Deed. AQC will retain all existing mining licences and mining infrastructure. Through the entry into an Access and Compensation Agreement with Trepang, as well as various access easements, AQC will be permitted full access to the Sale Property to perform mining activities up until the expiration of any mining approvals granted in respect of the Dartbrook Coal Mine. Trepang will also enter into a Right of First Refusal Deed which provides AQC the first right to re-acquire any Sale Property should it be offered for sale by Trepang. Furthermore, AQC will be permitted exclusive use of the water entitlements in undertaking any mining activities. The consideration for the Sale Property is \$33.8 million, with \$32.3 million to be offset against debt owed to Trepang and its associates.

Requirement for an independent expert’s report

In accordance with ASX Listing Rule 10.1, a proposed acquisition or disposal of a substantial asset from or to a related party, a substantial holder or an associate, requires the approval of the holders of the company’s

¹ AQC company website

securities not associated with the related party, substantial holder or associate (the “Non-Associated Shareholders”). An asset is a “substantial asset” if its value, or the value of the consideration for it, is 5% or more of the equity of AQC as set out in its latest accounts. We note that the proposed assets to be sold to Trepang and its associates represent significantly more than 5% of the equity of AQC and is therefore considered a “substantial asset” in accordance with the ASX Listing Rules. Furthermore, Trepang and its associates hold a relevant interest of 41.72% in AQC shares on issue as of 1 June 2021, and is therefore considered a substantial holder of shares in the Company. As such, the proposed disposal of a substantial asset to a substantial holder, requires the approval of the Non-Associated Shareholders under ASX Listing Rule 10.1.

In accordance with ASX Listing Rule 10.10.2, the Notice of Meeting to be sent to shareholders must include a report from an independent expert providing its opinion as to whether the proposed transaction is fair and reasonable to the Non-Associated Shareholders. As such, the Non-Associated Directors of AQC have commissioned us to prepare an independent expert’s report, setting out, whether or not in our opinion, the proposed sale of the Sale Property is fair and reasonable to the Non-Associated Shareholders of AQC and the reasons for that opinion. Our Report will accompany the Notice of Meeting and Explanatory Memorandum to be sent to AQC shareholders. Our independent expert report provides an opinion on the proposed Transaction only. We do not provide any opinion on any other resolutions included in the Notice of Meeting and Explanatory Memorandum.

Approach

Neither the Corporations Act 2001 nor the ASX Listing Rules define the term “fair and reasonable” for the purpose of ASX Listing Rule 10. As such, we had regard to ASIC Regulatory Guide 76 *Related Party Transactions* (“RG 76”) and ASIC Regulatory Guide 111 *Content of Experts Reports* (“RG 111”) which provides some guidance as to how the term “fair and reasonable” should be interpreted in a range of circumstances. With respect to a related party transaction RG 111 provides:

- ▶ An offer is “fair” if the value of the “financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity”.
- ▶ An offer is “reasonable” if it is fair. It might also be “reasonable” if, despite being “not fair”, the expert believes that there are sufficient reasons for security holders to vote for the proposal.

Accordingly, in evaluating whether the proposed Transaction is fair and reasonable to Non-Associated Shareholders, pursuant to ASX Listing Rule 10.1, we have made a separate assessment as to whether, or not, the proposed Transaction is “fair” and “reasonable” as required under RG 111.56. RG 111 also provides that an independent expert should usually give a range of values for the assets that are the subject of the offer. If the value of the consideration offered falls within the range of values of the assets, the offer is considered to be fair.

In assessing the fairness, we have considered how the fair value of the Sale Property to be sold to Trepang and its associates compares to the fair value of the consideration being offered by Trepang and its associates. In considering the reasonableness of the proposed Transaction, we considered certain factors which are discussed on the following pages.

Summary of opinion

Fairness of the proposed Transaction

We have determined whether the proposed Transaction is fair by comparing the assessed fair value of the Sale Property with the consideration that will be received by AQC in the event that the proposed Transaction is approved.

The table on the following page presents a summary of the fair value of the Sale Property and the consideration.

Evaluation of the fairness of the proposed Transaction

Item	Low	High
Value of the Sale Property	29,000,000	36,000,000
Consideration	33,794,192	33,794,192

Source: Ernst & Young Strategy and Transactions Limited analysis

Note: Currency is presented in A\$

As the fair value of the consideration is within the range of the assessed fair values of the Sale Property, we consider the proposed Transaction to be fair.

Reasonableness of the proposed Transaction

Under the guidance provided by RG 111, as we consider the terms of the proposed Transaction to be fair, we also consider the proposed Transaction to be reasonable. Notwithstanding this conclusion, we have also considered other factors that the Non-Associated Shareholders should consider in forming their view as to whether to approve, or not approve, the proposed Transaction. Individual Non-Associated Shareholders may interpret these factors differently depending on their own circumstances.

Advantages

AQC's debt and future interest accruals will reduce following the proposed Transaction

AQC is required to apply the consideration to offset debt owed to Trepan and its associates. As reported in the 31 December 2020 half year report, AQC had consolidated net debt (gross debt including accrued interest less cash) of \$83.7 million, of which all borrowings are current, and negative net assets of \$44.5 million. The proposed Transaction is expected to result in the reduction in its consolidated net debt to approximately \$51.4 million², however, will not resolve AQC of its negative net asset position. As such, while AQC's debt will reduce, at least in the short term, overall debt levels will likely rise again in future through the extension of maturity dates and the capitalisation of future interest.

There are limited alternative options available to AQC

AQC has no current operations and increasing debt levels resulting from the capitalisation of interest on existing borrowings, as well as various additional short term loans provided by the Existing Financiers to fund its working capital requirements. As reported in the 31 December 2020 half year report, the Company currently has negative net assets, debt of \$84.2 million, including accrued interest, and no cash flows to service its interest obligations. As such, the Company has recently been exploring various strategic options with respect to its assets and borrowings. In our view, the options available to the Company are limited, having considered the following:

- ▶ A sale of the entire business. In our view any likely buyer for the entire business would logically be a coal mining operator with existing mining operations in proximity to those held by AQC. Despite some efforts, no approaches or offers for the acquisition of the entire business or assets have been received by AQC. In addition, the risk currently existing with respect to the approvals for the Dartbrook Coal Mine may further deter any potential pool of buyers. Furthermore, the existence of a major shareholder, in this case Trepan, may also reduce the likelihood of an acquisition of the Company in its current form.
- ▶ AQC is unlikely to be able to raise new equity in order to pay down its borrowings. We understand that AQC last undertook an equity issuance in October 2018 which raised \$1.0 million. Since December 2015, AQC has raised approximately \$7.3 million from unrelated parties. However, the market conditions, financial position of AQC and likelihood of approval being granted in respect of the Dartbrook

² Net debt balance as at 31 December 2020, less \$32.3m of the consideration to be offset against debts owed to Trepan and its associates. This does not include the one-off transaction costs estimated to be between \$250,000 and \$300,000 (excluding GST).

Coal Mine were more favourable at the time of these raisings, than currently. We understand that AQC's discussions with its equity advisors indicate that an equity issuance is not a viable option.

- ▶ The Company is unlikely to be able to refinance its current borrowings. Given the lack of operational cash flows, risks associated with approval of the Dartbrook Coal Mine, and the existing security arrangements granted in favour of the Existing Financiers, it is unlikely that any third party lender would, or could, provide more attractive debt terms. We understand that Management's discussions with a major bank concurs with this view.
- ▶ A sale of certain assets in order to reduce its borrowings. We understand that the Company recently launched a process to sell all or part of the land associated with the Dartbrook Coal Mine, inclusive of required access rights should the mine recommencement be approved. However, this process resulted in the sales of only four parcels of land and the attached water rights (being Redrock, Byfield, Kelly's Block and Woodlands) which recently settled in late January / early February 2021 for approximately \$3.35 million³. Additionally, we understand that in mid 2020 the Company was engaged in preliminary discussions of one other offer which was received for part of the land and water entitlements but at a discount to the current consideration offered by Trepang and its associates.
- ▶ Conversion of the convertible notes to equity. The existing convertible notes may be converted to equity at the option of the holder at conversion price of \$0.80 per share. As the current share price is \$0.170 per share, the convertible notes are not likely to be converted by Trepang and its associated entities.
- ▶ Of the other assets owned by the Company, there are none that are operational and generate profits.

As such, it is our view, particularly given the land sale program recently undertaken by the Company that resulted in only limited parcels of land being sold, that the current alternative options available to AQC are limited, and it is unlikely that an alternative superior proposal will emerge.

AQC will be able to continue to pursue its strategic objectives

The proposed Transaction will still allow AQC to pursue its strategic objectives, including operation of the Dartbrook Coal Mine, if approved, through the granting of access to the Sale Property and first right of refusal agreements.

If the proposed Transaction is not approved, the Company will require financial support

If the proposed Transaction is not approved and implemented, AQC will require alternative funding in order to repay its current borrowings. As noted above, there are limited options available to the Company, and risk that existing debt facilities may not be further extended.

Disadvantages

The attractiveness of the Company to a third party acquiror will likely be reduced

AQC has no current operations, a significant debt burden and is heavily reliant on Trepang, its major shareholder, and its associates for funding. While the proposed Transaction will result in a reduction of debt, its asset base will be significantly reduced with no exposure to potentially benefit from future land value increases of the Sale Property. This may reduce the attractiveness of the Company to a third party acquiror.

³ AQC Half Yearly Report 31 December 2020

Other considerations

There is not expected to be any cash tax payable by AQC upon the sale of the Sale Property

If the proposed Transaction is approved, we understand that AQC will recognise a capital gain on the sale of the Sale Property. However, based on tax advice obtained by AQC, any tax due in respect of the capital gain is able to be offset through the utilisation of available carried forward capital losses providing the Company passes either the continuity of ownership test or same business test.

There are no specific tax consequences for individual AQC shareholders as a result of the proposed Transaction.

Certain costs have been incurred associated with the Transaction

AQC will have incurred or committed to incurring various one-off transaction costs. These transaction costs, which are estimated to be between \$250,000 to \$300,000 exclusive of GST, will be payable by AQC regardless of whether the proposed Transaction is approved.

Trepang and its associates' potential voting rights may change through the repayment rather than conversion of Convertible Notes

Trepang and its associates currently hold Convertible Notes which are convertible into ordinary shares at the option of Trepang and its associates, or repayable on the maturity date of 30 November 2021. The Convertible Notes' principal balance may be converted at \$0.80 per share and accrued interest balance may be converted at the five-day volume weighted average price ("VWAP"). As the current AQC share price is \$0.170 per share, it is unlikely Trepang and its associates would elect to convert. Assuming no conversion, Trepang and its associates' voting power remains at 41.72%.

In December 2018, Non-Associated Shareholders approved the conversion limit of 64.2 million ordinary shares at \$0.80 per share, allowing for approximately \$6.9 million of the accrued interest balance to be converted at \$0.80 per share in addition to the principal balance of the Convertible Notes. Any further accrued interest is to be converted at the five-day VWAP in accordance with the terms of the Convertible Notes, however, is constrained to a maximum of 19.0 million ordinary shares on conversion as approved by Non-Associated Shareholders. Subject to these limitations, full conversion of the Convertible Notes including accrued interest, based on 31 December 2020 balances, would result in Trepang and its associates holding approximately 78.00%⁴ of voting rights.

As a consequence of the proposed Transaction and partial repayment of the Convertible Notes, Trepang and its associates would continue to have 41.72% of the voting rights. Subject to current limitations, full conversion of the Convertible Notes including accrued interest, based on the balances following the proposed Transaction, would result in Trepang and its associates holding approximately 71.79%⁵ of voting rights. However as interest is expected to continue to capitalise the Convertible Notes balance will increase, as will the potential for increased voting rights, in the event that the Convertible Notes were converted to ordinary shares. As such, while the immediate effect is a slight reduction in potential dilution in voting rights of Non-Associated AQC Shareholders, as the Convertible Notes are not likely to be converted given current AQC share prices, we do not see this to be an advantage or disadvantage of the proposed Transaction.

No preferential treatment of Trepang and its associates

Trepang currently holds first ranking security over the assets of AQC, through the Anglo loan which benefits from first ranking security, as well as the Convertible Notes and other secured loans. Of the total loans owed to Trepang and its associates at 31 December 2020 of \$84.2 million, only \$9.9 million is unsecured. Trepang and

⁴ Principal balance as at 31 December 2020 of \$44.5 million and accrued interest of \$6.9 million converted at \$0.80 per share, capped at c. 64.2 million shares. The remaining accrued interest balance as at 31 December 2020 of \$11.9 million converted at the 5 day VWAP to 14 May 2021 of approximately \$0.14 per share, capped at c. 19.0 million shares.

⁵ Principal balance as at 31 December 2020 following the proposed Transaction of \$21.0 million and accrued interest of \$6.9 million converted at \$0.80 per share, capped at c. 64.2 million shares. The remaining accrued interest balance as at 31 December 2020 following the proposed Transaction of \$11.9 million converted at the 5 day VWAP to 14 May 2021 of approximately \$0.14 per share, capped at c. 19.0 million shares.

its associates propose that the consideration is applied in the full repayment of the principal of the Robinson Convertible Note, Paspaley Convertible Note and Unsecured Loan and partial repayment of the principal of the Trepang Convertible Note. Other than the unsecured loan, all are secured in favour of Trepang and its associates. As such, there is no preferential treatment of Trepang and its associates, as in the event of calling upon its loans, Trepang and its associates would be entitled, in priority to any other lender, to have recourse to the Sale Property.

Conclusion

Taking into consideration the matters detailed in this independent expert's report, in our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

Our assessment of the proposed Transaction is based on economic, market and other conditions prevailing as at the date of this report. Conditions can change significantly over relatively short periods of time, as evidenced by the market volatility observed during the COVID-19 pandemic since late 2019, which continues to persist and is likely to persist for some time. If conditions change materially, subsequent to the date of this report, our opinion could be different.

Other matters

This independent expert's report has been prepared specifically for the Non-Associated Shareholders of AQC. Neither Ernst & Young Strategy and Transactions Limited, Ernst & Young nor any employee thereof undertakes responsibility to any person, other than the Non-Associated Shareholders in respect of this report, including any errors or omissions howsoever caused.

This independent expert's report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the Non-Associated Shareholders. The decision as to whether to approve or not approve the proposed Transaction is a matter for individual Shareholders. Non-Associated Shareholders should have regard to the Notice of Meeting and accompanying documents prepared by AQC. Non-Associated Shareholders who are in doubt as to the action they should take in relation to the proposed Transaction should consult their own professional adviser.

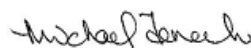
Our opinion is made as at the date of this report and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the full independent expert's report as attached.

Ernst & Young Strategy and Transactions Limited has prepared a Financial Services Guide in accordance with the Corporations Act 2001. The Financial Services Guide is included as Part 2 of this report.

Yours faithfully
Ernst & Young Strategy and Transactions Limited



Julie Wolstenholme
Director and Representative



Michael Fenech
Director and Representative

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Part 2 – Financial Services Guide

1. Introduction

1.1 Background

AQC is an Australian coal exploration and evaluation company that listed on the ASX in 1999. The Company's focus has historically been on identifying and acquiring strategic tenements in close proximity to operating mines or in areas with proven or potential in-ground resources. Since 2010, AQC has acquired a strategic holding of coal exploration tenements in Queensland's Bowen, Galilee and Surat basins⁶, and in May 2017 acquired the Dartbrook Coal Mine, located in the Hunter Valley, NSW.

Upon acquisition, the Dartbrook Coal Mine was not operational. AQC has since lodged an application to modify mining to the Independent Planning Commission ("IPC") for approval to recommence mining operations at Dartbrook Coal Mine ("Modification 7"). In August 2019, the IPC provided approval in relation to some elements of Modification 7 allowing the restart of operations using underground methods, however, denied the application to mine for an additional five years to 2027. Following the determination, AQC lodged an appeal with the Land and Environment Court, reaching an agreement in November 2020 in favour of the extension. However, prior to the agreement becoming effective, the HTBA joined the case as an opposing party. AQC lodged an appeal with the Land and Environment Court against HTBA's involvement. In June 2021, it was announced that HTBA had been removed as a party to the Land and Environment Court proceedings and AQC had entered into a revised agreement for the recommencement and extension of mining operations with the Minister for Planning and Public Spaces under s34(3) of the Land and Environment Court Act 1979. However, HTBA have made a further application to participate in the Land and Environment Court proceedings which is listed for 6 July 2021⁷. Thus, as at the date of this report, the proceedings are ongoing and AQC has no operational assets.

In order to fund its acquisition of the Dartbrook Coal Mine as well as to fund ongoing working capital requirements, the Company entered into a number of financing arrangements with the Existing Financiers. As at 31 December 2020, AQC has loans owing totalling \$84.2 million including accrued interest. All loans are secured against various assets of AQC, other than one unsecured loan of \$9.9 million including accrued interest.

Given the current nature of AQC's debt obligations, the Company has been exploring its options with respect to its future strategy, funding and debt repayment options. These options included a potential equity raise as well as the potential sales of property owned by AQC. We understand that from discussions with its advisors an equity raise would not be possible in the current market. Furthermore, AQC recently ran a process for the sale of all or part of its property holdings associated with the Dartbrook Coal Mine. This resulted in the sale of only four parcels of land realising proceeds of \$3.35 million.

Subsequently, AQC announced on 14 May 2021, that it had received an offer from Trepang, for Trepang and any of its associates, to purchase the Sale Property owned by AQC through its wholly owned subsidiaries AQC Dartbrook Management Pty Ltd and AQC Dartbrook Pty Ltd. The Sale Property is broadly defined as all land associated with the Dartbrook Coal Mine, inclusive of water rights entitlements and improvements, other than two lots upon which the coal handling and processing plant is situated.

The proposed sale agreements include a contract for the sale and purchase of land, contract for the sale and purchase of water entitlements, an Access and Compensation Agreement, a VLAMP Deed, Right of First Refusal Deed and various access easements. AQC will retain all existing mining licences and mining infrastructure and will be permitted access to the Sale Property to perform mining activities. Furthermore, AQC will be permitted exclusive use of the water entitlements in undertaking its mining activities. The consideration for the Sale Property is \$33.8 million, with \$33.2 million to offset against debt owed to Trepang and its associates.

1.1.1 Key terms of the proposed Transaction

The key terms of the proposed Transaction are set out in the contracts for sale and purchase of land and water entitlements, and other agreements, as well as the accompanying Explanatory Memorandum and are summarised on the following page.

⁶ AQC company website

⁷ Various ASX announcements related to the Dartbrook Coal Mine Modification 7

- ▶ The consideration offered for the Sale Property is \$33.8 million, comprising the sale of real property for \$23.8 million and water entitlements for \$10.0 million.
- ▶ \$32.3 million of the consideration is to be offset against debts owed to Trepang and its associates (at Trepang and its associates' direction) under existing financing arrangements. Based on 31 December 2020 balances, this will result in the principal owing on the Robinson Convertible Note, Paspaley Convertible Note and Unsecured Loan being fully repaid, and the principal owing on the Trepang Convertible Note on completion of the proposed Transaction being reduced to approximately \$14.0 million. The impact on AQC's debt balance as at 31 December 2020 as a result of applying these proceeds against debts owed to Trepang and its associates' is depicted in the table below. This would result in AQC's total debt reducing from \$84.2 million to \$51.9 million, with Trepang remaining the largest lender post this proposed Transaction.

Debt repayment based on 31 December 2020 balance								
Lender	Facility	Pre-Transaction			Transaction Consideration offset	Post-Transaction		
		Principal	Accrued interest	Total owing		Principal	Accrued interest	Balance owing
Trepang	Vendor Loan	7,700	3,311	11,011	-	7,700	3,311	11,011
Trepang	Unsecured Loan	8,744	1,178	9,922	(8,744)	-	1,178	1,178
Trepang	Trepang Convertible Note	15,000	6,480	21,480	(1,023)	13,977	6,480	20,456
Trepang	New Convertible Note	7,000	2,125	9,125	-	7,000	2,125	9,125
J Robinson (Snr)	Robinson Convertible Note	11,266	5,053	16,319	(11,266)	-	5,053	5,053
N Paspaley	Paspaley Convertible Note	11,266	5,053	16,319	(11,266)	-	5,053	5,053
Total		60,977	23,199	84,176	(32,300)	28,677	23,199	51,876

Source: AQC Half Yearly Report 31 December 2020, Management

Note: Currency presented in A\$000

- ▶ Trepang and AQCD, will enter into an Access and Compensation Agreement, for consideration of \$10. This agreement provides for such access to the Sale Property that is reasonably required to allow AQC to undertake any mining operations, including ownership of infrastructure and equipment installed on the Sale Property for the purpose of mining operations. The agreement ends on the date the last of the mining authorities is cancelled under section 120 of the Mining Act or the Sunset Date (i.e. 31 December 2027). Under the agreement, Trepang releases AQC from all claims in respect of mining impacts on the Sale Property, however, AQC retains the obligation to rehabilitate the land included in the Sale Property.
- ▶ Trepang and AQCD and AQCDM will enter into the VLAMP Deed, whereby Trepang releases AQC from environmental obligations relating to the Dartbrook Coal Mine.
- ▶ Trepang and AQCD propose to also enter into a Right of First Refusal Deed which grants AQC the first right to accept any future offer for the sale of the Sale Property, or part thereof, by Trepang for a period ending upon the cancellation under section 120 of the Mining Act of the Mining Authorities held by AQC under the *Mining Act 1992* in respect of the Dartbrook Coal Mine.
- ▶ AQCD will retain the ownership of the Right of Carriage Way and Easement for Rail Access and Use in connection with Dartbrook Coal Mine, pursuant to the instrument setting out terms of easements and restrictions on use of land intended to be created under section 88B of the *Conveyancing Act 1919*.
- ▶ The proposed Transaction is irrevocable and will lapse on 30 July 2021 if not accepted.

Conditions precedent to the proposed Transaction include, amongst others, the approval by the Non-Associated Shareholders of AQC.

2. Scope of the independent expert's report

2.1 Purpose of the report

In accordance with ASX Listing Rule 10.1, a proposed acquisition or disposal of a substantial asset from or to a related party, a substantial holder or an associate, requires the approval of the holders of the company's securities not associated with the related party, substantial holder or associate (the "Non-Associated Shareholders"). An asset is a "substantial asset" if its value, or the value of the consideration for it, is 5% or more of the equity interest of AQC as set out in its latest accounts. We note that the proposed assets to be sold to Trepang represent significantly more than 5% of the equity interests of AQC, and is therefore considered a "substantial asset" in accordance with the ASX Listing Rules. Furthermore, Trepang and its associates hold a relevant interest of 41.72% in AQC shares on issue as of 1 June 2021, and is therefore considered a substantial holder of shares in the Company. As such, the proposed disposal of a substantial asset to a substantial holder, requires the approval of the Non-Associated Shareholders under ASX Listing Rule 10.1.

In accordance with ASX Listing Rule 10.10.2, the Notice of Meeting to be sent to shareholders must include a report from an independent expert providing its opinion as to whether the proposed transaction is fair and reasonable to the Non-Associated Shareholders. As such, the Non-Associated Directors of AQC have commissioned us to prepare an independent expert's report, setting out, whether or not in our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of AQC and the reasons for that opinion. Our Report will accompany the Notice of Meeting and Explanatory Memorandum to be sent to AQC shareholders.

Our independent expert report provides an opinion on the proposed Transaction only. We do not provide any opinion on any other resolutions included in the Notice of Meeting and Explanatory Memorandum.

2.2 Basis of evaluation

Neither the Corporations Act 2001 nor the ASX Listing Rules define the term "fair and reasonable" for the purpose of ASX Listing Rule 10. As such, we also had regard to ASIC Regulatory Guide 76 *Related Party Transactions* ("RG 76") and ASIC Regulatory Guide 111 *Content of Experts Reports* ("RG 111"). According to RG 76 a related party transaction is any transaction through which a public company provides a financial benefit to a related party. As noted in paragraph 76.1, related party transactions involve conflicts of interest as those related parties are often in a position to influence decisions as to whether the benefit is provided to them, and the terms of its provision. RG 76 refers to RG 111 for guidance on how the independent expert should assess related party transactions.

RG 111 provides some guidance as to how the term "fair and reasonable" should be interpreted in a range of circumstances. RG 111 provides that a related party transaction is:

- ▶ "fair" if the value of the "financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity". In valuing the financial benefit given and the financial consideration received by the entity, an expert should take into account all material terms of the proposed transaction;
- ▶ "reasonable", if it is fair. It might also be "reasonable" if, despite being "not fair", the expert believes that there are sufficient reasons for security holders to vote in favour of the transaction.

Accordingly, in evaluating whether the proposed Transaction is fair and reasonable to Non-Associated Shareholders, pursuant to ASX Listing Rule 10.1, we have made a separate assessment as to whether, or not, the proposed Transaction is "fair" and "reasonable" as required under RG 111.56. RG 111 also provides that an independent expert should usually give a range of values for the assets that are the subject of the offer. If the value of the consideration offered falls within the range of values of the assets, the offer is considered to be fair.

In assessing fairness, we have considered how the fair value of the Sale Property to be sold to Trepang compares to the fair value of the consideration being offered by Trepang.

In considering the reasonableness of the proposed Transaction, we considered certain factors as set out in RG 111.62, including:

- ▶ Whether the proposed sale is consistent with the broader strategy of AQC;
- ▶ The implications of the proposed sale for AQC;
- ▶ The alternative options available to AQC and the likelihood of those options occurring;
- ▶ The likely impact on AQC in the event that the proposed Transaction is not approved;
- ▶ Whether there is selective treatment of any security holder, particularly the related party.

In undertaking our assessment of the proposed Transaction, we have had regard to a number of references including Australian Securities and Investment Commission regulatory guidelines, in particular, RG 111 and RG 112: *Independence of experts* (“RG 112”), and relevant market valuation guidelines and generally accepted practices in the preparation of expert reports. This report has also been prepared in accordance with APES 225 *Valuation Services* issued by the Accounting Professional & Ethical Standards Board Limited in July 2008 (revised December 2015).

A glossary summarising the abbreviations we have used in this report is contained in Appendix C.

All amounts are in Australian dollars (“\$” or “A\$”) unless otherwise stated.

2.3 Fair value

We have assessed the value of the Sale Property and the consideration on a fair value basis. Fair value in this context is considered to be: *“the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm’s length”*.

Fair value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

In considering the fair value of the Sale Property we have relied on the independent property valuation report prepared by TEW Property Consultants (“TEW”) (the “TEW Report”). TEW was appointed by AQC as the independent property valuation expert to, on our instruction, undertake an assessment of the fair value of the Sale Property. A copy of the TEW Report is attached in full in Appendix D and should be read in conjunction with our report.

We note that TEW’s assessment refers to a basis of value being “market value”, in accordance with the International Valuations Standards Council and endorsed by the Australian Property Institute. We consider the two bases of value (being market value and fair value) to be synonymous and consistent with the definition of fair value in RG 111.

2.4 Independence

Prior to accepting this engagement, we considered our independence with respect to AQC and Trepang and its associates with reference to RG 112. In our opinion, we are independent of AQC and Trepang and its associates. Ernst & Young Strategy and Transactions Limited, Ernst & Young, and global affiliations, have not provided any services to AQC or Trepang and its associates in relation to the proposed Transaction. We have previously provided an independent expert’s report for AQC in relation to a previously proposed transaction more than two years ago, which did not ultimately complete. We have not provided any other services to AQC or Trepang and its associates. We do not consider the provision of these services to compromise our independence.

2.5 Limitations and reliance on information and experts

We have considered a number of sources of information in preparing our report and arriving at our opinion. These sources of information are detailed in Appendix B.

In placing reliance on the TEW Report, we have satisfied ourselves as to TEW's competence, expertise and independence. We are also satisfied that the assumptions, methodologies and source data used by TEW are reasonable and appropriate and that the report contains sufficient information to support the conclusions drawn.

The information provided to us for the preparation of our report has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the proposed Transaction is fair and reasonable to the Non-Associated Shareholders. We also held discussions with the Non-Associated directors of AQC in relation to the proposed Transaction. However, we do not warrant that our enquiries have identified all of the matters that an audit, an extensive examination or tax investigation might disclose.

Preparation of this report does not imply that we have, in any way, audited the accounts or records of AQC. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards and International Financial Reporting Standards, as applicable.

In forming our opinion we have also assumed that:

- ▶ Matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- ▶ The assessments by AQC and its advisers with regard to legal, regulatory, tax and accounting matters relating to the transaction are complete and accurate;
- ▶ The information set out in the Notice of Meeting and accompanying documents to the Non-Associated Shareholders is complete, accurate and fairly presented in all material respects;
- ▶ The publicly available information relied upon by us in our analysis was accurate and not misleading;
- ▶ The Transaction will be implemented in accordance with its terms outlined in the sale agreements;
- ▶ To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this independent expert's report are given in good faith and in the belief that such statements and opinions are not false or misleading. This report should be read in the context of the full qualifications, limitations and consents set out in Appendix A.

Our assessment of the proposed Transaction is based on economic, market and other conditions prevailing as at the date of this report. Conditions can change significantly over relatively short periods of time, as evidenced by the market volatility observed during the COVID-19 pandemic since late 2019, which continues to persist and is likely to persist for some time. If conditions change materially, subsequent to the date of this report, our opinion could be different.

We provided draft copies of this independent expert's report to the Non-Associated Directors and management of AQC for comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone. Amendments made to this report as a result of this review by the Non-Associated Directors and management of AQC have not changed the conclusions reached.

2.6 Shareholders' decisions

This independent expert's report constitutes general financial product advice only. In forming our opinion, we have considered the interests of the Non-Associated Shareholders as a whole, and we have not considered,

nor is it practical or possible to consider, the individual circumstances of each Non-Associated Shareholder. The decision to vote for or against the Transaction is a matter for individual shareholders. The Non-Associated Shareholders should consider the advice in the context of their own circumstances, including investment objectives, liquidity preferences, risk profiles, tax position and expectations of future market conditions. Non-Associated Shareholders should also have regard to the Notice of Meeting prepared by the Directors and management of AQC. Non-Associated Shareholders who are in doubt as to the action they should take in relation to the Transaction should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in AQC. This is an investment decision upon which we do not offer an opinion and is independent of a decision to vote for or against the Transaction. Shareholders should consult their own professional adviser in this regard.

Ernst & Young Strategy and Transactions Limited has prepared a Financial Services Guide in accordance with the Corporations Act 2001. The Financial Services Guide is included as Part 2 of this report.

3. Overview

3.1 Description of AQC

AQC is an Australian company that listed on the ASX in 1999, and since 2010, has principally operated as a coal exploration and evaluation company. The Company's focus has historically been on identifying and acquiring strategic tenements in close proximity to operating mines or in areas with proven or potential in-ground resources. Since 2010, AQC has acquired a strategic holding of coal exploration tenements in Queensland's Bowen, Galilee and Surat basins⁸. Upon identifying prospective areas for further exploration, AQC is focused on exploiting the commercial value of these coal projects through farm-in, joint venture exploration and joint venture development. Furthermore, in May 2017, AQC acquired the Dartbrook Coal Mine, which is located in the Hunter Valley, NSW from Anglo American Plc ("Anglo") and Marubeni Coal Pty Ltd. The mine was not operational at the time of acquisition, and AQC has since undertaken a range of activities to assess development options with the aim of recommencing operations:

- ▶ In March 2018, the Open Cut Pre-Feasibility Study⁹ and Coal Reserve estimates were completed¹⁰;
- ▶ In February 2018, AQC submitted Modification 7 to the IPC to recommence limited underground mining¹¹. The IPC provided approval in relation to some elements of Modification 7, however, denied the application to mine for an additional five years to 2027¹². Following the determination, AQC filed for leave to lodge an appeal with the Land and Environment Court reaching an agreement in November 2020 in favour of the extension¹³. The appeal seeks to have the decision amended to permit the recommencement of mining operations and to provide a reasonable time frame for the mining to facilitate the necessary capital costs. Prior to the agreement becoming effective, the HTBA joined the case as an opposing party, sending the matter back to the Land and Environment Court. AQC filed for leave to lodge an appeal with the Land and Environment Court against HTBA's involvement¹⁴. In June 2021, it was announced that HTBA had been removed as a party to the proceedings and was ordered to pay AQC's cost of appeal¹⁵. AQC has now entered into a revised agreement under the Land and Environment Court Act 1979 for the five year extension of mining operations under development consent for the Dartbrook Coal Mine; however, HTBA has made a further application to participate in the proceedings as an opposing party. Thus, the Court is not able to finalise the revised agreement prior to the hearing of this application which is listed for 6 July 2021¹⁶.
- ▶ In September 2018, an environmentally focused drilling program was completed to provide environmental monitoring to AQC and community stakeholder groups.
- ▶ In August 2018, AQC entered into a Share Sale Agreement ("SSA") with SNR Minerals Assets Ltd, a wholly owned subsidiary of Stella Natural Resources ("SNR") to form the Dartbrook joint venture, for the potential recommencement of underground mining at Dartbrook Coal Mine. However, certain conditions of the SSA had not been satisfied by SNR and, as a result, the SSA was terminated in July 2019¹⁷.
- ▶ More recently, in 2020, AQC commenced a strategic review of the proposed coal mining operations at Dartbrook Coal Mine. As a result of this review, AQC sought to dispose of various non-core mining assets, including land. This resulted in the sale of the Redrock, Byfield, Kelly's Block, and Woodlands parcels of land and water rights for approximately \$3.35 million¹⁸, which settled in late January / early February 2021.

⁸ AQC company website

⁹ ASX announcement titled "Dartbrook Open Cut Pre-Feasibility Study Completed" dated 28 March 2018

¹⁰ ASX announcement titled "Dartbrook Coal Reserve Estimate" dated 28 March 2018

¹¹ ASX announcement titled "Application for bord and pillar recommencement of mining at Dartbrook Mine" dated 1 March 2018

¹² ASX announcement titled "Dartbrook – Determination of MOD 7" dated 13 August 2019

¹³ ASX announcement titled "Dartbrook – Modification 7 Application" dated 2 November 2020

¹⁴ ASX announcement titled "Dartbrook – Modification 7 Update" dated 7 December 2020

¹⁵ ASX announcement titled "Dartbrook - Modification 7" dated 3 June 2021

¹⁶ ASX announcement titled "Dartbrook - Modification 7" dated 28 June 2021

¹⁷ ASX announcement titled "Modification 7 and Corporate Update" dated 11 January 2021

¹⁸ AQC Half Yearly Report 31 December 2020

3.2 Financial information

The following table outlines AQC's consolidated statement of financial performance for the last three financial years ended 30 June 2020, and half year ended 31 December 2020. As AQC has no operations, the business has generated losses.

Consolidated statement of financial performance				
Currency: A\$000	FY18	FY19	FY20	YTD Dec20
Revenue	887	145	331	213
Other income	-	2,033	2,745	-
Total revenue	887	2,178	3,076	213
Employee benefits expense	(2,158)	(1,323)	(672)	(243)
Depreciation and amortisation expense	(1,187)	(1,243)	(1,165)	(578)
Exploration and evaluation expense	(22)	(46)	(52)	(39)
Impairment of exploration and evaluation capitalised assets	(74)	(77)	-	(668)
Provision remeasurement	295	500	-	-
Fair value movement of financial assets	(489)	-	-	(3,301)
Administration and consulting expenses	(8,152)	(7,058)	(6,786)	(2,822)
Finance costs	(4,966)	(6,163)	(7,299)	(4,060)
Total expenses	(16,754)	(15,410)	(15,974)	(11,710)
Loss before income tax expense from continuing operations	(15,867)	(13,233)	(12,898)	(11,497)
Income tax expense	-	-	-	-
Loss after income tax expense from continuing operations	(15,867)	(13,233)	(12,898)	(11,497)

Source: AQC Annual Report 2019, AQC Annual Report 2020, AQC Half Yearly Report 31 December 2020.

In relation to AQC's financial performance we note the following:

- ▶ AQC has generated losses over the last three financial years ended 30 June 2020, and for the half year ended 31 December 2020. The losses are largely driven by maintenance holding costs associated with the Dartbrook Coal Mine and corporate expenses, including interest expense on borrowings.
- ▶ Revenue is principally generated through rentals received from its owned property. The other income received in the financial years ended 30 June 2019 and 30 June 2020 largely comprise of unrealised gains on financial assets related to the Company's investment in Bowen Coking Coal Limited and debt forgiveness from the terminated agreement with SNR, respectively.

The table below outlines the financial position for the last three financial years ended 30 June 2020 and half year accounts as at 31 December 2020.

Consolidated statement of financial position				
Currency: A\$000	30-Jun-18	30-Jun-19	30-Jun-20	31-Dec-20
Cash and cash equivalents	2,377	396	603	456
Trade and other receivables	294	182	68	62
Available for sale assets	-	-	-	3,300
Prepayments	726	761	85	111
Total current assets	3,396	1,338	756	3,929
Property, plant and equipment	45,047	43,812	42,737	35,588
Intangibles (Dartbrook water licences)	5,620	5,620	5,620	5,620
Exploration and evaluation (accumulated tenement costs)	6,753	8,462	8,883	8,339
Financial assets (Bowen Coking Coal investment)	761	2,717	-	-
Cash and cash equivalents (restricted cash)	285	285	113	25
Tenement security deposits	8,990	8,990	8,990	8,991
Total non-current assets	67,455	69,886	66,343	58,563
Total assets	70,851	71,224	67,099	62,492
Accrued interest on loans	(5,677)	(711)	(3,529)	(4,490)
Other trade creditors	(2,041)	(1,978)	(2,384)	(3,271)
Convertible securities (including accrued interest)	(37,533)	-	(60,146)	(63,242)
Interest bearing liabilities (secured loan)	(7,700)	(7,700)	(7,700)	(7,700)
Secured loan - Trepan Services Pty Ltd	(5,000)	-	-	-
Unsecured loan - Trepan Services Pty Ltd	-	(3,500)	(6,674)	(8,744)
Unsecured loan - SNR Mineral Assets Pty Ltd	-	(2,688)	-	-
Insurance premium funding	(618)	(694)	(93)	-
Bank loans	(35)	(31)	(22)	-
Provisions for employee entitlements	(16)	(23)	(8)	-
Total current liabilities	(58,620)	(17,324)	(80,556)	(87,447)
Borrowings	(60)	(54,459)	-	-
Provision for vendor royalty	(11,100)	(10,600)	(10,600)	(10,600)
Provision for rehabilitation	(8,950)	(8,950)	(8,950)	(8,950)
Total non-current liabilities	(20,110)	(74,009)	(19,550)	(19,550)
Total liabilities	(78,730)	(91,333)	(100,106)	(106,997)
Net assets	(7,879)	(20,109)	(33,007)	(44,504)
KPIs				
Net working capital	(1,022)	(1,036)	(2,230)	(3,097)
Net financial debt	53,961	69,101	77,449	83,695

Source: AQC Annual Report 2019, AQC Annual Report 2020, AQC Half Yearly Report 31 December 2020.

Notes:

1. Net working capital comprises trade and other receivables, prepayments and trade and other payables (excluding accrued interest on convertible notes and secured loans).
2. Net financial debt comprises current and non-current cash and cash equivalents, accrued interest on convertible notes and loans and current and non-current borrowings.

In relation to AQC's financial position we note the following:

- Available for sale assets of \$3.30 million relate to certain non-core mining land at the Dartbrook Coal Mine, the sales of which completed subsequent to 31 December 2020. Gross proceeds of \$3.35

million¹⁹ were realised. Net proceeds, after realisation costs, of \$3.30 million were used to repay debt owing to Trepan.

- ▶ Property, plant and equipment of \$35.59 million as at 31 December 2020 largely relate to the Dartbrook Coal Mine's land and fixed assets.
- ▶ Intangible assets of \$5.62 million as at 31 December 2020 relate to water licences owned by AQC associated with the land acquired as part of the Dartbrook Coal Mine. The water licences were initially valued at fair market value, with subsequent period reporting on a cost basis. The licences have not been revalued since the acquisition.
- ▶ Exploration and evaluation assets totalled \$8.34 million. This predominantly relates to the Dartbrook Coal Mine and the Company's interests in various tenements in the Bowen, Surat and Galilee Basins. Costs are capitalised where AQC considers they may be recouped through development, or if activities in the area have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable resources.
- ▶ Tenement security deposits of \$8.99 million predominantly reflect cash provided to the NSW State Government as financial assurance for the future rehabilitation obligations relating to the Dartbrook Coal Mine. The rehabilitation relates to areas disturbed during operations when the Dartbrook Coal Mine was previously active including surface infrastructure, buildings, underground mine workings and underground entries.
- ▶ AQC previously held an investment in Bowen Coking Coal Limited, an ASX listed company. However, in July 2019, AQC divested a portion of its shareholding for net proceeds of \$1.59 million²⁰, and sold the remainder in May 2020 generating net proceeds of \$0.79 million²¹.
- ▶ AQC has entered into a number of financing arrangements via various debt instruments, including convertible securities, secured and unsecured loans. These are initially recognised at fair value, net of transaction costs, and subsequently measured at amortised cost under the effective interest method. As at 31 December 2020, AQC has loans owing totalling \$84.18 million all of which are current liabilities, further details of which are included on the following page.
- ▶ The provision for vendor royalty of \$10.60 million represents the fair value, as assessed by AQC, of the future royalty obligation to Anglo brought to account as part of the acquisition of the Dartbrook Coal Mine. The Anglo royalty would become payable upon the mine recommencing saleable production. The value adopted for the Anglo royalty is lower than the full nominal amount to reflect the risk and time value of the attributable cash flows.
- ▶ The provision for rehabilitation of \$8.95 million relates to the expected closure costs of areas disturbed during operations when the Dartbrook Coal Mine was previously active and operational under Anglo.
- ▶ Net financial debt continues to increase reaching \$83.70 million at 31 December 2020. This largely reflects the drawdown of additional unsecured loan amounts and accumulation of accrued interest. All of the loans are fully drawn, other than the unsecured loan from Trepan which has no defined drawdown amount.

¹⁹ AQC Half Yearly Report 31 December 2020

²⁰ ASX announcement titled "Partial Divestment of Investment Holding – Bowen Coking Coal Limited (ASX:BCB)" dated 18 July 2019

²¹ ASX announcement titled "Divestment of Investment " dated 7 May 2020

The following table outlines ACQ's debt position as at 31 December 2020.

Debt overview as at 31 December 2020					
Lender	Facility	Maturity date	Principal	Accrued interest	Total owing
Trepang Services Pty Ltd	Vendor Loan	Nov-21	7,700	3,311	11,011
Trepang Services Pty Ltd	Unsecured Loan	Jul-21	8,744	1,178	9,922
Trepang Services Pty Ltd	Trepang Convertible Note	Nov-21	15,000	6,480	21,480
Trepang Services Pty Ltd	New Convertible Note	Nov-21	7,000	2,125	9,125
Mr John Robinson (Snr)	Robinson Convertible Note	Nov-21	11,266	5,053	16,319
Mr Nicholas Paspaley	Paspaley Convertible Note	Nov-21	11,266	5,053	16,319
Total			60,977	23,199	84,176

Source: AQC Half Yearly Report 31 December 2020, Management

Note: Currency is presented in A\$000.

In relation to AQC's debt we note the following:

- ▶ We understand the Company has reached an agreement with the Existing Financiers to extend the maturity of all debt obligations, with exception of the Vendor Loan, to 30 November 2021. Maturity of the Vendor Loan has been extended 30 July 2021 unless repayable earlier in accordance with a mandatory repayment regime, however, AQC intends to negotiate a further extension on this facility with Trepang. Despite the extensions, all debt obligations are classified as current liabilities and thus payable within twelve months.
- ▶ Convertible securities, including accrued interest, totalled \$63.24 million as at 31 December 2020. These convertible securities are held by Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang and are repayable by 30 November 2021. These convertible securities are secured by various general security deeds, mortgages over mining tenements and land. The loans are convertible into ordinary shares of AQC at a price of \$0.80 per share. Interest is accrued at a rate of 10% per annum and may be capitalised, at the option of AQC, up to the maturity date of the loan.
- ▶ Interest bearing liabilities of \$7.70 million comprise a secured loan originally provided by Anglo American Metallurgical Coal Assets Pty Ltd ("Anglo Metallurgical Coal") in May 2017 at the time of the sale by Anglo to AQC. The loan was provided for the purpose of conducting a feasibility study into the potential for open-cut development of the Dartbrook Coal Mine. In April 2020, this vendor loan was assigned from Anglo Metallurgical Coal to Trepang, and as such Trepang has assumed Anglo Metallurgical Coal's position under the vendor loan, vendor security and intercreditor deed²². The full balance of the loan is outstanding at 31 December 2020. Interest is charged at a rate of 10% per annum and is capitalised and repayable at maturity of the loan on 30 November 2021. The vendor loan is secured by various security deeds including a mortgage over the real property held by AQCDP and AQCDAM, and in accordance with an intercreditor deed, ranks first in priority, ahead of the security held by the Existing Financiers.
- ▶ Unsecured loans of \$8.74 million were outstanding as at 31 December 2020. This comprises additional funding provided by Trepang for general working capital purposes²³. Interest is accrued at a rate of 10% per annum, payable monthly.

3.3 Capital structure

As at 1 June 2021, AQC has on issue 50,484,810 fully paid ordinary shares. AQC has approximately 1,000 shareholders with the largest 20 shareholders holding approximately 80.0% of the shares on issue. Trepang and its associates hold a 41.72% interest – a 39.16% interest held by Trepang, the Company's major shareholder, and a 2.56% interest held by Mr Nicholas Paspaley.

²² ASX announcement titled "Secured Funding Update" dated 26 May 2020

²³ AQC Half Yearly Report 31 December 2020

We have presented AQC's substantial shareholders in the table below, being those holding 5% or more of the shares on issue.

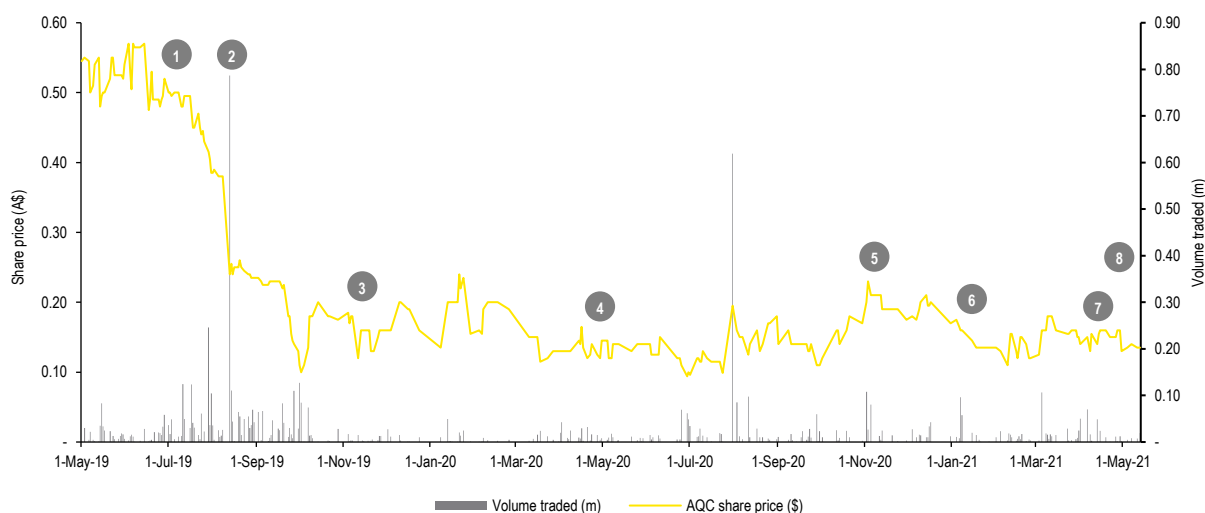
Major shareholders in AQC (1 June 2021)			
Rank	Shareholder	Number of shares ('000)	Interest (%)
1	Trepang Services Pty Ltd	19,770	39.16%
2	Mr Buguo Wang	5,180	10.26%
3	Jet Arm Limited	5,000	9.90%
	Other Shareholders	20,535	40.68%
Total shares outstanding		50,485	100.00%

Source: Management

Note: Figures may not add due to rounding.

3.4 Share price performance

The following chart presents a summary of AQC's share trading history on the ASX over the last two years to 13 May 2021, prior to a recent trading halt from 14 May 2021 to 21 May 2021 due to the announcement of the proposed Transaction. The trading price is based on the daily closing price from S&P Capital IQ.



Source: S&P Capital IQ, Ernst & Young Strategy and Transactions Limited analysis

The analysis shows that AQC's shares have generally trended lower, from a high of \$0.570 per share on three non-consecutive days in June 2019, to a low of \$0.094 on 29 June 2020. The closing price of the Company's shares on 13 May 2021 was \$0.135 per share. Over the two years to 13 May 2021, the daily volume traded has averaged 0.026 million shares with a maximum volume of AQC shares traded on 13 August 2019 of 0.79 million.

The key announcements impacting on the company's share price and trading volumes to 13 May 2021 include:

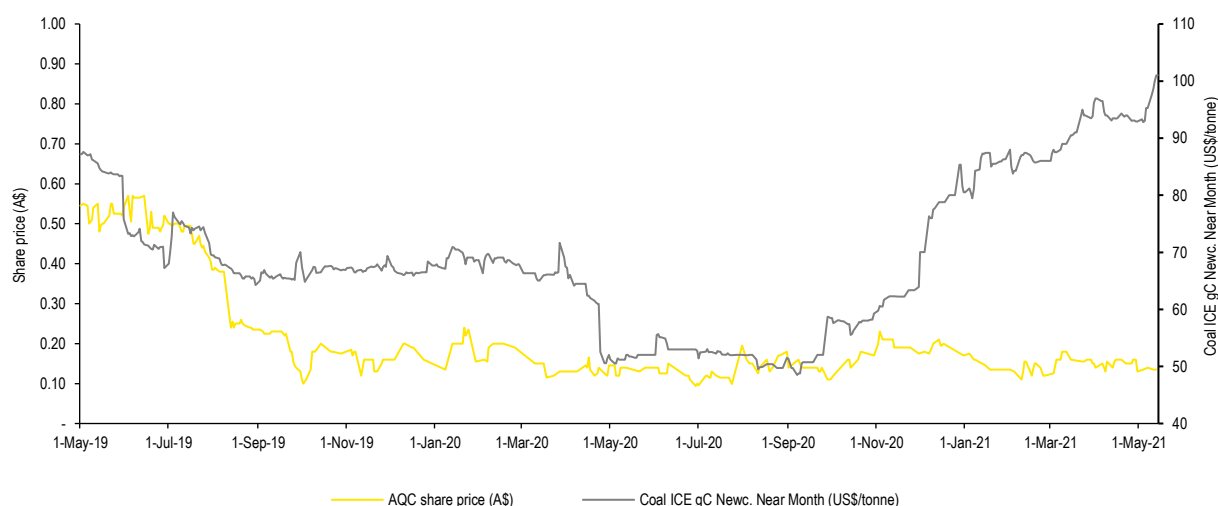
1. On 2 July 2019, AQC advised that certain conditions under the SNR SSA were not satisfied resulting in the termination of the SNR SSA.
2. On 13 August 2019, AQC announced it had received approval from IPC in relation to some elements of Modification 7.
3. On 4 November 2019, AQC resolved to lodge an appeal against the determination made against Modification 7. The appeal seeks to permit the restart of mining operations at Dartbrook Coal Mine and to provide a reasonable time frame for the mining to facilitate the necessary capital costs.

4. On 7 May 2020, AQC divested its remaining shareholding in Bowen Coking Coal Limited, a sale of 19 million shares for net proceeds of \$0.79 million.
5. On 2 November 2020, AQC announced that an agreement was reached with the NSW Minister for Planning and Public Spaces in the Land and Environment Court proceedings for Modification 7.
6. On 11 January 2021, AQC advised of the commencement of a strategic review of proposed mining operations at Dartbrook Coal Mine and associated assets. AQC also disclosed the execution of contracts for the sale of land and water rights for approximately \$3.30 million.
7. On 27 April 2021, AQC advised that the application for leave to appeal of Modification 7 had been heard by the NSW Court of Appeal.

The key announcements following 13 May 2021 to the date of this report include:

1. On 14 May 2021, AQC announced the proposed Transaction in respect of the Sale Property.
2. On 3 June 2021, AQC announced that HTBA had been removed as a party to the Land and Environment Court proceedings.
3. On 28 June 2021, AQC announced it had entered into a revised agreement for the recommencement and extension of mining operations at the Dartbrook Coal Mine. The agreement is subject to the hearing of HTBA's further application to participate in the Land and Environment Court proceedings as an opposing party.

The relative movement in AQC's market capitalisation and thermal coal prices for the two years to 13 May 2021 is illustrated below:



Source: S&P Market Intelligence, Ernst & Young Strategy and Transactions Limited analysis

The significant decrease in AQC's share price from \$0.570 per share on 14 June 2019 to \$0.235 per share by 28 August 2019 is somewhat in line with the fall in thermal coal prices following the six year highs reached in mid 2018²⁴. By August 2019, the Newcastle benchmark thermal coal price declined to approximately US\$64 per tonne. In the first half of 2020, key Australian coal producers cut output in response to low prices, as the impact of COVID-19 drove a contraction in seaborne trade demand, exacerbated by geopolitical tensions with China.

Coal prices have since stabilised and rallied in the late half of 2020 as a result of cooler weather in the northern hemisphere, production cuts and the emergence of Asian economies from COVID-19 containment measures. The benchmark price was estimated to average approximately US\$57 per tonne in 2020²⁵. Despite this, AQC's

²⁴ Department of Industry, Innovation and Science, Resources and Energy Quarterly - Thermal Coal, September 2019

²⁵ Department of Industry, Innovation and Science, Resources and Energy Quarterly - Thermal Coal, December 2020

share price has been relatively stagnant over the remainder of the period reflective of the uncertainty associated with approvals for the recommencement of mining operations at Dartbrook Coal Mine.

The table below summarises the trading history of AQC shares on the ASX from 1 May 2020 to 13 May 2021. We also show the liquidity, which is calculated as the number of shares traded each month divided by the number of shares outstanding.

Share trading history						
Month	High	Low	Close	Monthly VWAP	Volume (m)	Liquidity
May 20	0.145	0.120	0.140	0.133	0.084	0.17 %
June 20	0.150	0.094	0.100	0.109	0.242	0.48 %
July 20	0.195	0.096	0.195	0.179	0.768	1.52 %
August 20	0.180	0.125	0.180	0.145	0.278	0.55 %
September 20	0.160	0.110	0.110	0.126	0.209	0.41 %
October 20	0.180	0.120	0.170	0.156	0.084	0.17 %
November 20	0.230	0.175	0.175	0.205	0.276	0.55 %
December 20	0.210	0.170	0.170	0.192	0.176	0.35 %
January 21	0.175	0.135	0.135	0.157	0.216	0.43 %
February 21	0.155	0.110	0.120	0.137	0.137	0.27 %
March 21	0.180	0.125	0.150	0.161	0.270	0.53 %
April 21	0.160	0.130	0.130	0.147	0.250	0.49 %
May 21 (1 May 21 to 13 May 21)	0.140	0.135	0.135	0.136	0.039	0.08 %

Source: S&P Capital IQ, Ernst & Young Strategy and Transactions Limited analysis

Note:

1. Currency is presented in A\$ per share
2. Liquidity is calculated as volume traded each month divided by number of shares outstanding.
3. VWAP is based on the daily value traded and daily volumes traded from S&P Capital IQ.

Our analysis of the movements in AQC's share price and trading volumes indicate that its shares are illiquid:

- ▶ The monthly liquidity in AQC shares ranged between 0.17% and 1.52% over the twelve months ended April 2021, with only 5.90% of shares turned over in the twelve month period to 13 May 2021. A company with annual liquidity over 100%, which implies that all of its issued share capital is turned over in a 12-month period, is typically considered to be liquid.
- ▶ AQC's shares that are likely to trade (i.e. all shares excluding those held by substantial shareholders being those with a 5% or more interest and Directors, employees or related parties) was approximately 21.2% as of 13 May 2021. As such, we consider AQC to have a relatively low free float. A higher free float means more shares are available to be traded and may result in increased liquidity.
- ▶ There are currently no brokers/equity analysts covering AQC.
- ▶ As an ASX-listed equity, AQC is required to comply with ASX Listing Rules in relation to continuous disclosure including the release of price sensitive information together with quarterly reporting as required by mining companies. A review of AQC's announcements over 2020 to 13 May 2021 indicate that AQC regularly announces relevant financial and operational information.

3.5 Background on assets

3.5.1 Dartbrook Coal Mine

The Dartbrook Coal Mine is located in the NSW Hunter Valley region, approximately 4km west of Aberdeen and 10km north-west of Muswellbrook and is AQC's major asset. Longwall underground mining operations commenced in 1994, under the previous ownership of Anglo, with production reaching over 5.5 million tonnes

("Mt") ROM per annum in 2005. The mine was subsequently placed into care and maintenance in 2006 following volatile commodity prices and operational issues, and was not considered a core asset for Anglo²⁶.

The latest Ore Reserves and Mineral Resources attributable to the Dartbrook Coal Mine on an open cut basis as at March 2018 is presented in the table below.

Dartbrook Coal Mine - Coal Reserve and Resource	
Mt	Mar-18
Ore Reserves	
Proven	-
Probable	470
Total	470
Mineral Resources	
Measured	588
Indicated	850
Inferred	1,097
Total	2,535

Source: AQC Corporate Presentation April 2018

Notes:

1. Reported Mineral Resources are inclusive of Ore Reserves and are presented on a ROM tonne basis.

2. The Dartbrook Marketable Coal Reserve of 370Mt is derived from a ROM Coal Reserve of 470 Mt estimated in accordance with JORC 2012 with a predicted overall yield of 78%.

The coal is classified as high volatile bituminous coal, with the thermal coal produced being of high quality, low sulphur content, with calorific value and quality parameters suitable for high energy, low emission power generation. The Kayuga and Piercefield seams are capable of producing a range of products, including thermal coal with an ash air dried basis ranging between 10% and 20%, and pulverised coal injection ("PCI") with a 9% ash air dried basis.

The Dartbrook Coal Mine has significant existing infrastructure to support mining operations including²⁷:

- ▶ A rail loop and train load out facility connected to the Hunter Valley Coal Rail Network which provides direct transport of coal to the Port of Newcastle.
- ▶ A CHPP with throughput capacity of 1,000 tonnes per hour ("tph") of ROM coal. The CHPP comprises, a single-stage wash plant with bypass facility, medium cyclone spirals and flotation circuits.
- ▶ The Hunter Tunnel, a 4km conveyor transporting ROM coal from the underground mine to the CHPP.
- ▶ Product drifts which provide access and transport between a number of seams.
- ▶ Other auxiliary facilities including power, water, waste and office facilities.

3.5.2 Other tenements

AQC's other key assets comprise six coal tenements in Queensland. This includes three exploration permits, two joint venture exploration permits with Blackwood Resources Pty Ltd and a grassroots project currently on hold²⁸. The Blackwood Resources joint venture was created in April 2010, allowing AQC a 10% free carried interest up until the feasibility study stage²⁹.

²⁶ ASX announcement titled "Dartbrook coal resource estimate 2.5 million tonnes" dated 27 June 2017

²⁷ AQC Corporate Presentation, 3 April 2018

²⁸ AQC Annual Report 2020

²⁹ AQC company website

Most of AQC's coal tenements are located in the Bowen Basin, a major supply source of high quality metallurgical, PCI and thermal coal. The Company's coal tenements are mostly in the exploration stage of development and are generally located close to rail and road infrastructure.

In October 2017, AQC divested two of its 100% owned Bowen Basin projects, Mount Hillalong and Cooroorah for consideration of \$1.25 million in issued shares in Bowen Coking Coal³⁰. AQC has since fully divested its shareholding³¹.

The following table outlines the details of AQC's tenements, including the Dartbrook Coal Mine.

AQC Asset List					
Project	Development Stage	Basin	Ownership	Tenements	Area (Sq.Km)
Dartbrook Coal Mine	Prefeasibility	Hunter Valley	100.0 %	AUTH256, CL386, EL4574, EL4575, EL5525, ML1381, ML1456, ML1497	7068
Dingo	Exploration	Bowen	100.0 %	EPC1859	10
Mount Hess	Exploration	Bowen	100.0 %	EPC1645	19
Mount Hess West	Exploration	Bowen	100.0 %	EPC1867	6
Bungaban Creek	Exploration	Surat	10.0 %	EPC1955	92
Quandong	Exploration	Surat	10.0 %	EPC1987	115
Mantuan Downs North	Grassroots	Eromanga	100.0 %	ML70360	3

Source: AQC Annual Report 2020

3.6 The Sale Property

The Sale Property includes all land owned by AQC associated with the Dartbrook Coal Mine, inclusive of water rights entitlements and improvements, other than the land upon which the CHPP is situated.

The Sale Property comprises a number of independently titled allotments of rural land and production assets, including fodder production, dairying, and beef cattle production. The table below provides a summary of the total real estate holdings comprising the Sale Property and the land upon which the CHPP is situated (i.e. Brown Mt West). Further details are included in the TEW Report.

Sale Property – real estate holdings	
Allotment identification	Land area (ha)
Kayuga West - Grazing	1,376.51
Kayuga Dairy East	276.39
Garoka Dairy	472.75
Hardes/Wheatleys	106.76
Brown Mt East	387.9
Brown Mt West – CHPP	267.73
Administration Precinct	78.19
Village Block 1	2.57
Village Block 2	4.02
Village Block 3	0.60
Village Block 4	0.80
Village Block 5	4.39
Real estate holdings	2,978.61
Less: Brown Mt West – CHPP	(267.73)
Sale Property	2,710.88

Source: TEW Report

³⁰ AQC Annual Report 2018

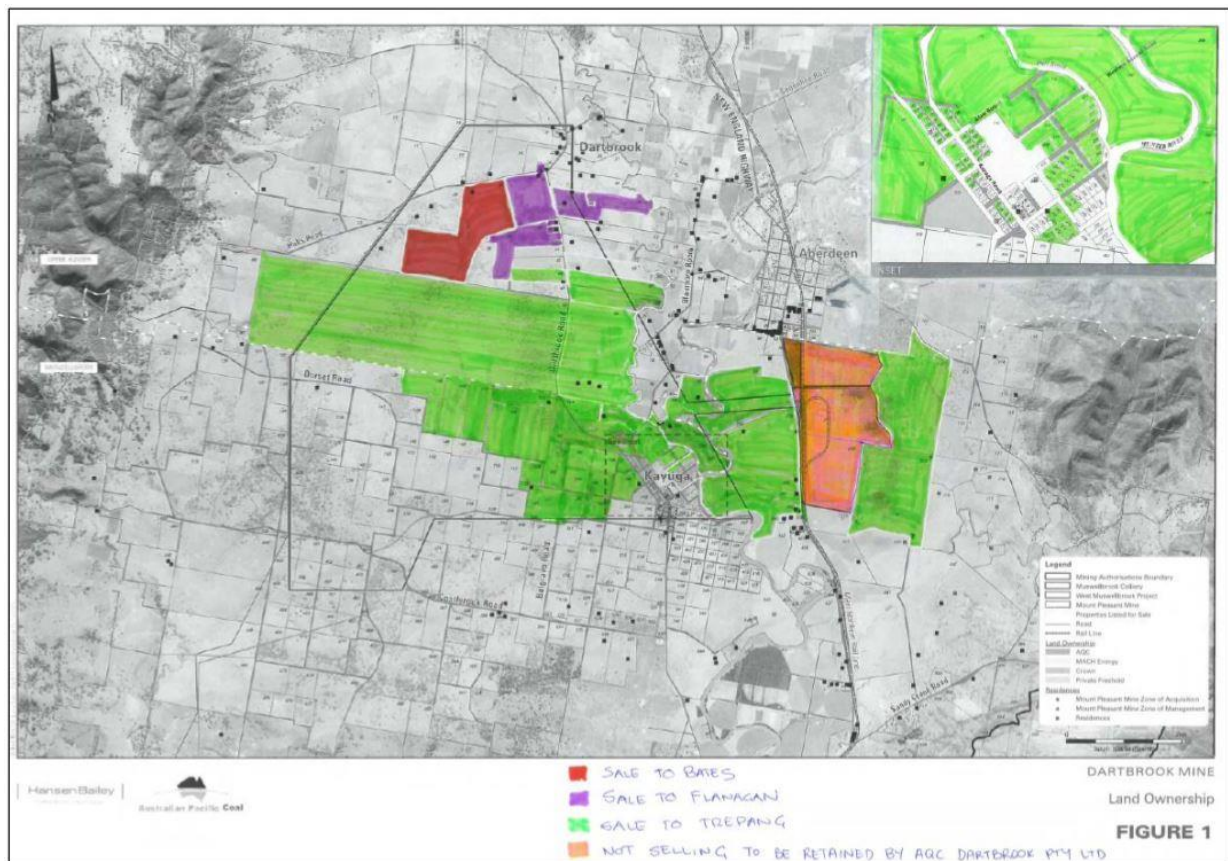
³¹ ASX announcement titled "Divestment of Investment " dated 7 May 2020

The table below summarises the relevant water entitlements which form part of the Sale Property. Further details are included in the TEW Report.

Sale Property – water entitlements	
Water source / classification	ML
Aquifer	2379.0
River - General Security	2896.0
River - High Security	6.0
River - Supplementary	254.8
Total	5535.8

Source: TEW Report

The Sale Property is situated at various locations in the Dartbrook area immediately north of the Muswellbrook urban area. The following diagram outlines the location of the Sale Property and the surrounding region:



Source: TEW Report

Note: The area shown in green represents the Sale Property

4. Valuation approach and methodology

4.1 Fair value of the Sale Property

As noted in section 2.2, we have considered whether the proposed Transaction is fair by comparing our assessed fair value of the Sale Property with the fair value of the consideration offered by Trepang.

In order to assess the fair value of the Sale Property, given the specialised nature of the property, TEW was appointed by AQC as the independent property valuation expert to undertake, on our instruction, an assessment of the fair value of the Sale Property. These instructions included a request to carry out the valuation of land, water rights and improvements on the Sale Property, review relevant data and reports available with respect to the Sale Property, perform the valuation based on:

- ▶ an “in one line” basis, whereby the individual lots have been aggregated into twelve allotments which have been considered as independently marketable and separate assets
- ▶ as well as consideration of appropriate “single holding” basis, should an individual lot or group of lots be logically separately marketable.

In addition, TEW undertook a valuation on each basis inclusive of the constraints, warranties and obligations indicated in the proposed contract for sale.

TEW assessed the fair value of the real estate holdings excluding the CHPP site on an unconstrained basis (i.e. excluding any access rights, warranties and other constraints) to be \$27.9 million excluding GST (or \$30.7 million including GST), and the fair value of the real estate holdings excluding the CHPP site on a constrained basis (i.e. including a discount to reflect the onerous access rights granted to AQC) to be \$18.2 million excluding GST. In addition, TEW assessed the fair value of water entitlements to be \$9.0 million, albeit also provided a range of values of \$7.7 million to \$10.4 million. These details are presented in the table below.

TEW fair value of the Sale Property		
Item	Unconstrained value (excl. GST)	Constrained value (excl. GST)
Real estate holdings	28,782	18,708 ²
Less: Brown Mt West – CHPP	(850)	(553) ²
Real estate holdings (excluding CHPP)	27,932	18,156 ²
Water entitlements	9,000	9,000
TEW fair value of the Sale Property	36,932	27,156

Source: TEW Report

Notes:

1. Currency is presented in A\$000

2. Constrained real estate holdings include a 35% discount, as assessed by TEW.

A copy of the TEW Report is attached in full in Appendix D and should be read in conjunction with our report.

We have relied upon TEW's assessment of the fair value of the Sale Property for the purposes of our report, as well as our own views as to the likely range of values. We have reviewed the TEW Report and consider it appropriate for our purposes for the following reasons:

- ▶ In our opinion, TEW is independent of AQC and we understand that TEW have not provided any services to AQC or Trepang and its associates in relation to the proposed Transaction. We understand that in October 2017, TEW provided a property study of various properties situated in the Dartbrook area to assist AQC in considerations for progressive purchases of land within the area. Subsequently, TEW has provided desktop assessments on various properties as an update to the October 2017 property study.
- ▶ There was no restriction on the scope of TEW's work. While TEW could not gain access to all properties to inspect improvements, where full internal inspections were not able to be undertaken, TEW has relied

upon their own observations from the ground and information received from the managing agent and representatives of AQC. TEW physically inspected all improvements and internally inspected in excess of 90% of total floor area of the improvements. Given the high proportion of improvements inspected, the lack of access to some improvements is unlikely to result in a material change in value.

- ▶ The assessment was undertaken by professionals who hold the necessary qualifications and have experience in valuing land, water entitlements and improvements of this nature.
- ▶ The assessment undertaken by TEW was completed for the purposes of the proposed Transaction. For the purposes of its assessment, TEW refers to the following definition of market value as defined by the International Valuation Standards Committee (“IVSC”) and endorsed by the Australian Property Institute (“API”) and New Zealand Property Institute: *“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion”*. We consider this definition of market value to be consistent with fair value set out in our report which is defined as *“the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm’s length”*.
- ▶ The methodology applied in undertaking the valuations is consistent with methodologies generally applied in this industry.

We note that TEW’s valuation reflects:

- ▶ The highest and best use of the Sale Property, under the current zoning, on the basis of sale “in one line” and “as if” marketed in various aggregations.
- ▶ The methodology applied in undertaking the valuations is consistent with methodologies generally applied in this industry. The primary methodology is the summation approach. The land and water entitlements were valued using the direct comparison approach. The improvements were valued using the depreciated replacement cost approach with the key assumptions being derived from comparable sales. The assessed value of improvements was then added to the land value. This approach is widely accepted for the types of properties being valued. The value of the water entitlements was separately assessed assuming a sale in one line. While we recognise that water entitlements are often transferred as a component of any overall land sale, the water entitlements are independently marketable and hence this approach is not unreasonable.
- ▶ In assessing the appropriate “single holding” basis, TEW has assumed that various smaller parcels of land are aggregated in order to form a marketable parcel. These were generally contiguous parcels with independent frontage to a formed public road and of common use and/or potential, such as to enable the prospect of obtaining a dwelling entitlement (if one does not already exist). In the absence of any planning advice, we consider this approach to be reasonable and have relied on TEW’s expert knowledge and experience in this local area. This resulted in the notional aggregation to provide twelve holdings considered to be independently marketable.
- ▶ The valuation was undertaken as at 16 April 2021 and remains current as the date of our report.
- ▶ The land is currently classified as Strategic Agricultural Land and is assumed to remain zoned as rural land suitable for a range of uses in accordance with existing zoning and relevant approvals. We consider this assumption to be reasonable.
- ▶ All land is assumed to be on a vacant possession basis. While the land upon which the Garoka Dairy has operated is leased, we understand that the lessee is to vacate the premises by 30 June 2021. As such the value for the Garoka Dairy land assumes that all improvements owned by the lessee have been removed from the Sale Property. As the land will be sold on the basis of vacant possession, the value has been determined on the basis of land value plus improvements, and not on a going concern basis. Nonetheless the overall value of this component has been compared to sales of similar going concerns.

- ▶ The valuations of land reflect the value of land and improvements, cognisant of the impacts of previous mining activities. The values exclude, among others things, all mining plant, equipment and infrastructure in accordance with the draft contract for sale. The valuations of land also exclude any value attributable to water entitlements which have been separately valued. It is assumed that all underground infrastructure and associated pumps and irrigation equipment is fit for purpose. In our view this is not an unreasonable assumption.
- ▶ Where improvements on the Property have been observed to be, or instructed to be, not habitable or fit for purpose, these have been ascribed nil value. No specific deduction has been made for any costs to demolish or remove this infrastructure or bring them into a habitable state to derive a rental income, which TEW estimates to have only a modest impact on the overall value of the Sale Property.
- ▶ The valuation allows for property selling costs and profit and risk in the 'in one line' assessment of value.
- ▶ TEW provides the land values on two bases, without any constraints as well as with the constraints, warranties and obligations set out in the contract for sale and other agreements. TEW has adopted a discount of 35% to the unconstrained real estate holdings, reflecting the negative impact of the constraints, warranties and obligations. These constraints include AQC being able to access to the land, on a non-exclusive basis, at all hours on all days, that any future property dealings require the consent of AQC and a first right of refusal in favour of AQC. This discount is subjective as there are few precedents for the level of discount and similar scenarios to benchmark from. Additionally, in our view the level of discount may differ between properties depending on the potential impacts on the usage or enjoyment of each property. As this is subjective and may differ by property, we have considered this in our assessment of an appropriate value range for the Sale Property.
- ▶ A number of sales included in the TEW report are more than twelve months old. While this is not uncommon for a valuation of this nature, there is subjectivity in estimating how the market conditions and comparable sale value metrics may have changed since those sales completed. Adjusting the comparable sales for differences to the Sale Property and the market since the transaction occurred is a somewhat subjective process that can differ between two or more experienced valuers.
- ▶ In valuing the improvements on the Sale Property, TEW has adopted the depreciated replacement cost approach as part of the summation approach. The depreciated replacement cost approach requires a number of assumptions to be made including that the Sale Property is not over capitalised, the improvements remain functional, the replacement costs, useful lives, remaining life and adopted depreciation amount / apportionment is correct. We note that the value of improvements represents approximately 23% of the total value before the inclusion of any water entitlements. In our view, this is in line with the range of comparable sales provided.
- ▶ Given the lack of recent and directly comparable evidence, there is often subjectivity in the adoption of rates per hectare in valuing the land and the apportionment for the improvements. Further, little details are generally provided as to sales of water entitlements and the market lacks transparency. Nonetheless, we note that the adopted values, before any discounts are applied, fall within the range provided of recent comparable sales.
- ▶ TEW notes that GST is unlikely to be applicable on the proposed transaction. As the proposed consideration is exclusive of GST, we have undertaken our comparison on a pre-GST basis.
- ▶ Due to the subjectiveness of the above inputs we consider a range of fair values are appropriate. Our assessment of an appropriate value range for the Sale Property is further detailed in section 4.2.

4.2 Fair value range of the Sale Property

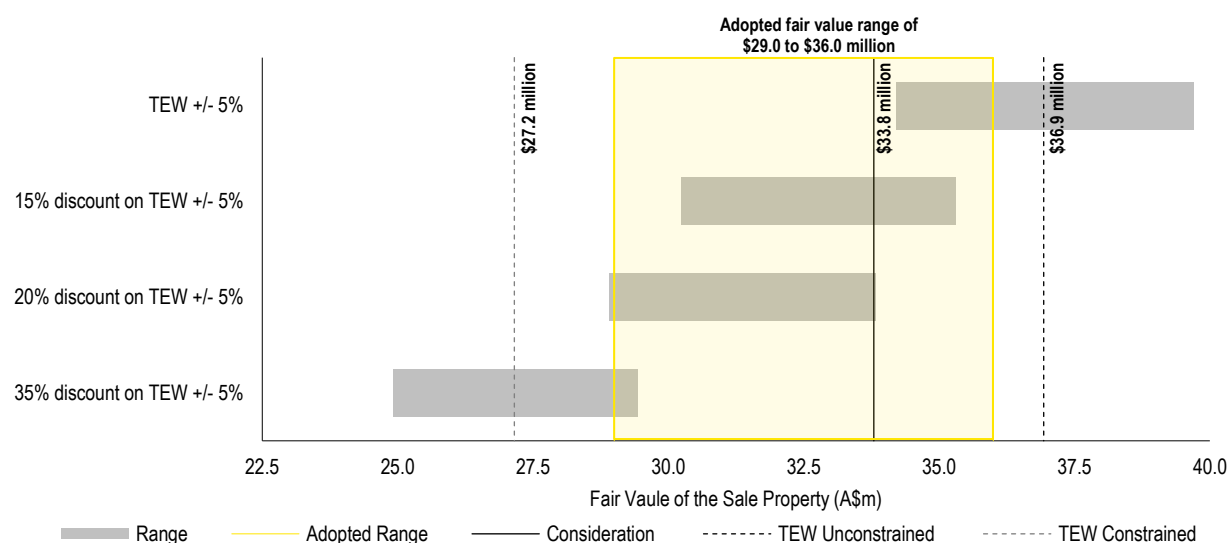
In determining the fair value range of the Sale Property, we have relied upon TEW's assessment of the fair value of the Sale Property, as well as our own views as to the likely range of values. As noted above, there is subjectivity in assessing the value of the land in particular, given the nature of the land holdings and consideration of limited recent sales.

In respect of the water entitlements, TEW assessed the value to \$9.0 million, and in a range of \$7.7 million to \$10.4 million. We have adopted this range of values in our assessment.

We considered a number of scenarios, principally in respect of the land values, including:

- ▶ TEW's assessed unconstrained value of land of \$27.9 million (excluding GST) plus/minus 5% in order to present a range of values. TEW considers this range to be appropriate. This reflects that different purchasers would likely have a different view on the value of the properties and therefore a range of values is more appropriate than relying on a point estimate. The usage of a range is also preferred in accordance with RG 111. We also consider some downside risk to the unconstrained value reflecting the risk of obtaining dwelling approvals where not currently in existence, the limited access to inspect some of the properties, and subjectivity in the adoption of rates per hectare in valuing the land and apportionment of value for the improvements. This results in a range for the land holdings of \$26.5 million to \$29.3 million. If we add the range of values for water entitlements this results in an overall value range for the Sale Property of between \$34.2 million and \$39.7 million. This value is reflective of an unconstrained basis and assumes no discount to value as a result of the potentially onerous constraints and warranties agreed as part of the proposed Transaction.
- ▶ Constrained value: we note that the Sale Property is being sold with various constraints in place which will enable AQC to operate the Dartbrook Coal Mine, if approved. However, the nature of the constraints are onerous and would likely have a negative impact on the price an acquiror would be willing to pay. It is reasonable to assume an acquiror would expect a discount on the unconstrained value to account for the constraints, warranties and obligations of the proposed Transaction as required under the Access and Compensation Agreement, VLAMP Deed, Right of Refusal Deed and Right of Carriage Way and Easement for Rail Access and Use. However, as the level of discount is a subjective assumption, and may differ by property based on its purpose and size, we have considered a range of discounts. TEW assessed a broad discount range of 25% to 70% as applicable due to the minimal sales evidence available for similar assets in comparable circumstances, and resolved to apply a discount of 35% to the unconstrained value. We have considered lower average potential discounts of 15% and 20%, and also show the impact on value of TEW's applied 35% discount. This reflects that an appropriate level of discount is highly uncertain and would reflect the likely impact of the constraints, length of time the constraints may be in place and likelihood of approval of the Dartbrook Coal Mine being granted, amongst others.

The impact of these scenarios on the fair value of the Sale Property as compared to the consideration for the Sale Property are depicted in the chart below.



Source: TEW Report, Ernst & Young Strategy and Transactions Limited analysis

Note: Currency is presented in A\$m

Based on the analysis presented on the prior page, we have assessed the fair value of the Sale Property to be between \$29.0 million and \$36.0 million. This reflects the low to middle of the range of values on an unconstrained basis. The range also reflects the upper end of the range of values based on TEW's constrained values. While we consider a discount is warranted for the constraints and warranties we also considered this may differ by property as well as the likely time period this may be in place. As such, our value range falls between these two scenarios.

We note that the consideration for the Sale Property of \$33.8 million reflects an implied discount of 1.2% to the low end of the unconstrained value range of the real estate holdings and low water entitlement range (\$34.2 million), and an implied discount of 14.9% to the high end of the unconstrained value range of the real estate holdings and high water entitlement range (\$39.7 million). In our view this is not unreasonable considering the risk of obtaining dwelling approvals where not currently in existence, the limited access to inspect some of the properties, as well as the potentially onerous constraints effecting the use of the Sale Property in the event that the Dartbrook Coal Mine recommences operations.

5. Evaluation of the Transaction

5.1 Evaluation of the Transaction

In forming our opinion as to whether the proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered a number of factors including whether the fair value of the Sale Property is higher or lower than the fair value of the consideration offered in the event that the Transaction is approved and implemented. In assessing the fair value of the Sale Property, we have placed reliance on the TEW Report as well as our own views as to an appropriate value range.

We have also considered other factors that shareholders should consider in deciding whether to approve, or not approve, the proposed Transaction including the strategic rationale for the Transaction, alternative options available to AQC, and impact on the Company if the proposed Transaction is not approved, amongst other relevant factors. These are discussed below.

5.2 Fairness

In determining whether the proposed Transaction is fair, we have compared the assessed fair value of the Sale Property, with the considered offered. The following table summarises this comparison:

Evaluation of the fairness of the proposed Transaction		
Item	Low	High
Value of the Sale Property	29,000,000	36,000,000
Consideration	33,794,192	33,794,192

Source: Ernst & Young Strategy and Transactions Limited analysis

Note: Currency is presented in A\$

The assessed value of the Sale Property is between \$29.0 million and \$36.0 million and the consideration to be received by AQC is \$33.8 million. As the consideration is within the range of the fair values of the Sale Property we consider the proposed Transaction to be fair.

5.3 Reasonableness

Under the guidance provided by RG 111, as we consider the terms of the proposed Transaction to be fair, we also consider the proposed Transaction to be reasonable. Notwithstanding this conclusion, we have also considered other factors that the Non-Associated Shareholders should consider in forming their view as to whether to approve, or not approve, the proposed Transaction. Individual Non-Associated Shareholders may interpret these factors differently depending on their own circumstances.

5.3.1 Advantages

AQC's debt and future interest accruals will reduce following the proposed Transaction

AQC is required to apply the consideration to offset debt owed to Trepang and its associates. As reported in the 31 December 2020 half year report, AQC had consolidated net debt (gross debt including accrued interest less cash) of \$83.7 million, of which all borrowings are current, and negative net assets of \$44.5 million. The proposed Transaction is expected to result in the reduction in its consolidated net debt to \$51.4 million³², however, will not resolve AQC of its negative net asset position. As such, while AQC's debt will reduce, at least in the short term, overall debt levels will likely rise again in future through the extension of maturity dates and the capitalisation of future interest.

³² Net debt balance as at 31 December 2020, less \$32.3m of the consideration to be offset against debts owed to Trepang and its associates. This does not include the one-off transaction costs estimated to be between \$250,000 and \$300,000 (excluding GST).

There are limited alternative options available to AQC

AQC has no current operations and increasing debt levels resulting from the capitalisation of interest on existing borrowings, as well as various additional short term loans provided by the Existing Financiers to fund its working capital requirements. As reported in the 31 December 2020 half year report, the Company currently has negative net assets, debt of \$84.2 million and no cash flows to service its interest obligations. As such, the Company has recently been exploring various strategic options with respect to its assets and borrowings. In our view the options available to the Company are limited, having considered the following:

- ▶ A sale of the entire business. In our view any likely buyer for the entire business would logically be a coal mining operator with existing mining operations in proximity to those held by AQC. Despite some efforts, no approaches or offers for the acquisition of the entire business or assets have been received by AQC. In addition, the risk currently existing with respect to the approvals for the Dartbrook Coal Mine may further deter any potential pool of buyers. Furthermore, the existence of a major shareholder, in this case Trepang, may also reduce the likelihood of any acquisition for the entire business in its current form.
- ▶ AQC is unlikely to be able to raise new equity in order to pay down its borrowings. We understand that AQC last undertook an equity issuance in October 2018 which raised \$1.0 million. Since December 2015, AQC has raised approximately \$7.3 million from unrelated parties. However, the market conditions, financial position of AQC and likelihood of approval being granted in respect of the Dartbrook Coal Mine were more favourable at the time of these raisings, than currently. We understand that AQC's discussions with its equity advisors indicate that an equity issuance is not a viable option.
- ▶ The Company is unlikely to be able to refinance its current borrowings. Given the lack of operational cash flows, risks associated with approval of the Dartbrook Coal Mine, and the existing security arrangements granted in favour of the Existing Financiers, it is unlikely that any third party lender would, or could, provide more attractive debt terms. We understand that Management's discussions with a major bank concurs with this view.
- ▶ A sale of certain assets in order to reduce its borrowings. We understand that the Company recently undertook a process to sell all or part of the land associated with the Dartbrook Coal Mine, inclusive of required access rights should the mine recommencement be approved. However, this process resulted in the sales of only four parcels of land and attached water rights (being Redrock, Byfield, Kelly's Block and Woodlands) which recently settled in late January / early February 2021 for approximately \$3.35 million³³. Additionally, we understand that in mid 2020 the Company was engaged in preliminary discussions of one other offer which was received for part of the land and water entitlements but at a discount to the current consideration offered by Trepang.
- ▶ Conversion of the convertible notes to equity. The existing convertible notes may be converted to equity at the option of the holder at a conversion price of \$0.80 per share. As the current share price is \$0.170 per share, the convertible notes are not likely to be converted by Trepang and its associates.
- ▶ Of the other assets owned by the Company, there are none that are operational and generate profits.

As such, it is our view, particularly given the land sale program recently undertaken by the Company that resulted in only limited parcels of land being sold, that the current alternative options available to AQC are limited, and it is unlikely that an alternative superior proposal will emerge.

AQC will be able to continue to pursue its strategic objectives

The proposed Transaction will still allow AQC to pursue its strategic objectives, including operation of the Dartbrook Coal Mine, once approved, through the granting of access to the Sale Property and first right of refusal agreements.

³³ AQC Half Yearly Report 31 December 2020

If the proposed Transaction is not approved, the Company will require financial support

If the proposed Transaction is not approved and implemented, AQC will require alternative funding in order to repay its current borrowings. As noted above, there are limited options available to the Company, and risk that existing facilities may not be extended.

5.3.2 Disadvantages

The attractiveness of the Company to a third party acquiror will likely be reduced

AQC has no current operations, a significant debt burden and is heavily reliant on Trepang, its major shareholder, and its associates for funding. While the proposed Transaction will result in a reduction of debt, its asset base will be significantly reduced with no exposure to potentially benefit from future land value increases of the Sale Property. This may reduce the attractiveness of the Company to a third party acquiror.

5.4 Other considerations

There is not expected to be any cash tax payable by AQC upon the sale of the Sale Property

If the proposed Transaction is approved, we understand that AQC will recognise a capital gain on the sale of the Sale Property. However, based on tax advice obtained by AQC, any tax due in respect of the capital gain is able to be offset through the utilisation of available carried forward capital losses providing the Company passes either the continuity of ownership test or same business test.

There are no specific tax consequences for individual AQC shareholders as a result of the proposed Transaction.

Certain costs have been incurred associated with the Transaction

AQC will have incurred or committed to incurring various one-off transaction costs. These transaction costs, which are estimated to be between \$250,000 to \$300,000 exclusive of GST will be payable by AQC regardless of whether the proposed Transaction is approved.

Trepang and its associates' potential voting rights may change through the repayment rather than conversion of Convertible Notes

Trepang and its associates currently hold Convertible Notes which are convertible into ordinary shares at the option of Trepang and its associates, or repayable on the maturity date of 30 November 2021. The Convertible Notes' principal balance may be converted at \$0.80 per share and accrued interest balance may be converted at the five-day VWAP. As the current AQC share price is \$0.170 per share, it is unlikely Trepang and its associates would elect to convert. Assuming no conversion, Trepang and its associates' voting power remains at 41.72%.

In December 2018, Non-Associated Shareholders approved the conversion limit of 64.2 million ordinary shares at \$0.80 per share, allowing for approximately \$6.9 million of the accrued interest balance to be converted at \$0.80 per share in addition to the principal balance of the Convertible Notes. Any further accrued interest is to be converted at the five-day VWAP in accordance with the terms of the Convertible Notes, however, is constrained to a maximum of 19.0 million ordinary shares on conversion as approved by Non-Associated Shareholders. Subject to these limitations, full conversion of the Convertible Notes including accrued interest, based on 31 December 2020 balances, would result in Trepang and its associates holding approximately 78.00%³⁴ of voting rights.

As a consequence of the proposed Transaction and partial repayment of the Convertible Notes, Trepang and its associates would continue to have 41.72% of the voting rights. Subject to current limitations, full conversion of the Convertible Notes including accrued interest, based on the balances following the proposed Transaction,

³⁴ Principal balance as at 31 December 2020 of \$44.5 million and accrued interest of \$6.9 million converted at \$0.80 per share, capped at c. 64.2 million shares. The remaining accrued interest balance as at 31 December 2020 of \$11.9 million converted at the 5 day VWAP to 14 May 2021 of approximately \$0.14 per share, capped at c. 19.0 million shares.

would result in Trepang and its associates holding approximately 71.79%³⁵ of voting rights. However as interest is expected to continue to capitalise the Convertible Notes balance will increase, as will the potential for increased voting rights, in the event that the Convertible Notes were converted to ordinary shares. As such, while the immediate effect is a slight reduction in potential dilution in voting rights of Non-Associated AQC Shareholders, as the Convertible Notes are not likely to be converted given current AQC share prices, we do not see this to be an advantage or disadvantage of the proposed Transaction.

No preferential treatment of Trepang and its associates

Trepang currently holds first ranking security over the assets of AQC, through the Anglo loan which benefits from first ranking security, as well as the Convertible Notes and other secured loans. Of the total loans owed to Trepang and its associates at 31 December 2020 of \$84.2 million, only \$9.9 million is unsecured. Trepang and its associates propose that the consideration is applied in the full repayment of the principal of the Robinson Convertible Note, Paspaley Convertible Note and Unsecured Loan and partial repayment of the principal of the Trepang Convertible Note. Other than the unsecured loan, all are secured in favour of Trepang and its associates. As such, there is no preferential treatment of Trepang and its associates, as in the event of calling upon its loans, Trepang and its associates would be entitled, in priority to any other lender, to have recourse to the Sale Property.

5.5 Conclusion

In the absence of a superior proposal, based on the matters outlined above, in our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of AQC.

This independent expert's report has been prepared to assist Non-Associated Shareholders in assessing the merits of the proposed Transaction. In doing so, the report provides general information only and does not consider the individual situation, objectives and needs of each Non-Associated Shareholder. On this basis, Non-Associated Shareholders should consider whether this report is appropriate for their circumstances, having regard to their own situation, objectives and needs before relying on or taking action based on this report. If there is any doubt, Non-Associated Shareholders should seek their own professional advice.

³⁵ Principal balance as at 31 December 2020 following the proposed Transaction of \$21.0 million and accrued interest of \$6.9 million converted at \$0.80 per share, capped at c. 64.2 million shares. The remaining accrued interest balance as at 31 December 2020 following the proposed Transaction of \$11.9 million converted at the 5 day VWAP to 14 May 2021 of approximately \$0.14 per share, capped at c. 19.0 million shares.

Appendix A Statement of qualifications and declarations

Ernst & Young Strategy and Transactions Limited, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Corporations Act 2001 and its representatives are qualified to provide this report. The directors of Ernst & Young Strategy and Transactions Limited responsible for this report have not provided financial advice to AQC.

Prior to accepting this engagement, we considered our independence with respect to AQC and Trepang with reference to RG 112. We have previously provided an independent expert's report for AQC in relation to a previously proposed transaction more than two years ago, which did not ultimately complete. We have not provided any other services to AQC or Trepang and its associated entities. We do not consider the provision of these services to compromise our independence.

This report has been prepared specifically for the Non-Associated Shareholders in relation to the proposed sale of the Property to Trepang. Neither Ernst & Young Strategy and Transactions Limited, Ernst & Young and any employee thereof undertakes responsibility to any person, other than the Non-Associated Shareholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report we have relied upon and considered information believed after due inquiry to be reliable and accurate. We have no reason to believe that any information supplied to us was false or that any material information has been withheld from us. We have evaluated the information provided to us by AQC, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base our report. We do not imply and it should not be construed that we have audited or in any way verified any of the information provided to us, or that our inquiries could have verified any matter which a more extensive examination might disclose.

The information relied upon in the preparation of this report is set out in Appendix B of this report.

AQC has provided an indemnity to us for any claims suffered or incurred by us directly arising out of any mis-statement or omission in any material or information provided to us and used or relied upon by us in the preparation of this report.

We provided draft copies of this report to the Non-Associated Directors of AQC for comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone. Changes made to this report as a result of this review by the Non-Associated Directors and management of AQC have not changed the methodology or conclusions reached by us.

We will receive a professional fee based on time spent in the preparation of this report estimated at approximately A\$82,500 (inclusive of GST). We will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Julie Wolstenholme a director and representative of Ernst & Young Strategy and Transactions Limited and a partner of Ernst & Young and Michael Fenech, a director and representative of Ernst & Young Strategy and Transactions Limited and a partner of Ernst & Young have assumed overall responsibility for this report. Both have the necessary experience and professional qualifications appropriate to the advice being offered. Other staff have been consulted in the preparation of this report where appropriate.

It is not intended that the report should be used for any other purpose other than to be included in the Notice of Meeting to be sent to AQC Shareholders with respect to the proposed transaction. In particular, it is not intended that this report be used for any other purpose other than as an expression of our opinion as to whether or not the proposed sale of the Property by AQC is fair and reasonable to the Non-Associated Shareholders of AQC.

We consent to the issue of this report in the form and context in which it is included in the Notice of Meeting.

Appendix B Sources of information

In preparing this Report, we have had regard to the following sources of information:

- ▶ Report and Valuation of freehold rural land, existing improvements and water entitlements prepared by TEW Property Consultants
- ▶ Draft Notice of Extraordinary General Meeting and Explanatory Memorandum
- ▶ Contract for sale and purchase of land between AQC Dartbrook Management Pty Ltd, AQC Dartbrook Pty Ltd and Trepang Services Pty Ltd
- ▶ Contract for the sale and purchase of water entitlement between AQC Dartbrook Management Pty Ltd, AQC Dartbrook Pty Ltd and Trepang Services Pty Ltd
- ▶ Draft Right of First Refusal Deed between Trepang Services Pty Ltd and AQC Dartbrook Pty Ltd
- ▶ Draft Plan of Right of Carriage Way over Lot 1 DP997444
- ▶ Draft Access and Compensation Agreement between AQC Dartbrook Pty Ltd and Trepang Services Pty Ltd
- ▶ Draft VLAMP Deed between AQC Dartbrook Management Pty Ltd, AQC Dartbrook Pty Ltd and Trepang Services Pty Ltd
- ▶ Land Tax Clearance Certificates for the Sale Property
- ▶ Various public disclosure documents lodged by AQC with the ASX, including annual reports for the years ended 30 June 2018, 30 June 2019 and 30 June 2020 and the half yearly report for half year ended 31 December 2020
- ▶ Information from AQC's website
- ▶ AQC shareholder information at various dates, as provided by the Company's share registry
- ▶ Market data obtained from sources including S&P Capital IQ

In addition, we held discussions with members of management of AQC and its advisors.

Appendix C Glossary

Glossary	
Abbreviation	Full Title / Description
Act	Corporations Act 2001
Access and Compensation Agreement	Draft Access and Compensation Agreement
Anglo	Anglo American Plc
Anglo Metallurgical Coal	Anglo American Metallurgical Coal Assets Pty Ltd
APES 225	Valuation Services issued by the Accounting Professional & Ethical Standards Board Limited
API	Australian Property Institute
AQC or the Company	Australian Pacific Coal Limited
AQCD	AQC Dartbrook Pty Ltd
AQCDM	AQC Dartbrook Management Pty Ltd
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Bowen Coking Coal	Bowen Coking Coal Limited
CHPP	Coal handling preparation plant
Consideration	Payment for the Sale Property
COVID-19	Coronavirus
CPI	Consumer price index
Existing Financiers	Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang Services Pty Ltd
FSG	Financial Services Guide
Ha	Hectares
HTBA	Hunter Thoroughbred Breeders Association
IPC	Independent Planning Commission
IVSC	International Valuation Standards Committee
Land Contract Schedules	Schedules 1 – 10 included as part of the Land Contract under the Sale Agreements
Management	Management of AQC
ML	Megalitres
Modification 7	AQC's submission of an application to the IPC to recommence limited underground mining at Dartbrook Coal Mine
Mt	Million tonnes
Non-Associated Shareholders	Shareholders of AQC not associated with Trepang
NSW	New South Wales
PCI	Pulverised coal injection
Sale Property	All land owned by AQC associated with the Dartbrook Coal Mine, inclusive of water rights entitlements and improvements, other than the land upon which the CHPP is situated.
Report	The independent expert's report
RG 76	Regulatory Guide 76: Related Party Transactions
RG 111	Regulatory Guide 111: Content of expert reports
RG 112	Regulatory Guide 112: Independence of expert
Right of First Refusal Deed	Draft Right of First Refusal Deed
SNR	Stella Natural Resources
SSA	Share Sale Agreement
TEW	TEW Property Consultants
TEW Report	Independent valuation report prepared by TEW
tph	Tonnes per hour
Transaction	Trepang proposes to acquire the Sale Property owned AQC
Trepang	Trepang Services Pty Ltd
Trepang and its associates	Trepang Services Pty Ltd, Mr Nicholas Paspaley and Mr John Robinson (Snr)

Glossary (continued)

Abbreviation	Full Title / Description
VLAMP	Voluntary Land Acquisition and Mitigation Policy
VLAMP Deed	Draft VLAMP Deed
VWAP	Volume weighted average prices
We, us or our	Ernst & Young Strategy and Transactions Limited
30-Jun-XX	Financial year ending/ended 30 June XX
US\$	United States dollars
\$ or A\$	Australian dollars



Appendix D TEW Report

REPORT & VALUATION

OF

FREEHOLD RURAL LAND, EXISTING IMPROVEMENTS

AND WATER ENTITLEMENTS

SPECIFIC TO LAND OWNED BY

AQC DARTBROOK PTY LTD &

AQC DARTBROOK MANAGEMENT PTY LTD

VARIOUS LOTS SITUATE

DARTBROOK AREA,

VIA MUSWELLBROOK NSW 2333

ON BEHALF OF

AUSTRALIAN PACIFIC COAL LIMITED

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EXECUTIVE SUMMARY

INSTRUCTIONS

Julie Wolstenholme
Director and Representative
Ernst & Young Strategy and Transactions Limited
 GPO Box 2646
 SYDNEY NSW 2001

For and on Behalf of Australian Pacific Coal Limited

REGISTERED PROPRIETOR

AQC Dartbrook Pty Ltd and AQC Dartbrook Management Pty Ltd

INTEREST TO BE VALUED

The Fee Simple in Possession of the subject property as at **16th April 2021**.

PURPOSE OF VALUATION

To determine Current Market Value/Fair Value of the subject property as at **16th April 2021** on the following bases:

1. "As if" independently marketed in the aggregations described; and
2. "As if" in one line.

We are instructed, Current Market Value/Fair Value is to be adduced subject to relevant proposed encumbrances, constraints, warranties and obligations as are contained in the draft Contract of Sale and attached schedules.

This report assesses Current Market Value applicable to the described Real Estate assets and associated improvements cognisant of all mining rights and authorities as prevail and associated mining improvements as well as the impacts of previous mining activities.

DEFINITION OF CURRENT MARKET VALUE

The definition of **Market Value** as stipulated by the International Valuations Standard Council and endorsed by the Australian Property Institute and New Zealand Property Institute is:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

DEFINITION OF FAIR VALUE

Fair Value is defined by AASB 13 as being:

"the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

RELEVANT DATES

Date of Inspection: April 2021
 Date of Valuation: 16th April 2021
 Date of Report: 16th April 2021

VALUATION QUALIFICATIONS

We have assumed the Title is clear and marketable and the valuations are reported without questions of updated surveys, boundaries, encumbrances, encroachments and outstanding Notices.

The investigations, enquiries and inspections necessary to confirm such matters as are the province of others having the appropriate & necessary skills, have not been undertaken by us. If the information so furnished to us, including lease documents, licenses and cash flows or our assumptions based on that information are incorrect, our opinion as to the values assigned may be affected.

This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 3 months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

This Report and Valuation has been prepared specifically and confidentially under instruction from **Julie Wolstenholme, Director and Representative, Ernst & Young Strategy and Transactions Limited**, GPO Box 2646, SYDNEY NSW 2001 - for and on Behalf of Australia Pacific Coal Limited.

This valuation is for the use only of the party to whom they are addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the contents of this valuation report.

This Valuation is not for Mortgage Purposes.

Neither the Valuer nor Tew Property Consultants has any financial or other interest in the property being valued or the registered proprietor or associated companies.

The opinions expressed in this report are independent and impartial.

Refer to our terms and conditions as are represented at the conclusion of this valuation report.

Liability limited by a scheme approved under Professional Standards Legislation.

The market that the property/asset is transacted and/or valued in is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions are changing daily at present. As at the date of valuation we consider that there is a market uncertainty resulting in significant valuation uncertainty. This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.

SIGNIFICANT FACTORS AND ASSUMPTIONS

In accordance with your instructions, we have undertaken investigations and analysis to assess current market value of the described property. In providing this valuation we are cognisant of a number of significant factors and have also made assumptions as follows:

- We have been instructed to consider the current market value of the subject property on the basis of Highest and Best Use. Our considerations as to the Highest and Best use assumes the total holding as if marketed independently as described but also as if in one line.
- Our considerations of Current Market Value/Fair Value are applicable to the described Real Estate assets and associated improvements cognisant of all mining rights and authorities as prevail and associated mining improvements as well as the impacts of previous mining activities.
- The property generally comprises of rural land suitable for a range of rural activities including lifestyle parcels of varying size as well as rural production assets including fodder production, dairying, and beef cattle production.
- Below is a table of the relevant land assets (and improvements) which have been considered as independently marketable aggregations for the purposes of this report and are described as follows:

Parcel Identification	Total Land Area (ha)	Land Comments	Improvements assumed as follows:
Kayuga West - grazing			
	1,376.51	Comprising a large aggregation of selectively cleared to cleared, gently undulating grazing land extending from Lot 110 in the north to Dorsett Road in the south. Watered with dams and reticulated water lifted from the Hunter River and piped to service the grazing land.	A number of dams service the land on the western side of Dartbrook Road as well as reticulated water lifted from Hunter River to the east and pumped to holding tanks on the western side of Dartbrook Road and reticulated to stock troughs via gravity feed. Also includes evaporation dams, piping and associated pumps which are mining improvements and ignored for the purposes of this report. Fenced to a number of paddocks. Multiple road frontages. Steel yards on site are considered as demountable.
Kayuga Dairy - East			
	276.39	Large parcel comprising some 170ha of productive arable alluvial flats and the balance of land is gently undulating to undulating selectively cleared grazing. Frontage to Dartbrook Road and frontage to Dartbrook (some 2.8km). The land comprises that land on the eastern side of Dartbrook Road and includes 56ha developed to centre pivot irrigation; balance of irrigated flats is some 110ha; residue land is grazing and residential/working curtilage: some 116.39ha.	Includes 3 x habitable dwellings; 1800's Sandstone/CGI clad 2 bedroom cottage; HP/CGI 1990's 3 bedroom cottage; covered feed pad and 6 x farm out buildings of varying age, condition and size, steel framed cattle yards, former dairy and feed pad. There are a number of farm sheds on site. Kayuga Homestead is a sandstone and CGI clad Heritage listed 1800's constructed dwelling; 4 x outbuildings, inground pool and landscaping. The flats are developed, and it is assumed all underground infrastructure and associated pumps and irrigation equipment is fit for purpose. Also includes discharge dam and pit head and other surface infrastructure for mining purposes. The industrial buildings which are part of the mining surface infrastructure are included for consideration in accordance with instructions and the balance of mining infrastructure is ignored for the purposes of this report.
Garoka Dairy			
	472.75	Predominantly developed river flats used for fodder cropping and comprising two paddocks suitable for centre pivot irrigation. The land rises to the east along the New England Highway frontage. Includes land with double frontage to the Hunter River (total 5.5km) and Dartbrook (total 1.5km) and includes 165ha developed to centre pivot irrigation; balance of irrigated flats is some 100.26ha; residue land is grazing and residential/working curtilage: some 44ha.	HP/CGI renovated 3 bedroom, 1950's cottage; AL clad/CGI small 3 bedroom, 1960's cottage; WB/CGI 4 bedroom 1960's cottage; WB/CGI 3 bedroom 1940's cottage; WB/CGI 3 bedroom 1940's cottage; HP/CT clad 3 bedroom 1960's cottage; Vinyl clad/CGI2 bedroom 1920's cottage; HP/CGI clad 4 bedroom, 1960's cottage; WB/CGI 3bedroom 1940's cottage; Enclosed, 50 stand rotary dairy , covered feed pad, yards, milk vat, feed system, forcing gate, feed mixing shed, silos, effluent catchment and transpiration ponds. Various farm outbuildings including machinery sheds, hay sheds and storage sheds of varying age, condition and size. All underground infrastructure and associated pumps and irrigation equipment is assumed to be fit for purpose.

SIGNIFICANT FACTORS AND ASSUMPTIONS (Cont'd)

Parcel Identification	Total Land Area (ha)	Land Comments	Improvements assumed as follows:
Hardes/Wheatleys			
	106.76	Comprises alluvial river flats on the eastern side of Dartbrook Road which are developed for irrigation. Elevated home site on western side of Dartbrook Road.	HP/CGI 5 bedroom, 1990's cottage with adjoining Dutch barn, car port on the western side of the road. Disused former dairy on eastern side of road. Store shed and demountable steel yards.
Browns Mt East			
	387.9	Vacant, undulating, predominantly cleared grazing land with frontage to Wells Gully Road. Off Sandy Creek Road / St Helens Road. Vacant predominantly cleared land - undulating to steep upper slopes. (east side of Browns Mountain).	Two timber cattle yards (little added value).
Brown Mt West - CHPP			
	267.73	Undulating, predominantly cleared grazing land with access via adjoining land from New England Highway (via underpass under rail line). Appears to be situated on the eastern side of existing rail line (western facing slopes of Browns Mountain). Comprises the CHPP and rail loop which is assumed to be coal related infrastructure and ignored for the purposes of this report.	Includes the CHPP facility, rail loop and associated improvements - which are ignored for the purposes of this valuation.
Administration Precinct			
	78.19	Irregular shaped parcel including Stair Street frontage. Dartbrook Frontage and bridge over Hunter River. Vacant alluvial creek flats. Irregular shaped parcel which includes road corridor to the east which intersects with the New England Highway. Also includes two separately titled parcel on the eastern side of the New England Highway – between the Highway and the rail line.	Comprises administration facility, workshops and Pit head and surface infrastructure. In accordance with instructions, the commercial/industrial buildings have been included for consideration - whilst the balance of mining improvements is ignored for the purposes of this valuation.
Village Block 1			
	2.5739	Kayuga & Stair Street Frontage Vacant Land in village	
Village Block 2			
	4.0196	Kayuga Road frontage. - Vacant lot in village	
Village Block 3			
	0.5975	Kayuga Road Frontage - Vacant lot in village	
Village Block 4			
	0.7955	Kayuga Road frontage - vacant lot in village	
Village Block 5			
	4.3892	Hunter Street and Rose Street Frontage.	Rendered brick/ CT clad 4 bedroom 1980's cottage. Machinery shed, storage and dilapidated shed.
Total	2,978.61		

SIGNIFICANT FACTORS AND ASSUMPTIONS (Cont'd)

- The independent aggregations are adopted based upon the following relevant factors: the aggregated allotments are contiguous parcels with independent frontage to a formed public road and of common use and/or use potential. The independent aggregations are assumed to have a positive prospect of obtaining a dwelling approval (if one is not already approved) and otherwise, where there are one or more dwellings situated upon an aggregation, it is assumed those dwellings have the necessary approvals from the consent authority.
- Notwithstanding there may be existing holding rights applicable to some individual allotments, the subject land comprises a number of small individual allotments each with road frontage but which are also smaller than the minimum lot size necessary to achieve a dwelling entitlement under existing zoning and development controls. In the absence of expert planning advice in respect to existing holding status – we have aggregated those smaller allotments to form a larger aggregated holding for consideration of value.
- The subject property is comprised of a number of independent allotments (refer amended Schedule 1 in the proposed Contract of sale) which we have notionally aggregated to provide twelve (12) independently marketable holdings situated fronting Dartbrook Road, Kayuga Road, Stair Street, Hunter Street, St Helliers Road and New England Highway at Muswellbrook, within 5 kilometres north of the Muswellbrook Central Business District. The land is bisected by the Hunter River and also has frontage to Dart Brook.
- The total subject is situated within two Local Environmental Areas as follows:
 - Land is described as within an area zoned RU4 Primary Production Small Lots under the Upper Hunter LEP 2013.
 - Land is described as within an area zoned RU1 Primary Production, E3 Environmental Management and SP2 Infrastructure under the Muswellbrook LEP 2009.
- Classified as Strategic Agricultural Land (SAL) it is our consideration the land is unlikely to be rezoned in the foreseeable future. For the purposes of this report, we have assumed therefore, the land will remain zoned as rural land suitable for a range of uses in accordance with the existing zoning and relevant approvals.
- The existing dairy operation as has been carried on under lease on Garoka Dairy for some 21 years - in conjunction with a large area of complimentary run off lands also utilised under lease. In accordance with the conditions of the contract of sale – the continuation of Dairy operations is assumed to be impacted by the removal of Lessee improvements as are described.
- We have not received copies of milk supply contracts, have not been provided with evidence of milk volumes nor have we had the benefit of perusing relevant trading accounts in order to assess business viability. Therefore, we have not considered the asset on the basis of “going concern” value. That is, as a consequence of limited available information, we have not made an appreciation of the value of the business as may be applicable to the Garoka Dairy operation being conducted from the site. Furthermore, our investigations also indicate the dairy does not have an existing Environmental Protection License.
- We have resolved to value the described Garoka Dairy asset – its described land area and applicable improvements - on a summation basis of land value plus depreciated value of improvements. The obsolescence considered applicable to the improvements on that basis takes into account the fact that a number of important items of plant and equipment and fixed improvements will be removed by the lessee and therefore there is no ability to operate the dairy as a going concern until those items are replaced. We have assumed the relevant items are readily available and capable of replacement. Furthermore, the opportunity is available to a hypothetical purchaser to negotiate with the departing tenant to purchase the relevant items.

SIGNIFICANT FACTORS AND ASSUMPTIONS (Cont'd)

- With respect to the dominant rural activity carried on from the total aggregation, we have considered the subject land is currently predominantly being utilised as an operating dairy - Garoka Dairy - as at the date of inspection and is understood to be occupied on the basis of "holding over" on terms applicable to an expired Lease agreement. We are instructed the most recent Lease applicable to the Garoka Dairy was not signed (notwithstanding the sitting tenant has occupied the land under lease for some 21 years). We are also instructed to assume the Garoka Dairy will be vacated not later than 30 June 2021. Market value is therefore adduced on a vacant possession basis.
- We have considered the total leasehold area (currently utilised as Garoka Dairy) is large enough to be considered as comprising of three separate holdings which have, for the purpose of this report, been apportioned separately. Those three parcels are described as Garoka Dairy which includes that land along the Hunter River flats fronting the New England Highway and Dartbrook flats (accessed from Blairmore Lane), Kayuga Dairy (land on the eastern side of Dartbrook Road) and Kayuga West (land on the western side of Dartbrook Road).
- A schedule of those improvements which are to be excluded and those which are to remain on site is attached to the contract of sale. We have considered value assuming those improvements are removed.
- The balance of the subject total AQC land is apportioned to a number of separate parcels of differencing sizes and which is predominantly considered as rural lifestyle parcels and rural/residential allotments. On that basis we have assumed each independent described parcel has positive prospects of achieving at least one dwelling entitlement should one be applied for.
- The parcels described as Administration Precinct and Browns Mountain West – are improved specifically for use as mining related purposes. Unless specifically instructed to the contrary, for the purposes of this report, we have ignored mining plant, equipment and infrastructure. Where we are instructed to consider mining infrastructure as included, we have purposely considered those commercial/industrial assets in respect to their highest and best use as being fit for purpose.
- Should we be instructed to undertake a consideration of the value of the real estate as if broken up into smaller parcels than that considered here, we recommend our client engage the services of an expert planner to inform the process and ascertain development potential. Should expert planning advice indicate matters to be different to that assumed in this report, we advise our assessments of the market value of the real estate may be different to that which is represented in this report. We have considered the total property as comprising some twelve (12) independently marketable parcels as described.
- We also draw attention to the fact the property comprises a number of improvements of varying age, construction standard, condition and state of repair. Where we have been instructed the improvements are not habitable or have observed the improvements are not fit for purpose, we have attributed nil value to those improvements. However, we have not made a specific deduction for the cost to demolish and remove those dilapidated improvements.
- In light of the value adduced for the subject total asset – it is estimated the cost to demolish and remove those dilapidated improvements would have an inconsequential impact upon the adduced market value.

SIGNIFICANT FACTORS AND ASSUMPTIONS (Cont'd)

- In respect to considering value for the improvements situated on the broader holding, we have resolved to utilise the depreciated value of each improvement. Our understanding of applicable improvements is informed by the relevant schedule (schedule 3) which is proposed to attach to the contract of sale. Schedule 3 specifically excludes “mining plant, equipment and infrastructure”. Notwithstanding the exclusions as described, we are specifically instructed to include a consideration of particular building improvements (evidently “mining infrastructure”) which are situated on the land areas described as Administration and Kayuga Dairy east.
- We have inspected a majority of the improvements and where full internal inspections have not been available, we have relied upon our instructions, our observations from the ground and information received from the managing agent and representatives of the registered proprietor. We have physically inspected all improvements and have internally inspected in excess of 90% of the total floor area of the described improvements.
- In the absence of independent expert reporting in respect to the age, condition and integrity of the improvements on and to the land – including; building structures, underground infrastructure, associated plant and equipment and other improvements specific to the viable utilisation of the land as described – we have assumed the assets are fit for purpose.
- The total property also includes land which is utilised and developed specifically for use in conjunction with and complimentary to the approved mining activities. Notwithstanding, Schedule 3 of the Contract of Sale (COS) specifically identifies – amongst other things - “all mining plant, equipment and infrastructure” are to be excluded.
- Other relevant matters which the land owner/hypothetical purchaser is assumed to accept and which will constrain use and also impact upon the assessment of value for the subject land include:
 - Accepts access to the land is available to AQC (non exclusive) at all hours on all days.
 - Acknowledges receipt of the compensation from AQC (as per Annexure C of the Compensation Agreement)
 - Releases AQC from all claims.
 - Assumes all compensation (full and final compensation) under Part 13 of the Mining Act 1992 is satisfied.
 - Equipment and infrastructure installed on the land related to mining is the property of AQC and may be removed at its absolute discretion.
 - The land owner will not require mitigation in respect to impacts under the VLAMP.
 - All property dealings require AQC approval.
 - Impacts upon the property from mining may exceed VLAMP impacts.
 - For the purposes of a proposed easement impacting the land – the landowner is the subservient tenement and the dominant tenement is four (4) Lots owned by AQC. (We are further instructed to consider the dominant tenement description is amended to comprise just 2 Lots)
 - A First Right of Refusal in favour of AQC.
 - It is our opinion the conditions applicable to the contract of sale are onerous and would not be viewed favourably by a hypothetical purchaser as they constrain use of the land and require warranties and other obligations in respect to range of matters and have potential to impact upon the owners management and quiet enjoyment of the land.

SIGNIFICANT FACTORS AND ASSUMPTIONS (Cont'd)

- In undertaking our considerations of market value, we have considered available recent sales evidence of a range of rural assets including land with river and creek frontage, developed land suitable for irrigation and cropping as well as grazing land and small to medium hobby parcels and rural lifestyle parcels.
- Further, in accordance with our instructions we have considered the total AQC land as if aggregated to a range of individual smaller holdings based upon a range of relevant factors including; frontage to a formed public road, existing and potential use, contiguous boundaries and available services.
- We have considered improvements in line with that described in Schedule 3 of the Contract of Sale and therefore ignored those improvements as are described as mining plant, equipment and infrastructure. However, we are specifically instructed to include the improvements (those building structures which are commercial/industrial buildings) situated upon the land described as Administration and Kayuga Dairy east (pit head).
- Further, we have ignored the improvements situated on the land described as Browns Mountain west – CHPP - as they are considered to be “mining plant, equipment and infrastructure” for the purposes of this report. As instructed, we have also adduced market value of the total asset – excluding the asset described as Brown Mountain West.
- We have been instructed to consider the current market value/fair value of the subject property on the basis of highest and best use. As instructed, our considerations of market value are subject to the relevant constraints which are directed as conditions to the proposed Contract of Sale and attached schedules.
- Cognisant of our instructions we have resolved to utilise a two step approach to adducing market value on the basis instructed.
 - **Step 1:** Adduce current market value on a direct comparison basis with available recent sales evidence. The value adduced is therefore the market value of the described asset on an “as is where is” basis – excluding coal mining improvements and ignoring any detrimental impact as is considered to be attributable to various constraints, warranties and obligations as are anticipated to be applicable as a condition enforceable under the contract of sale.
 - **Step 2:** Apply a discount to the current market value/fair value adduced under Step 1. The discount is to reflect the detrimental impact as is considered to be attributable to various constraints, warranties and obligations as are anticipated to be applicable as a condition enforceable under the contract of sale. It is our appreciation a hypothetical purchaser would consider the conditions of sale to be onerous and, potentially, may make the practical management of an operating dairy and broader rural grazing concern difficult and potentially unviable and would also impact detrimentally upon the management and amenity aspects of rural lifestyle parcels.

SIGNIFICANT FACTORS AND ASSUMPTIONS (Cont'd)

- The circumstances surrounding the proposed sale of the subject land is unusual and somewhat unique. We are not aware of sales evidence of similar assets in comparable circumstances from which to draw direct comparison. Therefore, we have relied upon our experience and understanding of the impact upon market value as is evidenced in varying circumstances including easement impacts for overhead and underground infrastructure, noise, odour and stigma associated with noxious activities and contamination. We have also considered the detrimental impacts upon rural land as is a consequence of registration of such as vegetation agreements, conservation agreements and stewardship agreements whereby the potential use applicable to the land is substantially impacted. In the above examples we are aware of compensation and discounts to market value as are applicable being assessed in the range 25% - 75% below the otherwise unimpacted market value. The adopted impact is expanded upon later in this report.
- For the purposes of this report, we have resolved to apply a discount of 35% to reflect the detrimental impacts upon market value as we estimate a hypothetical purchaser would consider to be appropriate in light of the various constraints, warranties and obligations as are anticipated to be applicable as conditions which are enforceable under the contract of sale.
- In respect to assessing the market value of water entitlements we have considered market value – “in one line”. Notwithstanding water is often transferred as a component of the overall Real Estate asset sale – the described water entitlements are independently marketable and may be apportioned in a range of configurations. Appreciating that we are assigning a value to the Real Estate on an “in one line” basis – it is appropriate in that circumstance to also value the water “in one line”. For the purposes of this report, we have adduced value for the water in direct comparison to available recent sales evidence of similar water entitlements and represented that value – as if “in one line”.
- It is our understanding that this valuation and report may be utilised to assist in determining a sale transaction of the described asset on the following basis:
 - “As if” independently marketed in the aggregations described; and
 - “As if” in one line.
- In considering the difference in value applicable to the two approaches as we are instructed to consider –
 - “As if” independently marketed in the aggregations described; and
 - “As if” in one line.
- We have adopted an investors approach whereby we have considered the aggregated market value of the independent twelve (12) smaller parcels as representing the potential gross realisation and from which we have made allowance for such as agents and legal fees, profit and risk factor, interest and holding charges for the anticipated period between purchase and total realisation of the component parcels. The resultant value deduced is the market value in one line – or that price an investor can afford to pay understanding the costs attributable to realising a sale of the individual parcels, the time necessary to complete the sales program and a reasonable profit and risk factor. We have assumed GST is not applicable for the purposes of the calculations on this basis.
- The difference in value as is deduced in the “in one line” calculation is in the order of 12% - 15% below the value assessed as if the twelve parcels were marketed independently and is heavily weighted upon variations in the adopted profit and risk factor and sales realisation period. We have applied 15% as an appropriate discount to evidence the difference in market value when comparing the two approaches.

SIGNIFICANT FACTORS AND ASSUMPTIONS (Cont'd)

SUMMARY OF VALUATIONS

In undertaking our considerations of value as a mix of rural lifestyle land and rural production land, we have undertaken a consideration of value on the following basis:

1. "As if" independently marketed in the individual parcels described. Land and Improvements.

Parcel Identification	Total Land Area (Ha)	Market Value – as if Unconstrained by COS	Market Value – Discounted to Reflect Relevant Constraints in the COS
Kayuga West - grazing			
	1376.51	\$6,880,000	\$4,472,000
Kayuga Dairy - East			
	276.39	\$5,105,000	\$3,318,250
Garoka Dairy			
	472.75	\$10,650,000	\$6,922,500
Hardes/Wheatleys			
	106.76	\$1,650,000	\$1,072,500
Browns Mt - East			
	387.9	\$1,365,000	\$887,250
Brown Mt West - CHPP			
	267.73	\$935,000	\$607,750
Administration precinct			
	78.19	\$4,000,000	\$2,600,000
Village block 1			
	2.5739	\$170,000	\$110,500
Village Block 2			
	4.0196	\$200,000	\$130,000
Village Block 3			
	0.5975	\$125,000	\$81,250
Village Block 4			
	0.7955	\$160,000	\$104,000
Village Block 5			
	<u>4.3892</u>	<u>\$420,000</u>	<u>\$273,000</u>
	2,978.61	\$31,660,000	\$20,579,000

It is our understanding the subject property is not subject to GST. However, in the event GST is applicable we have provided our valuation including Goods and Services Tax.

Total Asset – Current Market Value/Fair Value - as if independently marketed: Adopt Say: \$20,579,000

Brown Mountain West: Adopt Say \$ 607,000

Total Asset - Excluding Browns Mountain West: \$19,972,000

SIGNIFICANT FACTORS AND ASSUMPTIONS (Cont'd)

SUMMARY OF VALUATIONS (Cont'd)

2. Total Asset - "As if" in one line.

Total Asset - Current Market Value/Fair Value: **\$16,975,563**

(Excluding Browns Mountain West)

It is our understanding the subject property is not subject to GST. However, in the event GST is applicable we have provided our valuation including Goods and Services Tax.

3. Water entitlements - "as if" in one line.

		\$/ML	\$/ML	Market Value	Market Value
Water Source/Classification	ML	Low Range	High Range	Low Range	High Range
Aquifer	2379	\$ 750	\$ 1,250	\$ 1,784,250	\$ 2,973,750
River - General Security	2896	\$ 2,000	\$ 2,500	\$ 5,792,000	\$ 7,240,000
River - High Security	6	\$ 5,000	\$ 6,000	\$ 30,000	\$ 36,000
River - Supplementary	254.8	\$ 300	\$ 500	\$ 76,440	\$ 127,400
Total	5535.8			\$ 7,682,690	\$ 10,377,150

Market Value: Adopt say - \$9,000,000

THE LOCATION

The subject property comprises a number of independently titled allotments situate at various locations in the Dartbrook area, immediately north of Muswellbrook urban area. The specific parcels which are the subject of this report are described later in a relevant table.

The subject land is situated at Dartbrook and including land within the village of Kayuga and is approximately 11 kilometres north-west of the Muswellbrook CBD, 4.5 kilometres south-west of Aberdeen CBD, some 133 kilometres north-west of Newcastle CBD and approximately 275 kilometres north-west of Sydney CBD.

The land extends in an area from Bicentennial National Trail in the west, Hall Road in the north and Castlerock Road in the south. The total land the subject of this report is bisected by the New England Highway and immediately south of the village of Aberdeen.

Surrounding development comprises predominately rural enterprises of varying scale including small to medium sized cattle grazing concerns, horse studs, olive groves and vineyards, small hobby blocks as well as large scale mining interest.

The subject land is in proximity to local schools, shopping and community recreational facilities with comprehensive range of shopping and schooling available at Muswellbrook and Scone.

For the purposes of this report, we have considered the total asset comprises some twelve (12) independently marketable assets – each of which is capable of or currently has an independent dwelling entitlement in accordance with existing zoning objectives.

The subject property is situated within close proximity to the village of Aberdeen which provides a limited level of commercial services, a primary school and recreation facilities, as well as in close proximity to Muswellbrook which provides a comprehensive range of retail and commercial facilities and is a sizeable regional centre providing primary and secondary schools, the administrative centre for the Local Government Authority, as well as a hospital and train station.

The subject property is situated in a rural locality – four of the described properties are within the village of Kayuga - and surrounding development comprises a mix of detached residential dwellings as well as small, medium and large scale rural pursuits including cattle grazing, dairies, hobby farming, Lucerne production, equine breeding, education and training.

The subject property is in close proximity to a number of major coal mines – as is much of Muswellbrook.

Muswellbrook is a large Upper Hunter Valley town. The Local Government Area comprises a population of some 16,086 as at 2016 Census.

Muswellbrook is a rural based community situated within the Hunter Valley Region of New South Wales.

The primary source of confidence in the locality is derived from the coal mining and energy sectors with strong international demand for coal driving expansion in the local industry which in turn is driving employment and development of ancillary services.

The Hunter Expressway, which opened in 2014, has been a positive impact on the local area as Muswellbrook is now seen as a legitimate commuter embarkation point to access employment in the larger population centres of the Lower Hunter Valley.

THE LOCATION (Cont'd)

The broader Muswellbrook LGA also provides a strong rural sector, comprehensive commercial sector, primary and secondary education facilities and recreation facilities. The residential sector of Muswellbrook is most recently experiencing a softening market following two years of growth in values which was preceded by four consecutive years of decline as a consequence of the decline in world coal prices from late 2012 – mid 2016. There is evidence of a discernible improvement in the residential and rural lifestyle property market as has occurred since mid 2016 primarily as a consequence of strengthening in the regions resource sector.

Muswellbrook evidences one of the highest incomes per capita in the State of New South Wales, a relatively young median age - predominantly on the back of years of mining activity in the broader locality.

THE LAND

The subject land comprises a number of independent assets described in the table below. The total parcels are utilised for a mix of dairying, cropping, grazing and lifestyle purposes. Initially, the land was held as a number of independent parcel which were acquired to facilitate underground mining by the prior owner.

The described parcels comprise some twelve (12) holdings which have been considered as independently marketable, separate assets and form the basis of the valuation approach to adducing market value as an aggregate of each independently marketable parcel, as well as informing considerations of an “as if” in one line sale.

Land Description

Parcel Identification	Total Area (Ha)	Zoning	Council (LGA)	Land Comments
Kayuga West - grazing				
110//DP873834	872.3	RU4	UHSC	Large parcel bisected by Dartbrook Road - comprises of the western proportion only and is selectively cleared gently undulating grazing land. Evaporation ponds and associated mining infrastructure is situated on the land.
11//DP253397	46.89	RU1	MSC	Vacant, predominantly cleared undulating grazing land. Frontage to Dorset Road.
12//DP253397	43.61	RU1	MSC	Vacant, predominantly cleared undulating grazing land. Frontage to Dorset Road.
13//DP253397	39.44	RU1	MSC	Vacant, predominantly cleared undulating grazing land. Frontage to Dorset Road.
14//DP253397	45.46	RU1	MSC	Predominantly cleared undulating grazing land. Frontage to Dorset Road.
15//DP253397	85.25	RU1	MSC	Vacant predominantly cleared undulating grazing land. Frontage to Dorset Road.
1//DP505544	14.16	RU1	MSC	Vacant predominantly cleared undulating grazing land. Frontage to Dorset Road. Dam on site.
2//DP505544	2.49	RU1	MSC	Vacant predominantly cleared undulating grazing land. Frontage to Dorset Road. Landscaping on site.
111//DP873834	38.38	RU1	MSC	Bisected by Dartbrook Road and frontage to Dartbrook the parcel comprises gently undulating to undulating land which appears to be improved by a large discharge Dam and works area.
114//DP750926	28.2	RU1	MSC	Vacant predominantly cleared hobby block off Dorset Road.
24//DP750926	16.6	RU1	MSC	Vacant cleared grazing - Landlocked
22//DP750926	16.41	RU1	MSC	Vacant cleared grazing - Off Dorset Road
23//DP750926	16.28	RU1	MSC	Vacant cleared grazing -
14//DP750926	16.44	RU1	MSC	Vacant cleared grazing -
183//DP750926	9.456	RU1	MSC	Improved cleared irregular shaped block. Off Harris Street.
25//DP750926	15.75	RU1	MSC	Vacant cleared parcel of land - Landlocked
13//DP750926	32.56	RU1	MSC	Dorset Road frontage. Cleared undulating land - gentle slope.
12//DP659924	20.1	RU1	MSC	Dorset Road frontage, 2 dams on site, cleared
11//DP1051153	16.19	RU1	MSC	Dorset Road frontage. Cleared undulating land - bisected by creek.
7//DP112742	0.02089	RU1	MSC	Consider with above property - contiguous
1//DP911212	0.0912	RU1	MSC	Consider with above property - contiguous
11//DP112742	<u>0.4299</u>	RU1	MSC	Consider with above property - contiguous
	1376.51			Comprising a large aggregation of selectively cleared to cleared, gently undulating grazing land extending from Lot 110 in the north to Dorset Road in the south. Watered with dams and reticulated water lifted from the Hunter River and piped to service the grazing land.

THE LAND (Cont'd)

Land Description

Parcel Identification	Total Area (Ha)	Zoning	Council (LGA)	Land Comments
Kayuga Dairy - East				
110//DP873834	204.9	RU4	UHSC	Large parcel comprising some 170ha of productive arable alluvial flats and the balance of land is gently undulating to undulating selectively cleared grazing. Frontage to Dartbrook Road and frontage to Dartbrook (some 2.8km). The land comprises that land on the eastern side of Dartbrook Road and includes 56ha developed to centre pivot irrigation; balance of irrigated flats is some 110ha; residue land is grazing and residential/working curtilage: some 116.39ha.
111//DP873834	<u>71.49</u>	RU1	MSC	
	276.39			
Garoka Dairy				
1//DP961491	31.66	RU4	UHSC	Predominantly developed river flats used for fodder cropping and comprising two paddocks suitable for centre pivot irrigation. The land rises to the east along the New England Highway frontage. Includes land with double frontage to the Hunter River (total 5.5km) and Dartbrook (total 1.5km) and includes 165ha developed to centre pivot irrigation; balance of irrigated flats is some 100.26ha; residue land is grazing and residential/working curtilage: some 44ha.
153//DP752485	9.525	RU1	MSC	"Russell Island" Gently undulating river flats. Access off Blairmore Lane and frontage to the Hunter River. Productive alluvial flats. Subject to flooding and isolation in times of flood.
2//DP601918	2.201	RU4	UHSC	Rural/Res allotment accessed off Blairmore Lane. Frontage to Dartbrook.
2//DP835733	119.3	RU1	MSC	Vacant alluvial river flats - approximately 90% gently undulating productive flats and the balance rises to a home site. New England Highway frontage.
1/9//DP758554	0.3841	RU1	MSC	In one line with Property - Landlocked vacant land in village - nil formed road frontage
2/9//DP758554	0.4004	RU1	MSC	In one line with Property - Landlocked vacant land in village - nil formed road frontage
3/9//DP758554	0.4063	RU1	MSC	In one line with Property - Landlocked vacant land in village - nil formed road frontage
4/9//DP758554	0.3986	RU1	MSC	In one line with Property - Landlocked vacant land in village - nil formed road frontage
5/9//DP758554	0.3916	RU1	MSC	In one line with Property - Landlocked vacant land in village - nil formed road frontage
6/9//DP758554	0.403	RU1	MSC	In one line with Property - Landlocked vacant land in village - nil formed road frontage
12/9//DP758554	0.384	RU1	MSC	In one line with Property - Landlocked vacant land in village - nil formed road frontage
11/9//DP758554	0.412	RU1	MSC	In one line with Property - Landlocked vacant land in village - nil formed road frontage
10/9//DP758554	0.4229	RU1	MSC	In one line with Property - Landlocked vacant land in village - nil formed road frontage
9/9//DP758554	0.4102	RU1	MSC	In one line with Property - Landlocked vacant land in village - nil formed road frontage
8/9//DP758554	0.4349	RU1	MSC	In one line with Property - Landlocked vacant land in village - nil formed road frontage
7/9//DP758554	0.425	RU1	MSC	In one line with Property - Landlocked vacant land in village - nil formed road frontage
1/3//DP758554	0.62	RU1	MSC	In one line with Property - Dart Brook frontage - Landlocked vacant lot.
2/3//DP758554	0.5924	RU1	MSC	In one line with Property - Dart Brook frontage - Landlocked vacant lot.
3/3//DP758554	0.6159	RU1	MSC	In one line with Property - Dart Brook frontage - Landlocked vacant lot.
4/3//DP758554	0.4704	RU1	MSC	In one line with Property - Dart Brook frontage - Landlocked vacant lot.
5/3//DP758554	0.32	RU1	MSC	In one line with Property - Dart Brook frontage - Landlocked vacant lot.
244//DP750926	0.8138	RU1	MSC	Landlocked vacant parcel
243//DP750926	0.8477	RU1	MSC	Landlocked vacant parcel
1//DP835733	2.083	RU1	MSC	Landlocked vacant parcel
3/2//DP758554	1.025	RU1	MSC	Vacant parcel - Dart Brook frontage
4/2//DP758554	1.024	RU1	MSC	Vacant parcel - Dart Brook frontage

THE LAND (Cont'd)

Land Description

Parcel Identification	Total Area (Ha)	Zoning	Council (LGA)	Land Comments
5/2//DP758554	0.9363	RU1	MSC	Vacant parcel - Dart Brook frontage
3//DP835733	27.72	RU4	UHSC	Alluvial flats, with frontage to both Hunter River and Dart Brook.
3//DP835733	<u>19.15</u>	RU4	UHSC	Refer to Property above -
18//DP844652	118.2	RU1	MSC	Hunter River and New England Highway Frontage - Alluvial flats and former dairy.
17//DP844652	36.79	RU1	MSC	Alluvial flats. Hunter River and New England Highway Frontage.
16//DP844652	45.89	RU1	MSC	Alluvial flats. Hunter River and New England Highway Frontage.
1453//DP628493	47.6	RU1	MSC	Irregular shaped - alluvial flats. Hunter River and New England Highway Frontage.
1452//DP583830	<u>0.4938</u>	RU1	MSC	Small Highway lot.
	472.75			Predominantly developed river flats used for fodder cropping and comprising a number of paddocks suitable for centre pivot irrigation. The land rises to the east along the New England Highway frontage. Includes land with frontage to the Hunter River and Dartbrook.
Hardes/Wheatleys				
188//DP750951	21.49	RU4	UHSC	Medium sized elevated hobby block fronting Dartbrook Road.
174//DP750951	41.21	RU4	UHSC	Comprises gently undulating alluvial flats. Approximately 35ha productive arable land and the balance rises to home site. Frontage to Dartbrook Road and also Dartbrook.
175//DP750951	<u>44.06</u>	RU4	UHSC	Comprises gently undulating alluvial flats. Approximately 35ha productive arable land and the balance rises to home site. Frontage to Dartbrook Road and also Dartbrook. Part of the land appears flood affected.
	106.76			Comprises alluvial river flats on the eastern side of Dartbrook Road which are developed for irrigation. Elevated home site on western side of Dartbrook Road.
Browns Mt - East				
132//DP718199	196.7	E3	MSC	Vacant, undulating, predominantly cleared grazing land with frontage to Wells Gully Road.
1//DP118826	<u>191.2</u>	E3	MSC	Off Sandy Creek Road / St Helens Road. Vacant predominantly cleared land - undulating to steep. (Browns Mountain)
	387.9			Vacant, undulating, predominantly cleared grazing land with frontage to Wells Gully Road. Off Sandy Creek Road / St Helens Road. Vacant predominantly cleared land - undulating to steep. (Browns Mountain).
Brown Mt West				
111//DP714211	3.726	RU1/E3	MSC	Large parcel of undulating selectively cleared grazing land - access from the New England Highway via an underpass under rail line. Predominantly situated on the east side of rail line. Consider access is confirmed by easement and land is as if - in one line with adjoining land.
111//DP714211	213.8	RU1/E3	MSC	Large contiguous parcel approximately 40% rises up to sloping land. Consider in one line with surrounding land.
63//DP833348	3.783	RU1	MSC	Land locked and contiguous. Consider in one line with surrounding land.
63//DP833348	0.3162	RU1	MSC	Land locked.
63//DP833348	<u>46.11</u>	RU1	MSC	Land locked. - Vacant cleared land bisected by rail.
	267.73			Undulating predominantly cleared grazing land with access via adjoining land from New England Highway (via underpass under rail line). Appears to be situated on the eastern side of existing rail line. (western facing slopes of Browns Mountain). Comprises the CHPP and rail loop which is assumed to be coal related infrastructure and ignored for the purposes of this report.

THE LAND (Cont'd)

Land Description

Parcel Identification	Total Area (Ha)	Zoning	Council (LGA)	Land Comments
Administration Precinct				
1//DP997444	24.47	RU1	MSC	Triangular shaped, vacant parcel situated on eastern side of New England Highway - between the Highway frontage and the rail line. Includes access to east side of rail line. Timbered parcel on the southern outskirts of Aberdeen village. Frontage to the New England Highway. Consider in one line with land on western side of New England Highway.
1//DP823759	1.94	SP2	MSC	Land locked vacant sliver of land. Consider in one line with land on western side of New England Highway.
1//DP835733	34.94	RU4	UHSC	2 x bridges, Stair Street frontage. Dartbrook Frontage and bridge over Hunter River. Vacant alluvial creek flats. Irregular shaped parcel which includes road corridor to the east which intersects with the New England Highway.
1//DP835733	4.161	RU4	UHSC	2 x bridges, Stair Street frontage. Dartbrook Frontage and bridge over Hunter River. Vacant alluvial creek flats. Irregular shaped.
1//DP835733	0.5658	RU4	UHSC	See property above - 2 x bridges, Stair Street frontage. Dartbrook Frontage and bridge over Hunter River. Vacant alluvial creek flats. Irregular shaped.
1//DP835733	1.488	RU4	UHSC	Refer to Property above -
1//DP835733	7.967	RU4	UHSC	Refer to Property above -
1//DP835733	2.371	RU4	UHSC	Refer to Property above -
1/16/DP758554	<u>0.2872</u>	RU1	MSC	Kayuga Street frontage. - Vacant lot on elevated land set back off the corner of Stair Street.
	78.19			Irregular shaped parcel including 2 x bridges, Stair Street frontage. Dartbrook Frontage and bridge over Hunter River. Vacant alluvial creek flats. Irregular shaped parcel which includes road corridor to the east which intersects with the New England Highway. Land on the eastern side of New England Highway including land with rail underpass and part of the rail loop infrastructure situated upon it.
Village Block 1				
1/23/DP758554	0.1868	RU1	MSC	No frontage road. Vacant Land in village
14/23/DP758554	0.1674	RU1	MSC	No frontage road. Vacant Land in village
2/23/DP758554	0.1892	RU1	MSC	No frontage road. Vacant Land in village
13/23/DP758554	0.2953	RU1	MSC	Kayuga Road Frontage Vacant Land in village
3/23/DP758554	0.1839	RU1	MSC	No frontage road. Vacant Land in village
12/23/DP758554	0.192	RU1	MSC	Kayuga Road Frontage Vacant Land in village
4/23/DP758554	0.1862	RU1	MSC	No frontage road. Vacant Land in village
11/23/DP758554	0.1935	RU1	MSC	Kayuga Road Frontage Vacant Land in village
10/23/DP758554	0.1939	RU1	MSC	Kayuga Road Frontage Vacant Land in village
6/23/DP758554	0.1826	RU1	MSC	No frontage road. Vacant Land in village
9/23/DP758554	0.1935	RU1	MSC	Kayuga Road Frontage Vacant Land in village
7/23/DP758554	0.1996	RU1	MSC	Stair Street Frontage Vacant Land in village
8/23/DP758554	<u>0.21</u>	RU1	MSC	Kayuga & Stair Street Frontage Vacant Land in village
	2.5739			
Village Block 2				
286//DP729019	1.267	RU1	MSC	Kayuga & Stair Street Frontage Vacant Lot
4/22/DP758554	0.1921	RU1	MSC	No road frontage - Vacant land in village
7/22/DP758554	0.2023	RU1	MSC	Kayuga Road Frontage - Vacant land in village
5/22/DP758554	0.1942	RU1	MSC	Ely Street Frontage - vacant land in village
6/22/DP758554	0.2007	RU1	MSC	Ely & Kayuga Road frontage - vacant land in village

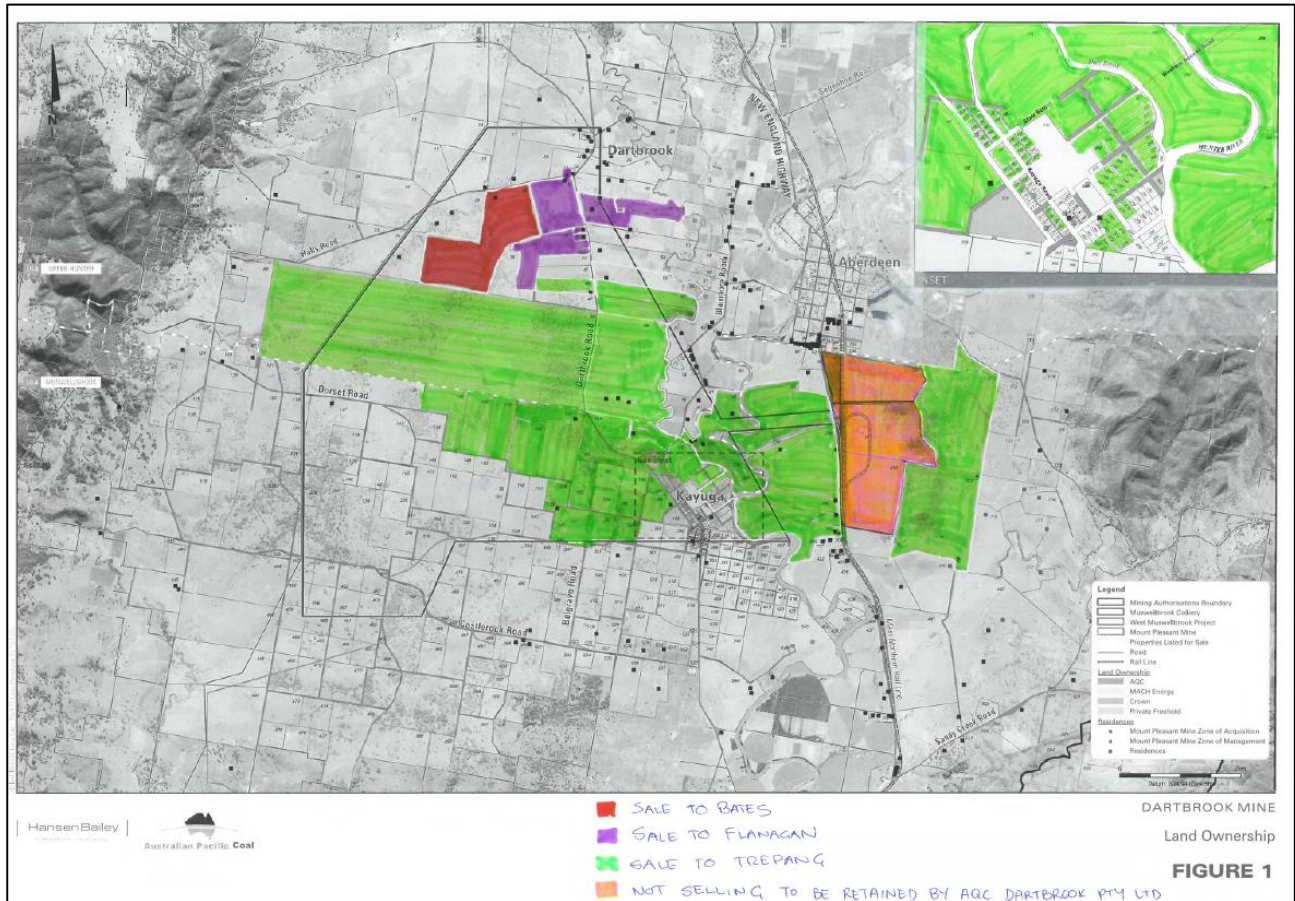
THE LAND (Cont'd)

Land Description

Parcel Identification	Total Area (Ha)	Zoning	Council (LGA)	Land Comments
1/17/DP758554	0.1785	RU1	MSC	Kayuga Road & Stair Street frontage - vacant land in village
10/17/DP758554	0.1938	RU1	MSC	Stair Street Frontage Vacant Land in village
2/17/DP758554	0.1875	RU1	MSC	Kayuga Street frontage. - Vacant lot in village
9/17/DP758554	0.2015	RU1	MSC	Landlocked - vacant Land in village
3/17/DP758554	0.1899	RU1	MSC	Kayuga Street frontage. - Vacant lot in village
8/17/DP758554	0.2091	RU1	MSC	Landlocked - vacant Land in village
4/17/DP758554	0.1871	RU1	MSC	Kayuga Street frontage. - Vacant lot in village
7/17/DP758554	0.2087	RU1	MSC	Landlocked - vacant Land in village
5/17/DP758554	0.1956	RU1	MSC	Kayuga Street frontage. - Vacant lot in village
6/17/DP758554	<u>0.2116</u>	RU1	MSC	Landlocked - vacant Land in village
	4.0196			
Village Block 3				
1/21/DP758554	0.1971	RU1	MSC	Ely Street Frontage - vacant land in village
10/21/DP758554	0.2073	RU1	MSC	Kayuga Road Frontage - Vacant land in village
2/21/DP758554	<u>0.1931</u>	RU1	MSC	Landlocked - vacant Land in village
	0.5975			
Village Block 4				
10/20/DP758554	0.1902	RU1	MSC	Kayuga Road frontage - vacant lot
9/20/DP758554	0.2029	RU1	MSC	Kayuga Road frontage - vacant lot
8/20/DP758554	0.1994	RU1	MSC	Kayuga Road frontage - vacant lot
7/20/DP758554	<u>0.203</u>	RU1	MSC	Kayuga Road frontage - vacant lot
	0.7955			
Village Block 5				
1//DP113230	0.1757	RU1	MSC	Hunter Street Frontage
5/12/DP758554	0.3963	RU1	MSC	Hunter Street Frontage
6/12/DP758554	0.4321	RU1	MSC	Hunter Street & Rose Street Frontage
11/12/DP758554	0.1398	RU1	MSC	Landlocked
10/12/DP758554	0.2927	RU1	MSC	Landlocked
9/12/DP758554	0.4143	RU1	MSC	Landlocked
8/12/DP758554	0.4069	RU1	MSC	Landlocked
7/12/DP758554	0.453	RU1	MSC	Rose Street Frontage
1//DP112745	0.5924	RU1	MSC	Landlocked
2//DP112745	0.2997	RU1	MSC	Rose Street Frontage
1/10/DP758554	0.3726	RU1	MSC	No formed Road frontage
2/10/DP758554	<u>0.4137</u>	RU1	MSC	No formed Road frontage
	4.3892			Irregular shaped parcel of land situated with the village of Kayuga.
Total Land Area	2,978.61			

THE LAND (Cont'd)

The image below shows the subject property highlighted in green as supplied by our instructing client. The inset is the village area. The orange coloured area towards the right hand side of the main map is Browns Mountain west:



We have not been provided with a current plan of survey at the date of inspection, however, for the purposes of this report we have assumed there are no known easements or apparent encroachments by or upon the subject lands other than disclosed on the Certificate of Title.

TITLE REFERENCE

We are instructed the land which is the subject of this report is described in the tables below as all that piece or parcel of land being;

Registered Proprietor	Folio Identifier
AQC DARTBROOK MANAGEMENT PTY LTD	11/253397
AQC DARTBROOK MANAGEMENT PTY LTD	110/873834
AQC DARTBROOK MANAGEMENT PTY LTD	12/253397
AQC DARTBROOK MANAGEMENT PTY LTD	7/112742
AQC DARTBROOK PTY LTD	1/118826
AQC DARTBROOK PTY LTD	132/718199
AQC DARTBROOK PTY LTD	16/844652
AQC DARTBROOK PTY LTD	2/601918
AQC DARTBROOK PTY LTD	1/10/758554
AQC DARTBROOK PTY LTD	1/113230
AQC DARTBROOK PTY LTD	1/16/758554
AQC DARTBROOK PTY LTD	1/17/758554
AQC DARTBROOK PTY LTD	1/21/758554
AQC DARTBROOK PTY LTD	1/23/758554
AQC DARTBROOK PTY LTD	1/3/758554
AQC DARTBROOK PTY LTD	1/835733
AQC DARTBROOK PTY LTD	1/9/758554
AQC DARTBROOK PTY LTD	10/12/758554
AQC DARTBROOK PTY LTD	10/17/758554
AQC DARTBROOK PTY LTD	10/23/758554
AQC DARTBROOK PTY LTD	10/9/758554
AQC DARTBROOK PTY LTD	11/1051153
AQC DARTBROOK PTY LTD	11/12/758554
AQC DARTBROOK PTY LTD	11/23/758554
AQC DARTBROOK PTY LTD	11/9/758554
AQC DARTBROOK PTY LTD	111/873834
AQC DARTBROOK PTY LTD	12/9/758554
AQC DARTBROOK PTY LTD	13/253397
AQC DARTBROOK PTY LTD	14/23/758554
AQC DARTBROOK PTY LTD	14/253397
AQC DARTBROOK PTY LTD	14/750926
AQC DARTBROOK PTY LTD	15/253397
AQC DARTBROOK PTY LTD	183/750926
AQC DARTBROOK PTY LTD	2/10/758554
AQC DARTBROOK PTY LTD	2/17/758554
AQC DARTBROOK PTY LTD	2/21/758554
AQC DARTBROOK PTY LTD	2/23/758554

TITLE REFERENCE (Cont'd)

Registered Proprietor	Folio Identifier
AQC DARTBROOK PTY LTD	2/3/758554
AQC DARTBROOK PTY LTD	2/835733
AQC DARTBROOK PTY LTD	2/9/758554
AQC DARTBROOK PTY LTD	25/750926
AQC DARTBROOK PTY LTD	286/729019
AQC DARTBROOK PTY LTD	3/17/758554
AQC DARTBROOK PTY LTD	3/2/758554
AQC DARTBROOK PTY LTD	3/3/758554
AQC DARTBROOK PTY LTD	3/835733
AQC DARTBROOK PTY LTD	3/9/758554
AQC DARTBROOK PTY LTD	4/17/758554
AQC DARTBROOK PTY LTD	4/2/758554
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AQC DARTBROOK PTY LTD	9/17/758554
AQC DARTBROOK PTY LTD	9/23/758554
AQC DARTBROOK PTY LTD	9/9/758554
AQC DARTBROOK PTY LTD	1116-36 comprising: Lots 3-4 Section 23 in DP758554
AQC DARTBROOK PTY LTD	11198-28 comprising: Lots 243-244 in DP750926
AQC DARTBROOK PTY LTD	12042-180 comprising: Lots 6-7 Section 23 in DP758554
AQC DARTBROOK PTY LTD	15475-99 comprising: Lot 10 Section 21 in DP758554

TITLE REFERENCE (Cont'd)

Registered Proprietor	Folio Identifier
AQC DARTBROOK PTY LTD	Lots 12-13 Section 23 in DP758554
AQC DARTBROOK PTY LTD	69-166 comprising: Lots 6-7 Section 22 in DP758554
AQC DARTBROOK PTY LTD	981-90 comprising: Lots 6-7 Section 17 in DP758554
AQC DARTBROOK PTY LTD	985-200 comprising: Lot 7-10 Section 20 in DP758554
AQC DARTBROOK PTY LTD	17/844652
AQC DARTBROOK PTY LTD	18/844652
AQC DARTBROOK PTY LTD	1/505544
AQC DARTBROOK PTY LTD	1/911212
AQC DARTBROOK PTY LTD	11/112742
AQC DARTBROOK PTY LTD	114/750926
AQC DARTBROOK PTY LTD	12/659924
AQC DARTBROOK PTY LTD	13/750926
AQC DARTBROOK PTY LTD	1452/583830
AQC DARTBROOK PTY LTD	1453/628493
AQC DARTBROOK PTY LTD	153/752485
AQC DARTBROOK PTY LTD	2/505544
AQC DARTBROOK PTY LTD	22/750926
AQC DARTBROOK PTY LTD	23/750926
AQC DARTBROOK PTY LTD	24/750926
AQC DARTBROOK PTY LTD	7715-40 comprising: Lots 1-2 in DP112745
AQC DARTBROOK PTY LTD	1/961491
AQC DARTBROOK PTY LTD	174/750951
AQC DARTBROOK PTY LTD	175/750951
AQC DARTBROOK PTY LTD	188/750951
AQC DARTBROOK PTY LTD	10/21/758554

Browns Mountain West comprises two allotments - **Lot 111 in DP 714211 as well as Lot 63 in DP 833348** that are not proposed to form part of the asset which is the subject of the contract of sale. Therefore, in accordance with instructions we have considered those lots as to their market value as if independent of surrounding land.

Note – we are instructed two additional allotments (**Lot 1 DP 997444 and Lot 1 DP 823759**) are to be added to the above schedule and considered as forming part of the total asset proposed for sale (and therefore are to be assumed as excluded from Brown Mt West). Therefore, there will also need to be an adjustment for the purposes of a proposed easement which is attached to the COS (previously Lot 1 DP 997444 and Lot 1 DP 823759 were proposed to be included as part of the benefiting holding whereas they will now form part of the burdened holding in respect to that particular easement proposal). Further, it will also be necessary for an easement to be created over Lot 1 DP823759 to facilitate use of the existing rail loop improvements to benefit the two described Browns Mountain West allotments.

The Title documents identify a number of encumbrances including easements and restrictions on use specific to the described land. For the purposes of this report, we have assumed there are no other known easements, restrictions or apparent encroachments by or upon the subject lands other than disclosed on the Certificate of Title Folio Identifiers.

TITLE REFERENCE (Cont'd)

Relevant matters as are applicable to the proposed conditions to be included in the contract of sale (COS) includes the following:

The total property also includes land which is utilised and developed specifically for use in conjunction with and complimentary to the approved mining activities. Schedule 3 of the Contract of Sale (COS) specifically identifies – amongst other things - “all mining plant, equipment and infrastructure” are to be excluded.

However, we are specifically instructed to include those mining improvements which are buildings and associated improvements, and which are situated on the Administration site and part of the Kayuga Dairy East site.

Other relevant matters which the land owner/hypothetical purchaser is assumed to accept and which will constrain use and also impact upon the assessment of value for the subject land include:

- Accepts access to the land is available to AQC (non exclusive) at all hours on all days.
- Acknowledges receipt of the compensation from AQC (as per Annexure C of the Compensation Agreement)
- Releases AQC from all claims.
- Assumes all compensation (full and final compensation) under Part 13 of the Mining Act 1992 is satisfied.
- Equipment and infrastructure installed on the land related to mining is the property of AQC and may be removed at its absolute discretion.
- The land owner will not require mitigation in respect to impacts under the VLAMP.
- All property dealings require AQC approval
- Impacts upon the property from mining may exceed VLAMP impacts.
- For the purposes of a proposed easement impacting the land – the landowner is the subservient tenement and the dominant tenement is four (4) Lots owned by AQC. (we are further instructed to consider the dominant tenement description is proposed to be amended to comprise just 2 Lots)
- A First Right of Refusal in favour of AQC.
- It is our opinion the conditions applicable to the contract of sale are onerous and would not be viewed favourably by a hypothetical purchaser as they constrain use of the land and require warranties and other obligations in respect to range of matters and have potential to impact upon the owners management and quiet enjoyment of the land.

UTILITY SERVICES

Electric power, bore water, well water, tank water and septic transpiration facilities are available and/or connected to the subject property. There is a daily post service and school bus in proximity. Town water is not connected to the property.

The New England Highway, Kayuga Road, Dartbrook Road, Stair Street and Dorsett Road are a bitumen sealed carriageways with gravel shoulders and earth water tables. Hunter Street is a gravel sealed access road.

Vehicular access to the subject properties is as described above.

Fencing is a combination of timber post and wire and steel picket and wire. Boundary fencing is in good condition and internal fencing is in fair condition. There is extensive use of electric fencing to the dairy and strip grazing areas and laneways and also mesh style fencing is evident in a small number of paddocks. A number of residential dwellings have been fenced to their residential curtilage.

Mining improvements are fenced with steel post and mesh security fencing. We have assumed all mining equipment is capable of utilisation in accordance with its proposed use and is fit for purposes.

We have inspected the Water NSW register for approvals and licence's. We have also relied upon our instructions and a schedule of water entitlements provided to us. Therefore, we advise that the subject site appears to hold those described entitlements as per the schedule below – registered to a number of different allotments – the majority of which is aquifer water but which also includes river water entitlements for High Security water, General security water and Supplementary water entitlements.

The portable water entitlements have been valued independently of the land and is considered in concert with our assumptions of complimentary available infrastructure and irrigation capabilities as benefit the respective assets and which is assumed to be presented in a fit for purpose condition. We understand underground mains are a combination of fibrous cement and PVC or polyethylene.

The stock and domestic water entitlements have also been included with the other water generally.

There are a number of water trades of similar type water entitlements recorded on the Water NSW website – however they are limited in providing assistance as the range over many years and are not comprehensive in respect to the volume of trades as may have occurred nor are they always indicative of market value as many water trades are transacted as part of the land, recorded in the real estate contract of sale, whilst other water trades may be independently recorded at rates which are more directed to achieving particular commercial outcomes.

For that reason, we have investigated the register as well as analysed sales of proprieties and water transaction as we have experience and knowledge in adducing value for the particular water entitlements the subject of this report.

We are also cognisant the large volume of water may be difficult to market in one line – particularly the aquifer water as it is of limited portability.

Over many years the available allocations have been consistently available. For the purposes of this report, in adducing market value, we have considered the large volume and varying water entitlements, varying water sources and security as well as the consistent availability over previous years in meeting allocations.

Notwithstanding there are no recorded transactions of supplementary water trades on the Water NSW website on this water source – it is our appreciation they are valuable, albeit less valuable than those other water entitlements which are more reliable.

UTILITY SERVICES (Cont'd)

We understand water is reticulated via underground mains and accessed via hydrants for irrigation purposes. We also understand there is capacity to lift water to numerous holding tanks in a number of locations to facilitate reticulation to stock troughs and watering systems in the many smaller enclosed paddocks.

Water entitlements

Water licenses recorded as attached to the subject property are described as follows:

Dartbrook Water Licensing Approvals

Water Source	WAL Number	Reference Number	Approval	Licence Category	Share Component*	Lot/DP	Management Zone	Expiry Date	Use/ Purpose
Hunter Unregulated and Alluvial WSP									
Dartbrook Water Source	WAL 17739	20AL206919	20CA206920	Aquifer	30	Lot 179, DP 750951	Lower Dart Brook Management Zone	31/07/2022	Irrigation
Dartbrook Water Source	WAL 17762	20AL206947	20CA206948	Aquifer	254	Lot 169, DP 750951	Lower Dart Brook Management Zone	20/11/2023	Irrigation
Dartbrook Water Source	WAL 17781	20AL206893	20CA206894	Aquifer	278	Lot 3, DP 835733	Lower Middlebrook and Kingdom Ponds Management Zone	31/06/2022	Irrigation
Dartbrook Water Source	WAL 17863	20AL207061	20CA207062	Aquifer	5	Lot 110, DP 873834	Lower Dart Brook Management Zone	31/07/2019	Irrigation
Dartbrook Water Source	WAL 17889	20AL207131	20CA207132	Unregulated River	17	Lot 2, DP 601918	Lower Dart Brook Management Zone	2/08/2022	Irrigation

UTILITY SERVICES (Cont'd)

Dartbrook Water Licensing Approvals

Water Source	WAL Number	Reference Number	Approval	Licence Category	Share Component*	Lot/DP	Management Zone	Expiry Date	Use/ Purpose
Dartbrook Water Source	WAL 23875	20AL200402 (GW078058)	20WA211403	Aquifer	50	Lot 3, DP 835733 Lot 1, DP 835733	Dart Brook Water Source	31/07/2022	NA
Dartbrook Water Source	NA	Perpetuity	20WA206744	Basic Right		Lot 174, DP 750951		NA	NA
Dartbrook Water Source	NA	Perpetuity	20WA206679	Basic Right		Lot 110, DP 873834		NA	NA
Dartbrook Water Source	NA	Perpetuity	20WA206685	Basic Right		Lot 175, DP 750951		NA	NA
Dartbrook Water Source	NA	Perpetuity	20WA206686	Basic Right		Lot 174, DP 750951			
Dartbrook Water Source	NA	Perpetuity	20WA206806	Basic Right		Lot 179, DP 750951			
Dartbrook Water Source	NA	Perpetuity	20WA206740	Basic Right		Lot 179, DP 750951			
Dartbrook Water Source	WAL 17790	20AL207009	20CA207010	Aquifer - Water Supply Works and Water Use	228	Lot 174, DP 750951 Lot 175, DP 750951	Lower Dart Brook Management Zone	31/06/2019	Irrigation/ Farming
Dartbrook Water Source	WAL 30213	20AL211991	20CA211992	Aquifer - Water Supply Works and Water Use	105	Lot 110, DP 873834	Upper Dart Brook Management Zone	9/06/2026	Irrigation
Dartbrook Water Source	WAL 17797	20AL207133	20CA207134	Unregulated River	68		Upper Dart Brook Management Zone	20/05/2024	Irrigation
Total					1035				
Muswellbrook Water Source	NA	Perpetuity	20WA209200	Basic Right		Lot 111, DP 714211 Lot 63, DP 833348			
Total					0				
Hunter Regulated River Alluvial Water Source	WAL 18134	20AL208002	20CA208003	Aquifer	297	Lot 17, DP 844653	U/S Glennies Creek Management Zone	30/05/2024	Irrigation
Hunter Regulated River Alluvial Water Source	WAL 18174	20AL207914	20CA207915	Aquifer	37	Lot 7, DP 758554 Section 12 Lot 1, DP 113230 Lot 1, DP 758554 Section 10 Lot 1, DP 758554 Section 9 Lot 10, DP 758554 Section 12 Lot 10, DP 758554 Section 9 Lot 11, DP 758554 Section 12 Lot 11, DP 758554 Section 9 Lot 12, DP 758554 Section 9 Lot 2, DP 758554 Section 10 Lot 2, DP 758554 Section 9 Lot 3, DP 758554 Section 9 Lot 4, DP 758554 Section 9 Lot 5, DP 758554 Section 12 Lot 5, DP 758554 Section 9 Lot 6, DP 758554 Section 12 Lot 6 DP 758554 Section 9 Lot 7, DP 758554 Section 9 Lot 8, DP 758554 Section 12 Lot 8, DP 758554 Section 9 Lot 9, DP 758554 Section 12 Lot 9, DP 758554 Section 9	U/S Glennies Creek Management Zone	31/06/2022	Irrigation/ Farming
Hunter Regulated River Alluvial Water Source	WAL 18210	20AL207820	20CA207821	Aquifer	235	Lot 2 DP 835733 Lot 1, DP835733 Lot 18, DP 844652	U/S Glennies Creek Management Zone	5/10/2023	
Hunter Regulated River Alluvial Water Source	WAL 18225	20AL207906	20CA207907	Aquifer	121	Lot 1, DP 961491	U/S Glennies Creek Management Zone	18/12/2023	Irrigation

UTILITY SERVICES (Cont'd)

Dartbrook Water Licensing Approvals

Water Source	WAL Number	Reference Number	Approval	Licence Category	Share Component*	Lot/DP	Management Zone	Expiry Date	Use/ Purpose
Hunter Regulated River Alluvial Water Source	WAL 18228	20AL208044	20CA208045	Aquifer	90	Lot 153, DP 752485	U/S Glennies Creek Management Zone	31/07/2022	Irrigation
Hunter Regulated River Alluvial Water Source	WAL 18239	20AL207978	20CA207979	Aquifer	371	Lot 18, DP 844652 Lot 63, DP 833348 Lot 16, DP 844652 Lot 17, DP 844652	U/S Glennies Creek Management Zone	6/07/2023	Irrigation
Hunter Regulated River Alluvial Water Source	WAL 18126	20AL207968	20CA207969	Aquifer - Water Supply Works and Water Use	98	Lot 16, DP 844652	U/S Glennies Creek Management Zone	22/12/2023	Irrigation
Total					1249				
Hunter Regulated River WSP									
Hunter Regulated River Water Source	WAL 506	20AL200119	20CA200120	Regulated River (General Security)	261	Lot 1, DP 1110508 Lot 175, DP 750951	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation
Hunter Regulated River Water Source	WAL 759	20AL200737	20CA200738	Regulated River (General Security)	24	Lot 1, DP 961491	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	6/11/2018	Irrigation
Hunter Regulated River Water Source	WAL 838	20AL200951	20WA200952	Domestic and Stock	8	Lot 10, DP 736010 Lot 1, DP 118826 Lot 132, DP 718199	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Diversion works - pumps
Hunter Regulated River Water Source	WAL 955	20AL201215	20CA201217	Regulated River (High Security)	3	Lot 1453, DP 628493	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation/ Farming
Hunter Regulated River Water Source	WAL 956	20AL201216	20CA201217	Regulated River (General Security)	176	Lot 1453, DP 628493	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation/ Farming
Hunter Regulated River Water Source	WAL 996	20AL201304	20CA201305	Regulated River (General Security)	120	Lot 18, DP 844652	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	12/01/2018	Irrigation
Hunter Regulated River Water Source	WAL 1005	20AL201335	20CA201336	Regulated River (General Security)	171	Lot 18, DP 844652	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation
Hunter Regulated River Water Source	WAL 1021	20AL201379	20CA201380	Regulated River (General Security)	480	Lot 2, DP 835733	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation
Hunter Regulated River Water Source	WAL 1022	20AL201381	20CA201382	Regulated River (General Security)	264	Lot 2, DP 835733	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation
Hunter Regulated River Water Source	WAL 1023	20AL201385	20CA201387	Regulated River (High Security)	3	Lot 18, DP 844652	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation/ Farming
Hunter Regulated River Water Source	WAL 1024	20AL201386	20CA201387	Regulated River (General Security)	228	Lot 18, DP 844652	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation/Farming
Hunter Regulated River Water Source	WAL 1025	20AL201388	20CA201390	Regulated River (General Security)	3	Lot 17, DP 844652	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation
Hunter Regulated River Water Source	WAL 1026	20AL201389	20CA201390	Domestic and Stock	5	Lot 17, DP 844652	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation
Hunter Regulated River Water Source	WAL 1027	20AL201391	20CA201392	Regulated River (General Security)	63	Lot 1, DP 961491	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation

UTILITY SERVICES (Cont'd)

Dartbrook Water Licensing Approvals

Water Source	WAL Number	Reference Number	Approval	Licence Category	Share Component*	Lot/DP	Management Zone	Expiry Date	Use/ Purpose
Hunter Regulated River Water Source	WAL 1235	20AL201915	20CA201916	Regulated River (General Security)	270	Lot 16, DP 844652	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation
Hunter Regulated River Water Source	WAL 1267	20AL202963	20CA200738	Supplementary Water	6	Lot 1, DP 961491	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	6/11/2018	Irrigation
Hunter Regulated River Water Source	WAL 1313	20AL203026	20CA201336	Supplementary Water	30.2	Lot 18, DP 844652	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation
Hunter Regulated River Water Source	WAL 1316	20AL203031	20CA201382	Supplementary Water	10	Lot 2, DP 835733	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation
Hunter Regulated River Water Source (see Sheet 2)	WAL 1317	20AL203032	20CA201387	Supplementary Water	42.1	Lot 18, DP 844652	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation/ Farming
Hunter Regulated River Water Source	WAL 1318	20AL203033	20CA201392	Supplementary Water	23.8	Lot 1, DP 961491	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	Irrigation
Hunter Regulated River Water Source	WAL 13336	20AL203049	20CA201477	Supplementary Water	18.7	Lot 3, DP 835733	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	20/03/2019	Irrigation
Hunter Regulated River Water Source	WAL 13386	20AL201476	20CA201477	Regulated River (General Security)	270	Lot 3, DP 835733	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	20/03/2019	Irrigation
Hunter Regulated River Water Source	WAL 14605	20AL203509	20WA201572	Supplementary Water	89	Lot 1, DP 961491	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	NA
Hunter Regulated River Water Source	WAL 14607	20AL203511	20WA201572	Regulated River (General Security)	328	Lot 1, DP 961491	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	NA
Hunter Regulated River Water Source	WAL 14609	20AL203531	20WA201572	Domestic and Stock	5	Lot 1, DP 961491	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	30/06/2027	NA
Hunter Regulated River Water Source	WAL 9048	20AL200228	20CA200229	Regulated River (General Security)	135	Lot 3, DP 758554 Section 3 Lot 1, DP 835733 Lot 243, DP 750926 Lot 244, DP 750926	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	1/03/2028	Irrigation
Hunter Regulated River Water Source	WAL 9055	20AL202899	20CA200229	Supplementary Water	35	Lot 3, DP 758554 Section 3 Lot 1, DP 835733 Lot 243, DP 750926 Lot 244, DP 750926	Zone 1a (Hunter River from Glenbawn Dam to Goulburn River Junction)	1/03/2028	Irrigation
Total					3,071.8				

UTILITY SERVICES (Cont'd)

Dartbrook Water Licensing Approvals

Water Source	WAL Number	Reference Number	Approval	Licence Category	Share Component*	Lot/DP	Management Zone	Expiry Date	Use/ Purpose
North Coast Fractured & Porous Rock Groundwater Sources									
Sydney Basin-North Coast Groundwater Source	NA		20WA215087	Basic Right		Lot 1453, DP 628493		Perpetuity	NA
Sydney Basin-North Coast Groundwater Source	WAL 41523		20WA218982	Excavation Works	30	Lot 1, DP835733		19/05/2020	Excavation
Sydney Basin-North Coast Groundwater Source	WAL 41524		20WA218984	Excavation Works	150	Lot 110, DP873834		19/05/2020	Excavation
Total					180				
Other									
Water Course Diversion									
Water Course Diversion									
Total All WSPs					5535.8				

In respect to assessing market value for the portable water entitlements we are cognisant the most recent drought as prevailed over recent years (to December 2019) has impacted that market. Early projections for the 2020 year allocations were quite dire for irrigators on the surrounding water sources but were alleviated through early 2020 as a consequence of a range of factors – including increased rains and flows in the Hunter River.

The allocation for 2020 was initially proposed as 20% of entitlements. Allocations increased through 2020 as volumes in the catchments increased and the value of water transactions also increased over the period.

Over recent years portable water entitlements on this water source (general security entitlements) have ranged from \$2,000 - \$2,750/ML. High security entitlements are sought after and particularly so by mining companies and reflect a broad range of values specific to circumstances. We have estimated market value for High Security water would fall in the range \$5,000 - \$6,000/ML. However, we have experience of higher prices being paid for small volumes of High Security water when the prevailing commercial circumstances are highly competitive.

For the purposes of this report, we have adopted value for general security water entitlements as \$2,000 - \$2,500/ML and \$5,000 - \$6,000/ML for High Security entitlement. We have applied value at a rate of \$300 - \$500/ML for supplementary volumes. We have applied value at a rate of \$750 - \$1,250/ML for the alluvial water entitlement.

Notwithstanding it is most common for stock and domestic water entitlements to be transacted as a component of the land value – for the purposes of this report – acknowledging the large number of dwellings situated on a number of parcels and potential for a number of smaller components to the total aggregation of land – we have resolved to include all water entitlements in a calculation of the value of the total portable water entitlements - as if in one line.

Water entitlements - "As if" in one line.

Water Source/Classification	ML
Aquifer	2379
River - General Security	2896
River - High Security	6
River - Supplementary	<u>254.8</u>
Total	5535.8

TOWN PLANNING

The subject land is situated within an area identified as follows:

Upper Hunter Local Government Area

Land is described as within an area zoned RU4 Primary Production Small Lots under the Upper Hunter LEP 2013.

RU1 Primary Production

1 Objectives of zone

- To encourage sustainable primary industry production by maintaining and enhancing the natural resource base.
- To encourage diversity in primary industry enterprises and systems appropriate for the area.
- To minimise the fragmentation and alienation of resource lands.
- To minimise conflict between land uses within this zone and land uses within adjoining zones.
- To protect the agricultural value of rural land.
- To maintain the rural landscape character of the land in the long term.
- To ensure that development does not unreasonably increase demand for public services or public facilities.
- To ensure that development for the purposes of extractive industries, underground mines (other than surface works associated with underground mines) or open cut mines (other than open cut mines from the surface of the flood plain) will not—
 - (a) destroy or impair the agricultural production potential of the land or, in the case of underground mining, unreasonably restrict or otherwise affect any other development on the surface, or
 - (b) detrimentally affect the quantity, flow and quality of water in either subterranean or surface water systems, or
 - (c) visually intrude into its surroundings, except by way of suitable screening.

2 Permitted without consent

Environmental protection works; Extensive agriculture; Forestry; Home occupations; Intensive plant agriculture; Roads

3 Permitted with consent

Air transport facilities; Airstrips; Animal boarding or training establishments; Aquaculture; Boat launching ramps; Boat sheds; Camping grounds; Caravan parks; Cellar door premises; Cemeteries; Community facilities; Correctional centres; Crematoria; Depots; Dual occupancies (attached); Dwelling houses; Eco-tourist facilities; Emergency services facilities; Environmental facilities; Extractive industries; Farm buildings; Flood mitigation works; Function centres; Funeral homes; Health services facilities; Helipads; Home-based child care; Home businesses; Home industries; Information and education facilities; Intensive livestock agriculture; Jetties; Landscaping material supplies; Mortuaries; Open cut mining; Places of public worship; Plant nurseries; Recreation areas; Recreation facilities (outdoor); Respite day care centres; Roadside stalls; Rural industries; Rural supplies; Rural workers' dwellings; Secondary dwellings; Sewerage systems; Signage; Tourist and visitor accommodation; Transport depots; Truck depots; Turf farming; Veterinary hospitals; Water recreation structures; Water supply systems; Wharf or boating facilities.

4 Prohibited

Hospitals; Hotel or motel accommodation; Serviced apartments; Any other development not specified in item 2 or 3.

TOWN PLANNING (Cont'd)

RU4 Primary Production Small Lots

1 Objectives of zone

- To enable sustainable primary industry and other compatible land uses.
- To encourage and promote diversity and employment opportunities in relation to primary industry enterprises, particularly those that require smaller lots or that are more intensive in nature.
- To minimise conflict between land uses within this zone and land uses within adjoining zones.

2 Permitted without consent

Environmental protection works; Extensive agriculture; Forestry; Home occupations; Intensive plant agriculture; Roads

3 Permitted with consent

Animal boarding or training establishments; Aquaculture; Boat launching ramps; Boat sheds; Cellar door premises; Community facilities; Dual occupancies (attached); Dwelling houses; Emergency services facilities; Environmental facilities; Farm buildings; Flood mitigation works; Helipads; Home-based child care; Home businesses; Home industries; Intensive livestock agriculture; Jetties; Landscaping material supplies; Plant nurseries; Recreation areas; Recreation facilities (outdoor); Respite day care centres; Roadside stalls; Rural supplies; Rural workers' dwellings; Secondary dwellings; Sewerage systems; Signage; Stock and sale yards; Tourist and visitor accommodation; Turf farming; Veterinary hospitals; Water recreation structures; Water supply systems; Wharf or boating facilities.

4 Prohibited

Hotel or motel accommodation; Serviced apartments; Any other development not specified in item 2 or 3.

E3 Environmental Management

1 Objectives of zone

- To protect, manage and restore areas with special ecological, scientific, cultural or aesthetic values.
- To provide for a limited range of development that does not have an adverse effect on those values.

2 Permitted without consent

Environmental protection works; Extensive agriculture; Home occupations; Roads

3 Permitted with consent

Bed and breakfast accommodation; Building identification signs; Business identification signs; Dual occupancies (attached); Dwelling houses; Eco-tourist facilities; Emergency services facilities; Environmental facilities; Farm buildings; Farm stay accommodation; Flood mitigation works; Home-based child care; Home businesses; Home industries; Jetties; Oyster aquaculture; Pond-based aquaculture; Recreation areas; Research stations; Roadside stalls; Secondary dwellings; Sewerage systems; Tank-based aquaculture; Water recreation structures; Water supply systems.

4 Prohibited

Industries; Multi dwelling housing; Residential flat buildings; Retail premises; Seniors housing; Service stations; Warehouse or distribution centres; Any other development not specified in item 2 or 3.

TOWN PLANNING (Cont'd)

Muswellbrook Local Government Area

Land is described as within an area zoned RU1 Primary Production, E3 Environmental Management and SP2 Infrastructure under the Muswellbrook LEP 2009.

Zone RU1 Primary Production

1. Objectives of zone

- To encourage sustainable primary industry production by maintaining and enhancing the natural resource base.
- To encourage diversity in primary industry enterprises and systems appropriate for the area.
- To minimise the fragmentation and alienation of resource lands.
- To minimise conflict between land uses within this zone and land uses within adjoining zones.
- To protect the agricultural potential of rural land not identified for alternative land use, and to minimise the cost to the community of providing, extending and maintaining public amenities and services.
- To maintain the rural landscape character of the land in the long term.
- To ensure that development for the purpose of extractive industries, underground mines (other than surface works associated with underground mines) or open cut mines (other than open cut mines from the surface of the flood plain), will not:
 - a. destroy or impair the agricultural production potential of the land or, in the case of underground mining, unreasonably restrict or otherwise affect any other development on the surface, or
 - b. detrimentally affect in any way the quantity, flow and quality of water in either subterranean or surface water systems, or
 - c. visually intrude into its surroundings, except by way of suitable screening.
- To protect or conserve (or both):
 - a. soil stability by controlling development in accordance with land capability, and
 - b. trees and other vegetation, and
 - c. water resources, water quality and wetland areas, and their catchments and buffer areas, and
 - d. valuable deposits of minerals and extractive materials by restricting development that would compromise the efficient extraction of those deposits.

2. Permitted without consent

Extensive agriculture; Home occupations; Intensive plant agriculture

3. Permitted with consent

Air transport facilities; Airstrips; Animal boarding or training establishments; Aquaculture; Camping grounds; Caravan parks; Cellar door premises; Cemeteries; Community facilities; Crematoria; Depots; Dwelling houses; Eco-tourist facilities; Educational establishments; Environmental facilities; Environmental protection works; Extractive industries; Farm buildings; Flood mitigation works; Forestry; Function centres; Group homes; Hazardous industries; Health consulting rooms; Heavy industrial storage establishments; Helipads; Highway service centres; Home-based child care; Home businesses; Home industries; Industrial retail outlets; Information and education facilities; Intensive livestock agriculture; Kiosks; Landscaping material supplies; Open cut mining; Places of public worship; Plant nurseries; Recreation areas; Recreation facilities (indoor); Recreation facilities (major); Recreation facilities (outdoor); Research stations; Restaurants or cafes; Roads; Roadside stalls; Rural industries; Rural supplies; Rural worker's dwellings; Secondary dwellings; Service stations; Sewerage systems; Signage; Storage premises; Take away food and drink premises; Tourist and visitor accommodation; Transport depots; Truck depots; Turf farming; Veterinary hospitals; Waste disposal facilities; Water supply systems

4. Prohibited

Any development not specified in item 2 or 3.

TOWN PLANNING (Cont'd)

Zone E3 Environmental Management

Note - *State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007* may apply to land within this zone.

1 Objectives of zone

- To protect, manage and restore areas with special ecological, scientific, cultural or aesthetic values.
- To provide for a limited range of development that does not have an adverse effect on those values.
- To maintain, or improve in the long term, the ecological values of existing remnant vegetation of significance including wooded hilltops, river valley systems, major scenic corridors and other local features of scenic attraction.
- To limit development that is visually intrusive and ensure compatibility with the existing landscape character.
- To allow agricultural activities that will not have an adverse impact on the environmental and scenic quality of the existing landscape.
- To promote ecologically sustainable development.
- To ensure that development in this zone on land that adjoins land in the land zoned E1 National Parks and Nature Reserves is compatible with the objectives for that zone.

2 Permitted without consent

Extensive agriculture; Home occupations

3 Permitted with consent

Air transport facilities; Animal boarding or training establishments; Bed and breakfast accommodation; Camping grounds; Caravan parks; Cellar door premises; Dwelling houses; Eco-tourist facilities; Environmental facilities; Environmental protection works; Farm buildings; Farm stay accommodation; Flood mitigation works; Home-based child care; Home businesses; Home industries; Information and education facilities; Intensive plant agriculture; Oyster aquaculture; Pond-based aquaculture; Recreation areas; Recreation facilities (outdoor); Research stations; Roads; Rural worker's dwellings; Secondary dwellings; Sewerage systems; Tank-based aquaculture; Water supply systems.

4 Prohibited

Industries; Multi dwelling housing; Residential flat buildings; Retail premises; Seniors housing; Service stations; Warehouse or distribution centres; Any other development not specified in item 2 or 3.

TOWN PLANNING (Cont'd)

Zone SP2 Infrastructure

1 Objectives of zone

- To provide for infrastructure and related uses.
- To prevent development that is not compatible with or that may detract from the provision of infrastructure.
- To recognise existing railway land and to enable future development for railway and associated purposes.
- To prohibit advertising hoardings on railway land.
- To recognise major roads and to enable future development and expansion of major road networks and associated purposes.
- To recognise existing land and to enable future development for utility undertakings and associated purposes.

2 Permitted without consent

Nil

3 Permitted with consent

Aquaculture; The purpose shown on the Land Zoning Map, including any development that is ordinarily incidental or ancillary to development for that purpose; Roads.

4 Prohibited

Any development not specified in item 2 or 3.

We understand that there are identified minimum lot sizes with regards considerations to subdivide the land – in addition, there are opportunities to achieve concessional allotments under the respective planning objectives as described in the applicable Local Environmental Plan.

Furthermore, we have not received expert planning advice in respect to the development capabilities of the respective parcels nor have we been advised of existing holding status as may reside with some individual allotments and therefore facilitate independent development.

Such opportunities are subject to Council approval and any such latent potential has been considered in carrying out our considerations of value in comparison to sales of similar land.

However, this should be verified by a Planning Certificate under Section 10.70 of the Environmental Planning & Assessment Act, 1979 from the responsible authority.

ENVIRONMENTAL FACTORS

MINE SUBSIDENCE

Our enquiries with Upper Hunter and Muswellbrook Council's indicate that the property is located within a mine subsidence district.

BUSHFIRE

Our enquiries with Upper Hunter and Muswellbrook Council's indicate that the property is identified as bush fire prone land (vegetation buffer and vegetation category).

SITE CONTAMINATION

We have inspected the Environmental Protection Authorities register for contaminated lands as are issued with notices and advise that the subject site is not represented on that register.

To the best of my knowledge the subject land is free of any contamination which may preclude its sale in the current market. However, we are not able to state categorically that no contamination of the subject site has occurred, and recommend our client seek the services of an experienced Environmental Engineer and the Environmental Protection Authority to satisfy themselves in this regard.

It is noteworthy the dwelling improvements do not appear to have been renovated in recent years and therefore may include hazardous building materials as part of the construction. We did not have the benefit of an internal inspection of all improvements at the date of our inspection and as such have assumed there is nil hazardous materials nor damaged products evident as part of the residential improvements. We draw attention to the fact there are some buildings which are either dilapidated or in poor condition and remain situated on the land.

For the purposes of this report, we have valued the subject property on the basis that it is not contaminated.

FLOODING

The subject land does not have a flood classification evident based upon a search of the planning controls applicable under the NSW Department of Planning and Environment.

However, our inspection indicates part of the total site is situate adjoining a major river and creek and appears to be low lying in a number of areas and would appear to be subject to water inundation from proximate riparian lands and watercourses.

We have not obtained a flood certificate to fully inform matter relating to flood liability.

For the purposes of this report, we have assumed flooding of low lying parts of the subject land would not prohibit utilisation of the total in accordance with its existing use and highest and best use.

ENVIRONMENTAL FACTORS

RAINFALL & CLIMATE

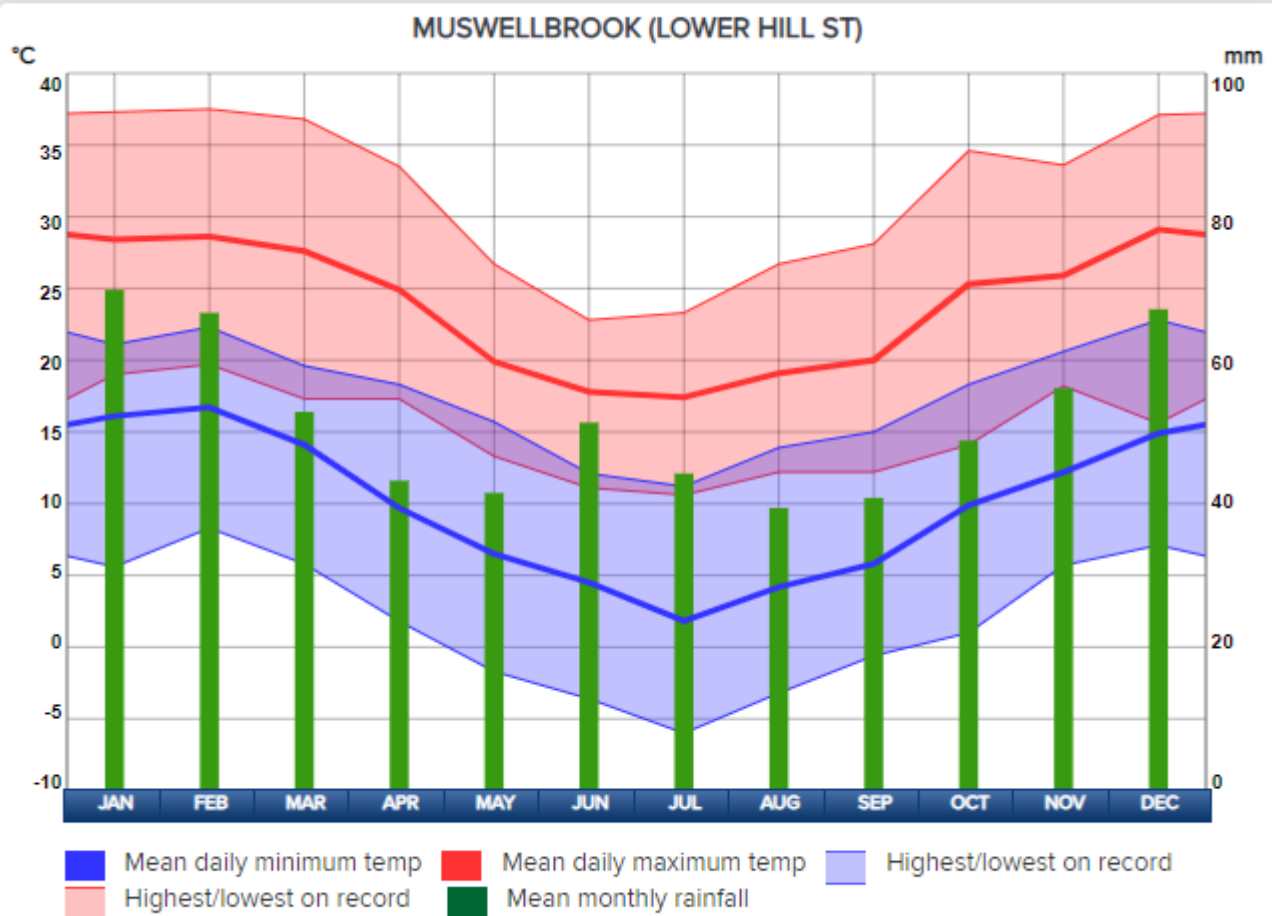
We have investigated the Bureau of Meteorology website to ascertain long term average weather data. The below is represented on that search site. Weather is recorded at the Muswellbrook SCS recording site. Rainfall over a 40 year recording period is in the range 600 – 650mm per annum. Summer temperatures are mild and winters are cool as per the district records below.

Muswellbrook Climate

MUSWELLBROOK LONG-TERM AVERAGES

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
Mean Max (°C)	28.4	28.6	27.6	24.9	19.9	17.8	17.4	19.1	20.0	25.3	25.9	29.1	23.2
Mean Min (°C)	16.1	16.7	14.1	9.7	6.5	4.5	1.8	4.2	5.8	9.9	12.2	14.9	9.7
Mean Rain (mm)	69.8	66.6	52.8	43.2	41.5	51.3	44.2	39.4	40.8	48.8	56.1	67.1	615.4
Median Rain (mm)	57.8	48.5	40.7	34.2	28.0	34.5	35.1	31.0	31.0	42.4	48.0	60.1	606.8
Mean Rain Days	7.0	6.5	6.4	6.0	7.0	8.0	7.5	6.8	6.3	7.0	7.0	7.1	81.8

MUSWELLBROOK ANNUAL TEMPERATURES & RAINFALL



IMPROVEMENTS

Constructed on the land at the date of inspection were a number of improvements of varying age, standard, size and condition. Below is a description of the improvements observed. We did not have access to all assets for the purposes of inspecting internal areas of dwellings on the date of our inspection and have therefore relied upon representation of configuration and condition represented by the owner's representative and also our appreciations obtained during previous access and also observations from our recent on site inspection. We have physically inspected all improvements and have internally inspected in excess of 90% of the total floor area of the described improvements.

Property Name	Improvements Description	Building Area – as per m ² or item
Kayuga West	A number of dams service the land on the western side of Dartbrook Road as well as reticulated water lifted from Hunter River to the east and pumped to holding tanks on the western side of Dartbrook Road and reticulated to stock troughs via gravity feed. Also includes evaporation dams, piping and associated pumps which are mining improvements and ignored for the purposes of this report. Fenced to a number of paddocks. Multiple road frontages.	
	Steel yards on site are demountable and therefore of nil added value.	
Kayuga Dairy - East	Developed for irrigation. Fenced to multiple paddocks for strip grazing. Utilised for fodder production - particularly Oats, Ryegrass, Kikuyu and mixed plantings.	
	Kayuga Homestead - Sandstone/TCT & CGI clad 1800's style Heritage significant, 7 bedroom homestead (updated in early 1900's) (accessed off Blairmore Road) garage and carport. Four outbuildings, inground pool and established landscaping. Two PVC water tanks.	455
	Garage and carport	80
	Shed 1- Metal clad	80
	Shed 2- Metal clad	194
	Shed 3- Metal clad	64
	Shed 4- Metal clad	131
	Inground pool, water tank, landscaping, gravel road	1
	Store dam, No1 shaft, ancillary shedding for mining purposes. Shedding = 752	752
	1800's Sandstone/CGI clad 2 bedroom cottage.	120
	Veranda	50
	Carport, Water tank, landscaping	1
	HP/CGI 1990's 3 bedroom cottage	120
	Verandah	50
	Water tank, landscaping	1
	Disused, former dairy (40 stand rotary floating platform with reverse entry) Steel framed, metal clad, reinforced concrete floor, office, amenities, vats, cooling system. Appears not operational. Assumed as little or nil added value.	520
	Covered feed pad - steel framed, metal clad, open sided - approximately 5m wide.	1,300
	Permanent yards attached to dairy, with race, crush and loading ramp. Water tank, parking and gravel road.	1
	Shed 1 - steel framed, metal clad, open fronted.	220
	Shed 2 - timber framed, metal clad, open front and back.	230
	Shed 3 - steel framed, metal clad, reinforced concrete floor, open front, wasted partition walls to three bays.	160
	Shed 4 - steel framed, metal clad, open front and rear.	220
	Silo, small permanent yards with covered work area, race crush and loading ramp.	1
Garoka Dairy	Developed for irrigation. Fenced to multiple paddocks for strip grazing. Utilised for fodder production - particularly Oats, Ryegrass, Kikuyu and mixed plantings.	
	Dairy curtilage - main cottage - HP/CGI renovated 3-bedroom, 1950's cottage - renovated internally.	170
	Verandah	30
	Dairy curtilage - managers cottage - AL clad/CGI small 3-bedroom, 1960's cottage	100
	Carport	30
	Enclosed Steel framed metal clad Dairy with reinforced concrete floor - 50 stand rotary parlour (1,000 head capacity) - "Yarroweyah" engineering, 32KL Stainless steel De Laval vat and 13KL Chill master vat, colling system, Automated feeding system (uniform ration however can be converted to specific ration subject to capital), Skiold Disc Mill, Skiold flex mixer (2 tonne capacity, 2 tonne per hour). Refer to exclusion schedule for specifics. Relevant irrigation plant and equipment and associated infrastructure.	660
	Walk in Shed (automated forcing gate)	240
	Feed Shed	56
	Silos x 9 = 526 tonne capacity	526
	Effluent control and filtration ponds	
	Garoka - Shed 1 - Steel and timber framed, metal clad, earth floor, power connected. Open fronted.	95

IMPROVEMENTS (Cont'd)

Property Name	Improvements Description	Building Area – as per m ² or item
	Shed 2 - Steel and timber framed, metal clad, earth and reinforced concrete floor, power connected. Open fronted and one side.	190
	Shed 3 - Timber framed, metal clad, part enclosed.	620
	Shed 4 - Steel and timber framed, metal clad, reinforced concrete floor. Part enclosed and extended open sided addition with earth floor.	165
	Dilapidated out building buildings	
	Blairmore - Shed 5 - Steel framed, metal clad - open sided with earth floor	180
	Dilapidated out buildings	
	Angle Dale - Shed 6 - Steel framed, metal clad - open fronted with earth floor	340
	Knights Cottage - WB/CGI 4-bedroom 1960's cottage	165
	Garage	57
	Shed - open fronted	220
	Roselea - WB/CGI 3-bedroom 1940's cottage	110
	Roselea - HP/CT clad 3-bedroom 1960's cottage	155
	Awning and water tank	84
	Medhurst - HP clad/CGI - 3-bedroom 1960's cottage	145
	Carport	18
	Patty's - Vinyl clad/CGI2 bedroom 1920's cottage	160
	Outdoor living	20
	Shed	35
	Blairmore Point - HP/CGI clad 4-bedroom, 1960's cottage	185
	Porch	20
	Garage	48
	Angle Dale - WB/CGI clad 5-bedroom 1940's cottage	177
	Verandah	28
	Carport and garage	75
	Various improvements situated on the broader parcel which are dilapidated and include residences, former dairies, machinery sheds, hay sheds, storage sheds. All are ignored for the purposes of this report.	
Hardes/Wheatleys	Developed irrigation land – suitable for centre pivot - as well as elevated home site.	
	Hardes - HP/CGI 5-bedroom, 1990's cottage	195
	Verandah	155
	Dutch barn	125
	Carport	18
	Store shed and tank	122
	Dilapidated former dairy and demountable steel yards- ignored for the purposes of this report.	
Browns Mt East	Two sets of small, timber cattle yards (modest value).	1
Browns Mt West - CHPP	Includes the CHPP facility, rail loop and associated improvements. All improvements appear to be related coal mining improvements and associated infrastructure which are non fixtures. They are ignored for the purposes of this valuation.	
Administration Precinct	Comprises administration facility, workshops and Pit head and associated surface infrastructure. We are instructed to include the building improvements for the purposes of this valuation.	
	Administration facility - Brick/Colorbond clad 1990's office and administration office. Suspended tile ceiling, ducted A/C, partitioned to offices, meeting rooms, board room, crib room, wash room, dispatch room and management centre.	1,796
	Open fronted maintenance - steel framed, metal clad, reinforced concrete floor - tiled floor.	234
	Enclosed Store - steel framed, metal clad, reinforced concrete floor. Includes small mezzanine area.	396
	Workshop - steel framed, metal clad, reinforced concrete floor. Overhead gantry and 10t crane.	524
	Fuel bowser shelter - steel framed, metal shelter - open sided - reinforced concrete pad and bund.	60
	Various detached sheds - steel framed, metal clad - store, pit head cover, workshop.	500
	Ancillary improvements, landscaping, security fencing, reinforced concrete hardstand, bitumen sealed car park and gravel sealed working curtilage. Total commercial curtilage = 3.00ha	30,000

IMPROVEMENTS (Cont'd)

Property Name	Improvements Description	Building Area – as per m ² or item
	Haig's Cottage - Heritage significant stone constructed - not habitable. Ignored for the purposes of this report	
	Garage - nil added value.	
	Shed 1 - timber framed metal clad, earth floor. Open sided.	320
	Shed 2 - timber framed metal clad, earth floor. Open fronted.	140
	Cemetery - Heritage significant - nil added value.	
Village Block 1	Dilapidated cottage on site - assumes as nil added value.	
Village Block 2		
Village Block 3	Storage shed	1
Village Block 4		
Village Block 5		
	Rendered brick/CT clad 4-bedroom 1980's cottage.	185
	Garage	18
	Storage shed	110
	Dilapidated shed - roof collapsed - nil added value.	

The dwellings are presented in varying condition – dilapidated, poor, fair and tenantable and good condition - commensurate with their age, use and presentation.

We have assumed the described dwelling are presented in fair and tenantable condition - where occupied. Those residential improvements which are dilapidated or abandoned have been ignored for the purposes of this report.

In accordance with our instructions, where we have not internally inspected the improvements, our interpretations of the internal presentation and condition are based on our observations of the external areas of the described assets and that advised to us by representatives of the registered proprietor.

Fencing comprises of rural type post and rail fencing to the respective dwelling curtilages and timber post and wire to the boundary and internal fencing. There is electric fencing to the smaller fenced areas utilised for dairying purposes.

We understand large areas of the site are serviced by river water and aquifer water as are stock watering points. We have assumed all associated irrigation and reticulation infrastructure – including pumps, pipes, plant and equipment and associated infrastructure is in fair condition and fit for purpose.

We understand there are a number of items associated with the dairy as well as centre pivots as are proposed to be removed by the lessee upon departure. We have made allowance for those items assuming they would need to be replaced to bring the property to a commensurate level of operation post the lessee's departure. However, the items proposed to be removed are standard materials and plant and equipment and replacement is expected to be readily achievable in a reasonable timeframe. The opportunity also exists to negotiate with the departing lessee to purchase the items proposed to be removed – should a hypothetical purchaser wish to do so.

General Condition of the property overall at the date of inspection is described as fair and tenantable condition. The Garoka Dairy has been recently upgraded and is presented in good condition.

The predominance of rural and residential improvements would benefit from a general cosmetic upgrade; however, the majority of improvements appear to be at or near the end of their economic life. We have considered them on an as is basis.

IMPROVEMENTS (Cont'd)

The commercial/industrial improvements appear to be in fair and tenantable order. It is difficult to envisage a non-mining related tenant occupying and utilising the total buildings if they were put to the open market however, in adducing value we have considered they are fit for purpose for their intended use.

We have not sighted a builder's report or inspected unexposed or inaccessible portions of the premises and therefore cannot comment on the structural integrity, defects, rot or infestation in the improvements. Further, we do not have expert advice in respect to hazardous materials as may be evident on site. We have therefore assumed there is no matters of inordinately prohibitive cost as would be necessary to expend on the assets as a consequence of the above matters.

We also draw attention to the fact the property comprises a number of improvements of varying age, construction standard, condition and state of repair. Where we have been instructed the improvements are not habitable or have observed the improvements are not fit for purpose, we have attributed nil value to those improvements. However, we have not made a specific deduction for the cost to demolish and remove those dilapidated improvements.

In light of the value adduced for the subject total asset – it is estimated the cost to demolish and remove those dilapidated improvements would have an inconsequential impact upon the adduced market value.

Our client should consider there may be a financial cost applicable to remove existing dilapidated buildings and other loose materials from the site. We have not made a specific deduction for such costs.

GENERAL COMMENT

The broader market for land in the Lower Hunter Valley has evidenced steady demand for primary production assets and lifestyle parcels - whilst evidencing a continued demand - such demand evidences a far more discerning application to value considerations.

Muswellbrook's location is central to the Hunter Valley and therefore was susceptible to the general softening of the broader property market as occurred in the mid to upper Hunter Valley from late 2012 up until mid-2016.

The mining sector in the Hunter Valley has evidenced steady improvement since mid-2016 as a consequence of a range of factors including increasing world coal prices and more streamlined operational structures leading to relatively low extraction costs.

Notwithstanding the unusually dry seasonal influences as prevailed from 2017 to early 2020 in the Hunter Valley, the prospects of the property market in Singleton, Muswellbrook and Scone has improved markedly since mid 2016 for the residential sector particularly whilst discernible improvement is also evident in the rural/residential market (hobby farm market) as well as the market for rural production land.

In recent years – the dairy and beef industries have evidence improved pricing across the board and a consequential increase in property prices for land suitable for such activities.

Major lenders continue to apply more rigorous assessment of lending criteria and borrower viability.

Rural and rural/residential parcels in and around Muswellbrook have evidenced significant improvements over recent years – most particularly over the previous 12 – 24 months.

Growth in values in the Hunter Valley continued from mid 2016 through to late 2018, however, the market softened somewhat from late 2018 to mid-2019 before improving again, continuously up until to March 2020 at which time the Coronavirus was declared a pandemic (COVID 19 – declared a pandemic on 11 March 2020).

Whilst there has been significant concern raised in response to the COVID 19 and its health and economic impacts upon the population and economies around the world – Australia has fared very favourably as compared to the impacts experienced in a number of other countries.

Whilst the effects of COVID 19 are impacting a range of markets nationally and internationally, we are of the opinion that there is no discernible negative impact upon property values in the Hunter Valley.

Quite to the contrary, the previous 9 - 12 months has seen rural land and rural lifestyle land evidencing strengthening demand and increasing values.

Should unemployment rise, the impact upon the property market may be negative and we therefore recommend asset values should be regularly reviewed in the short term as a consequence of the uncertainty as prevails in response to COVID 19.

Notwithstanding the above, COVID 19 is anticipated to be a short term impact and we have investigated a range of sales of comparable properties in the general locality and adduced market value by direct comparison.

However, medium to longer term - broader concerns of the immediate future of those larger property markets to the south (Sydney and Newcastle) in addition to the general prospects of the varying rural activities of dairy and beef - are anticipated to dictate confidence and growth in values in the rural market generally but also the market for lifestyle land in the mid to central Hunter Valley.

GENERAL COMMENT (Cont'd)

In providing our considerations of value we have considered sales of small, medium and large sized rural/residential and lifestyle parcels in the area.

Following are sales of properties which are indicative of those considered in adducing value for the purposes of this report.

We have adduced value for each described parcel in comparison with sales of assets which we consider are comparable in some way to the subject properties.

The total value adduced for the purposes of this report is the aggregate value of the described twelve (12) independent assets as if they were independently marketed. We have also adduced market value - as if in one line.

We have also provided market value for the portable water entitlements – as if in one line.

INDUSTRY SECTOR

We have perused the below industry reports in respect to dairy and beef production – compiled by IbisWorld an independent industry analysis company based in Melbourne.

Dairy Cattle Farming – Report dated November 2020

Summary

Operators in the Dairy Cattle Farming industry have faced a range of challenges over the past five years, including demand fluctuations, global market shifts and volatile farmgate prices.

Industry operators have contended with dry weather conditions over the period, which have constrained production volumes and led to higher farmgate milk prices. Additionally, a decline in world prices for many downstream dairy products over the two years through 2020-21 has put downward pressure on the domestic price of dairy products. This trend has been exacerbated by an oversupply in the current year, as the COVID-19 outbreak has severely limited global demand.

However, domestic farmgate milk prices have risen overall over the past five years. This trend has increased input costs for downstream manufacturers. This trend has consequently, decreased the competitiveness of downstream milk processors in the domestic and international markets.

As a result, demand for Australian dairy products has decreased due to import penetration, reflecting a decrease in volume of processed dairy products produced over the period. This trend has contributed to a decrease in milk production over the past five years, putting downward pressure on industry revenue over the period. Industry revenue is expected to decline at an annualised 2.1% over the five years through 2020-21, to \$4.3 billion. Despite an increase in output, industry revenue is expected to decrease by 7.4% in the current year, as COVID-19 leads to weaker global demand and therefore lower farmgate milk prices.

Operating conditions are likely to improve for the remaining dairy farmers. Milk production is projected to slowly increase over the next five years. Developments in farming and milking technologies are likely to provide a competitive advantage for farmers that can make further capital investments. Farmgate milk prices are also forecast to rise over the next five years, supported by the new mandatory dairy code of conduct, which will give more flexibility on contracts and transparency on milk prices. Demand from domestic and overseas markets is expected to increase as household incomes recover from the global economic recession.

INDUSTRY SECTOR (Cont'd)

This trend is anticipated to support industry revenue growth over the period. If weather conditions improve, it will support profitability and production volumes in the industry. Industry revenue is forecast to grow at an annualised 2.3% over the five years through 2025-26, to \$4.8 billion.

Current Performance

Changes in milk prices and production output have made industry revenue volatile over the period. Volatility in domestic and global demand for milk, and weather conditions have further affected industry revenue over the past five years.

Overall, industry revenue is expected to fall at an annualised 2.1% over the five years through 2020-21, to \$4.3 billion.

This trend includes an anticipated fall in industry revenue of 7.4% in the current year, due to significant declines in farmgate milk prices outpacing the rise in production volumes. The fall in price has been precipitated by falling global demand as a result of the COVID-19 pandemic. Profitability for dairy farms is expected to fall due to lower prices, despite higher production.

The number of dairy farms has substantially declined over the past two decades, correlating with the steady fall in enterprise numbers over the past five years. Adverse weather conditions, the ageing of farmers, farm corporatisation and the increasing use of technology on farms have all contributed to this decline.

These factors have also affected industry employment numbers, which have fallen over the past five years.

INDUSTRY SECTOR (Cont'd)

Beef Cattle Farming – Report dated November 2020 Summary

The Beef Cattle Farming industry has declined over the past five years. This is partly attributable to the industry reducing turnoff rates in response to improving weather conditions, as prior conditions have resulted in farmers increasing turnoff rates to reduce herd sizes due to poor pasture conditions and lower availability of feed. Industry revenue is anticipated to decline at an annualised 2.8% over the five years through 2020-21, to \$16.9 billion.

Strong demand for cattle in 2015-16 resulted in high demand during the year, which supported a high base year and further contributed to the industry's decline over the past five years. The outbreak of COVID-19 is also anticipated to constrain industry growth, as key markets for live exports, such as Indonesia, continue to be impacted by the COVID-19 pandemic. As a result, industry revenue is expected to decline by 10.3% in the current year.

Beef cattle farmers have experienced varying weather conditions over the past five years. High turnoff rates and rising saleyard cattle prices boosted industry revenue growth in 2015-16. Industry revenue weakened in 2016-17, as exports and demand from meat processing fell. Drought conditions across parts of New South Wales and Queensland have placed downward pressure on the industry's performance over the past several years, further constraining growth.

Industry revenue is projected to continue declining over the next five years, as farmers focus on rebuilding cattle herds following prolonged drought conditions. Industry revenue is forecast to fall at an annualised 4.7% over the five years through 2025-26, to reach \$13.2 billion.

Rising health consciousness among the population is anticipated to limit growth in domestic meat consumption over the next five years, constraining industry revenue. However, the signing of the Regional Comprehensive Economic Partnership, which includes a number of countries in the ASEAN trading bloc and large Asian economies, such as China, Japan and South Korea, is anticipated to provide a strong opportunity for industry expansion.

Current Performance

External factors have significantly influenced the Beef Cattle Farming industry's performance over the past five years.

Fluctuating rainfall, volatile operating costs, varying turnoff rates and government policies abroad have influenced industry earnings over the period.

Industry revenue is expected to fall at an annualised 2.8% over the five years through 2020-21, to \$16.9 billion. Improving weather conditions in the current year have supported herd rebuilding activities, discouraging farmers from sending livestock to slaughter in 2020-21.

However, the effects of the 2019-20 bushfires are also expected to continue to be felt in some areas of the east coast, as farmers recover from the widescale spread of the disaster. Furthermore, the outbreak of COVID-19 both locally and abroad is likely to weaken demand for live exports to countries such as Indonesia over the short term, limiting industry expansion. As a result, industry revenue is anticipated to decline by 10.3% in the current year.

METHODS OF APPROACH

We have adopted two methods of determining the value of the subject property and they are:

1. **Summation** of Land and Buildings
2. **Direct Comparison** with sales evidence

In the **Summation Method** the depreciated value of the improvements is added to the land value. In arriving at the worth of the improvements, some allowance will generally be made for depreciation. This allowance will tend to be based upon experience.

Depreciation comprises a range of considerations including as follows:

Depreciated Replacement Cost

The cost per unit of future economic benefit of the most appropriate modern replacement facility, adjusted for any differences in production capacity and useful life.

Estimated Useful Life

- (a) The period over which an asset is expected to be available for use by an entity; or
- (b) The number of production or similar units expected to be obtained from the asset by an entity.

Estimated Useful Remaining Life

The estimated remaining life of the asset having regard to Physical Deterioration, Functional Obsolescence and Economic Obsolescence.

Physical Deterioration

This may be due to wear, inadequate maintenance, dry rot, damage by termites or borers, or normal weathering and decay. Any one or more of these causes of depreciation might relate only to a part or to parts of an improvement, e.g. flooring, plumbing components, fence posts, and other items less durable than the main structure.

Functional Obsolescence

This exists in respect of older type buildings that are no longer fully functional in accordance with current requirements. Causes may include inconvenience of interior layout, outdated and inefficient lifts, fixtures and fittings, or other shortcomings.

Economic Obsolescence

A lessening of economic utility may be caused by extrinsic circumstances beyond the control of an owner. For example, non-conforming use under a town-planning scheme, changes in the character of the locality, technological advances for which the building cannot readily be adapted or large increases in land values. The effect of any one such change might be that a building or other improvement, formerly economic, no longer contributes adequately to the highest and best use of the land.

The **Direct Comparison** method compares like properties. Authoritative writings identify this method as being a most sound basis of approach in determining value.

The main problem associated with this method is that of finding evidence of sales or property which is directly comparable. Most properties will be different in some way and so adjustments are necessary.

BASIS OF VALUATION

In adducing value for the subject property, we have adopted a summation and direct comparison approach with available recent sales evidence.

We have considered available recent sales evidence of a range of improved and unimproved rural/residential properties as well as rural lifestyle parcels and rural production units.

We have analysed sales to a dollar rate per hectare improvements as well as a dollar rate per hectare – vacant land - on a treated, fenced and watered basis (TFW). Water access is assumed as - to a district level when considering land on a TFW basis.

Where portable water rights are known we have analysed those sales to reflect land value excluding portable water entitlements.

We have included analysed sales of properties which are representative of a large number of sales evidence - with varying land classification and which we have considered as comparable in some way to the subject independent holdings.

We have adopted a direct comparison approach whereby the value of the land both improved and unimproved has been represented on a dollar per hectare basis in comparison with available recent sales evidence.

Additionally, we have supported that approach by a summation method whereby we have considered the value of the land – as if vacant (TFW) and added the depreciated value of existing improvements. Our primary method is summation. In assessing the depreciated value of improvements, we have drawn our considerations of depreciation based upon our observations of the age, standard and condition of the asset as well as the functional and economic utility of the asset. We appreciate different improvements have different total life expectancy. Relying upon or experience obtained over many years observing and assessing the market value of similar assets as is deduced from analysed sales evidence, we have resolved to apply an appropriate depreciation rate applicable specifically to each improvement.

It is our understanding that the subject property has the benefit of independently marketable, registered water entitlements for river water as well as access to substantial entitlements from the aquifer.

The recorded portable water entitlements benefit the described land by dent of the existing infrastructure designed to facilitate irrigation and ensure available water for stock and domestic purposes.

We have considered the subject property “as is” on a highest and best use basis – comprising twelve (12) x independently marketable parcels each with positive prospects of achieving a dwelling entitlement – subject to existing zoning and planning controls.

We have assumed for the purposes of this report the subject properties are comprising twelve (12) x parcels of land – the aggregations of which is informed by the following criteria – the lots are contiguous, with frontage and access to a formed public road and which are independently marketable and evidence common use and or use potential.

In adducing value on that basis, we have considered market value – as if the land is not impacted by the onerous conditions as we are instructed will form enforceable rights by the vendor upon the future owner as well as warranties and other obligations the owner/hypothetical purchaser will commit to and which are contained in the contract of sale. In that approach we have compared like with like where possible.

BASIS OF VALUATION (Cont'd)

However, we have resolved a hypothetical purchaser would be concerned as to the potential impact of those onerous conditions upon the management, future use and quiet enjoyment of the land as well as the uncertainties of liabilities as may be accepted under the conditions of sale.

It is therefore necessary to make an adjustment to the assessed market value adduced by direct comparison with sales evidence so as to reflect the detrimental impacts upon value as are a consequence of the onerous conditions which are applicable to the contract of sale.

Other relevant matters which the land owner/hypothetical purchaser is assumed to accept and which will constrain use and also impact upon the assessment of value for the subject land include:

- Accepts access to the land is available to AQC (non exclusive) at all hours on all days.
- Acknowledges receipt of the compensation from AQC (as per Annexure C of the Compensation Agreement)
- Releases AQC from all claims.
- Assumes all compensation (full and final compensation) under Part 13 of the Mining Act 1992 is satisfied.
- Equipment and infrastructure installed on the land related to mining is the property of AQC and may be removed at its absolute discretion.
- The land owner will not require mitigation in respect to impacts under the VLAMP.
- All property dealings require AQC approval
- Impacts upon the property from mining may exceed VLAMP impacts.
- For the purposes of a proposed easement impacting the land – the landowner is the subservient tenement and the dominant tenement is four (4) Lots owned by AQC. (We are further instructed to consider the dominant tenement description is proposed to be amended to comprise just 2 Lots)
- A First Right of Refusal in favour of AQC.
- It is our opinion the conditions applicable to the contract of sale are onerous and would not be viewed favourably by a hypothetical purchaser as they constrain use of the land and require warranties and other obligations in respect to range of matters and have potential to impact upon the owners management and quiet enjoyment of the land.

Cognisant of our instructions we have resolved to utilise a two step approach to adducing market value on the basis instructed.

- **Step 1:** Adduce current market value on a direct comparison basis with available recent sales evidence. The value adduced is therefore the market value of the described asset on an “as is where is” basis – excluding coal mining improvements and ignoring any detrimental impact as is considered to be attributable to various constraints, warranties and obligations as are anticipated to be applicable as a condition enforceable under the contract of sale.
- **Step 2:** Apply a discount to the current market value/fair value adduced under Step 1. The discount is to reflect the detrimental impact as is considered to be attributable to various constraints, warranties and obligations as are anticipated to be applicable as a condition enforceable under the contract of sale. It is our appreciation a hypothetical purchaser would consider the conditions of sale to be onerous and, potentially, may make the practical management of an operating dairy and broader rural grazing concern difficult and potentially unviable and would also impact detrimentally upon the management and amenity aspects of rural lifestyle parcels.

BASIS OF VALUATION (Cont'd)

The circumstances surrounding the proposed sale of the subject land is unusual and somewhat unique. We are not aware of sales evidence of similar assets in comparable circumstances from which to draw direct comparison. Therefore, we have relied upon our experience and understanding of the impact upon market value as is evidenced in varying circumstances including easement impacts for overhead and underground infrastructure, noise, odour and stigma associated with noxious activities and contamination. We have also considered the detrimental impacts upon rural land as is a consequence of registration of such as vegetation agreements, conservation agreements and stewardship agreements whereby the potential use applicable to the land is substantially impacted. In the above examples we are aware of compensation and discounts to market value as are applicable being assessed in the range 25% - 75% below the otherwise unimpacted market value.

The upper end of the scale of detrimental impact includes such as:

- Substantial constraint/obliteration of productive rural use.
- Obliteration of opportunities to subdivide and/or develop the land for higher future use.
- Detrimental impacts upon use of whole of parcel/predominant part parcel.
- High risk acceptance in respect to access and use by the dominant tenement and little or nil opportunity for landowner to access compensation.

The lower end of the scale of detrimental impact includes such as:

- Modest constraint upon productive rural use.
- Obliteration of opportunities to subdivide and/or develop is applicable to a small part only of the total parcel for higher future use.
- Detrimental impacts upon use is specific to a small proportion of the total parcel.
- Low risk acceptance in respect to access and use by the dominant tenement and prevailing opportunity for landowner to access compensation in certain circumstances.

Our considerations of an appropriate discount factor to apply to the otherwise unimpacted market value is informed by the above considerations and other relevant factors – including that we have resolved the constraints as are proposed to form part of this transaction are in our opinion onerous.

On balance, we have resolved the proposed constraints are evidenced towards the low to mid range of impacts as we have experience of in analysing and estimating the detrimental impacts a hypothetical purchaser would consider to be applicable in respect to a range of constraints.

For the purposes of this report, we have resolved to apply a discount of 35% to reflect the detrimental impacts upon market value as we estimate a hypothetical purchaser would consider to be appropriate in light of the various constraints, warranties and obligations as are anticipated to be applicable as conditions which are enforceable under the contract of sale.

We have also resolved the detrimental impacts upon rural lifestyle parcels as distinct from rural production land may be very different as to impact yet have a similar cumulative effect. That is, detrimental impacts upon amenity, utility and quiet enjoyment as are relevant considerations for rural lifestyle parcels is as important as is consideration of disruption to farm management, viability, utility and quiet enjoyment as is applicable to rural production land.

BASIS OF VALUATION (Cont'd)

In respect to assessing the market value of water entitlements we have considered market value – “in one line”. Notwithstanding water is often transferred as a component of the overall Real Estate asset sale – the described water entitlements are independently marketable and may be apportioned in a range of configurations. For the purposes of this report, we have adduced value for the water in direct comparison to available recent sale evidence of similar water entitlements and represented that value – as if “in one line”.

In considering sales of comparable water entitlements, we have perused the transactions recorded on the NSW Water website as well as analysed a number of Real Estate transactions which have included water and which are evidenced in the table of sales included in this report.

The sales recorded on the NSW Water website are of limited assistance as they vary markedly (as much as \$750 - \$3,900/ML for general security water), there are limited recorded recent trades and those trades recorded may be influenced by a range of commercial imperatives in recording the water sale transaction on an independent contract.

In analysing sales of water which is included in the overall sale of real estate - we have done so with the benefit of knowledge gathered by enquiring of one or other party as well as agents active in the market – what has been discussed and agreed between vendors and purchasers in respect to the value of the actual water entitlements.

It is our understanding that this valuation and report may be utilised to assist in determining a sale transaction of the described asset on the following basis:

- “As if” independently marketed in the aggregations described; and
- “As if” in one line.

In considering the difference in value applicable to the two approaches as we are instructed to consider –

- “As if” independently marketed in the aggregations described; and
- “As if” in one line.

We have adopted an investors approach whereby we have considered the aggregated market value of the independent twelve (12) smaller parcels as representing the potential gross realisation and from which we have made allowance for such as agents and legal fees, profit and risk factor, interest and holding charges for the anticipated period between purchase and total realisation of the component parcels. The resultant value deduced is the market value in one line – or that price an investor can afford to pay understanding the costs attributable to realising a sale of the individual parcels, the time necessary to complete the sales program and a reasonable profit and risk factor. We have assumed GST is not applicable for the purposes of the calculations of value on this basis.

The difference in value as is deduced in the “in one line” calculation is in the order of 12% - 15% below the value assessed as if the twelve parcels were marketed independently and is heavily weighted upon variations in the adopted profit and risk factor and sales realisation period. We have applied 15% as an appropriate discount to evidence the difference in market value when comparing the two approaches.

SALES EVIDENCE

In carrying out our valuation we have also considered available recent sales evidence of small and medium sized vacant rural allotments, improved rural/residential lifestyle properties as well as rural production units. The following sales evidence is indicative of that considered. We are aware of a number of sales of properties in the broader district which are a consequence of acquisition proposals by Hunter Water, Department of Defence and local Coal Mining companies. We have considered such sales may not be at arm's length or indeed are subject to anxious vendor/purchaser circumstances and therefore have either adjusted them accordingly or disregarded them on that basis.

Sales Evidence – Rural Properties – Dry land hobby blocks

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Vacant Land - Rate/ha TFW
1	1431 Wybong Rd, Castle Rock Lot 21 DP736827	Jun 2019	\$685,000 (Previous sale 6/2016 for \$650,000)	27.00	Rural lifestyle property providing gently undulating cleared land with broad road frontage and land. Property features single level weatherboard and colorbond clad residential dwelling, constructed circa 2014. Advertised as 5bed, 2bath Property also features large machinery shed with five roller doors and mezzanine/flat, machinery shed with 3 roller doors, workshop and small shed. Additions include 5 water tanks (approx 27,000L/tank each), dam and established fencing. Zoned RU1 Primary Production – Muswellbrook LEP 2009 Reflects a 5.3% increase in value over the previous sale. Improvements: \$350,000 Land: \$335,000	\$25,370	\$12,407
2	400 Denman Road, Denman Lot400 DP791860 Inter Company transfer.	Apr 2019	\$365,000 (Previous sale 9/2016 for \$320,000)	40.00	Cleared and fenced grazing block assumed to have a positive prospect of a dwelling entitlement. Rising up from road frontage. Dam on site. Appears to have a dated center pivot on site which is assumed as nil added value. Zoned RU1 Primary Production – Muswellbrook LEP 2009 Reflects a 14.06% increase in value over the previous sale. Improvements: Nil Land: \$365,000	N/A	\$9,125
3	2441 Jerrys Plains Rd, Jerrys Plains Lot 10 DP234710	Nov 2018	\$350,000	30.71	Comprises a gently undulating, irregular shaped vacant allotment. Predominantly cleared with a number of elevated areas suitable for a dwelling site with outlook over river flats and mountain range to north. The market has improved since this sale. Planning controls: Zoned RU1 Primary Production – Singleton LEP 2013, Minimum lot size – 40ha, Mine subsidence district – Patrick Plains	N/A	\$11,396

Table 1

SALES EVIDENCE (Cont'd)

Sales Evidence – Rural Properties – Dry land hobby blocks

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Vacant Land - Rate/ha TFW
4	355F Redmanvale Rd, Jerrys Plains Lot 198 DP753817	Jan 2020 Jun 2015	\$580,000 \$450,000	42.29	"Ambala" 42.29ha of gently undulating grazing country with views to the north and mountain backdrop. Predominately cleared to shade timber. Timber stockyards & fenced into 3 paddocks with a dam in each, holding paddock + hayshed. Improvements comprise a small hardiplank and corrugated iron clad dwelling with 2bed, 1bath, combustion fire & 2 reverse cycle A/C's. 12m x 9m machinery shed with a 9m x 6m partially complete granny flat. Fully fenced and secure house yard. Shared gravel access road. Shows a 28% increase since earlier sale in 2015 - which appears to be inflated growth as the earlier sale is assumed to be influenced (discounted) by desirous vendor circumstances as the vendor was a mining company impacted by adverse outcome in respect to NSW Gov. cancelling the Doyles Creek mining exploration license. Actual market growth is analysed as in the 10%-15% range for the intervening period. Planning controls: Zoned RU1 Primary Production – Singleton LEP 2013, Minimum lot size – 40ha, Riparian lands & watercourses, Bushfire prone land – vegetation buffer, Mine subsidence district – Patrick Plains Water: Nil Improvements: \$200,000 Land Value (TFW): \$380,000	\$13,714	\$8,985
5	"Woodlands" 135 Halls Road, Dartbrook Lot 180 DP750951	Dec 2020	\$850,000	177.0	Irregular shaped, gently undulating, selectively cleared parcel, bisected by a small sandy creek and with formed road frontage to Halls Road. Comprises a small fibro cottage in dated condition of little or modest added value, as well as concrete holding tank and bore and PVC tank to the house. Improvements of little or modest added value. Planning controls: Zoned RU4 Primary Production Small Lots – Upper Hunter LEP 2013, Minimum lot size – 40ha, Groundwater vulnerability, Watercourse, Bushfire prone land – vegetation category, Muswellbrook mine subsidence district. Imps: \$50,000 Land: \$800,000	\$4,519	\$4,519

Table 2

The above sales in Tables 1-2 are representative of dry land hobby blocks showing analysed land value in the range \$4,519 - \$12,500/ha as vacant land area.

SALES EVIDENCE (Cont'd)

Sales Evidence – Rural Properties – Hobby blocks benefited with access to water

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Vacant Land - Rate/ha TFW
6	97 Burtons Lane, Muswellbrook Lot 55 DP1025497	Apr 2021	\$1,330,000 (Not yet settled)	30.11	Irregular shaped, gently undulating, developed alluvial river flats. Frontage to Hunter River with irrigation infrastructure presented in dated condition. WAL18213 - 170ML water entitlement for aquifer. Comprises a 4bed substantial dwelling and modest farm outbuildings. Underground irrigation infrastructure requires capital input to upgrade. Purchased by adjoining owner. Planning controls: Zoned RU1 Primary Production – Muswellbrook LEP 2009, Minimum lot size – 80ha, Height of building – 12m, Muswellbrook mine subsidence district. Water: \$170,000 (\$1,000/ML) Imps: \$250,000 Land: \$910,000	\$44,171 Or 38,525 (Ex water)	\$30,222 (ex water)
7	"Redrock", 1291 Dartbrook Rd, Dartbrook Lot 169 DP750951 Sold in One Line	Dec 2020		60.58	Irregular shaped, gently undulating, selectively cleared parcel, with frontages to Dartbrook River and Sandy Creek. Comprises 3bed hardiplank dwelling, 2LUG, colorbond clad dairy shed, machinery shed & hay shed. The land is bisected by Sandy Creek. Developed for irrigation, frontage to Dart Brook the property also has a water entitlement - WAL17762 - some 254ML of Aquifer entitlement. Two bores and two wells on site. Approximately 41ha is developed for irrigation and the balance is grazing and working curtilage. Planning controls: Zoned RU4 Primary Production Small Lots – Upper Hunter LEP 2013, Minimum lot size – 40ha, Groundwater vulnerability, Watercourse, Bushfire prone land – vegetation category, Muswellbrook mine subsidence district. Water: \$240,000 (\$1,000/ML) Imps: \$350,000	See below	
8	"Kellys Block" 1328 Dartbrook Rd & 11 Halls Rd, Dartbrook Lot 179 DP750951 Lot 191 DP750951 Lot 11 DP789319 Sold in One Line	Dec 2020		63.83	Three independently titled irregular shaped, gently undulating, selectively cleared parcels, with frontage to Dartbrook Rd & bisected by Halls Rd. Comprises 3bed brick dwelling, 1LUG, 5 bay workshop/carport, second weatherboard cottage (former school house) and machinery/storage shed. Bisected by Sandy creek. Planning controls: Zoned RU4 Primary Production Small Lots – Upper Hunter LEP 2013, Minimum lot size – 40ha, Groundwater vulnerability, Watercourse, Bushfire prone land – vegetation category, Muswellbrook mine subsidence district. Imps: \$350,000	See below	

Table 3

SALES EVIDENCE (Cont'd)

Sales Evidence – Rural Properties – Hobby blocks benefited with access to water

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Vacant Land - Rate/ha TFW
9	"Byfield" 1340 Dartbrook Rd, Dartbrook Lot 2 DP578034 Lot 1852 DP582597 Lot 10 DP789319 Lot 192 DP750951 Sold in One Line	Dec 2020		59.68	Four independently titled irregular shaped, gently undulating, selectively cleared parcels, with frontage to Dartbrook Rd. Serviced by dams on site. Comprises 3bed HP dwelling, 1LUG, 5 bay workshop/carport, second weatherboard cottage and machinery/storage shed. 75% of the total land is arable and the balance is gently undulating timbered grazing. Planning controls: Zoned RU4 Primary Production Small Lots – Upper Hunter LEP 2013, Minimum lot size – 40ha, Bushfire prone land – vegetation category, Muswellbrook mine subsidence district. Imps: \$200,000	See below	
10	Redrock, Kellys Block & Byfields Sold in One Line	Dec 2020	\$2,500,000	184.09	Total – in one line: Water: \$240,000 Improvements: \$900,000 Land: \$1,360,000	\$13,580 Or \$12,276 (Ex water)	\$7,387 Ex Water)
11	90 Yarraman Road, Manobalai Lot 9 DP252956	Apr 2020	\$1,095,000	49.14	Irregular shaped parcel of gently undulating alluvial river flats and rising to cleared grazing. Broad frontage to Wybong Creek and 155ML water license. Sale appears to include a travel irrigator. BV/CT dwelling- 5 bed, 2 bath. Features upgraded kitchen and carpet. Includes split system and packaged A/C, inground pool and entertaining area. Workshop, machinery shed and two store sheds. Some 200,000L of tank water storage and steel and timber cattle yards with crush and loading ramp. Dam on site and natural knoll featured in landscape. appears to include a center pivot irrigator on the river front and a registered 108ML of water entitlement from the hunter River. Previous sale in 2014 for \$1,030,000. NSW Water Register Approval 20CA202665 – WAL8225 Unregulated River - Wybong Creek Source – 155ML (includes additional lots) Zoned RU1 Primary Production – Muswellbrook LEP 2009 Water 155ML @ \$1,000/ML = \$155,000 Improvements: \$370,000 Land: \$570,000	\$19,129	\$11,599
12	70 Netherton Road, Dartbrook 171/750951	Mar 2020	\$958,000 (assumed as excluding water entitlements) Total contract \$1,180,000	47.86	Gently undulating river flats with frontage to the Dart Brook. The land is at the corner of Dartbrook Road whilst vehicle access is off Netherton Rd. Comprises WB/CGI 1950's style dwelling presented in fair – good condition. Includes small stables, tack room and store shed. Underground mains service approximately 75% of the property. There is 296ML of Aquifer water license described in the marketing information. (appears the water may not have formed part of the real estate transaction). Analysed as Improvements \$ 170,000 Portable Water \$222,000 (@\$750/ML) Land value (TFW) \$788,000	\$20,016	\$16,464

Table 4

SALES EVIDENCE (Cont'd)

Sales Evidence – Rural Properties – Hobby blocks benefited with access to water

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Vacant Land - Rate/ha TFW
13	Lots 9 & 10 Dartbrook Road, Dartbrook DP1108862	Feb 2020	\$876,000	51.95	Gently undulating river flats rising up to a small elevated area. Serviced by underground mains however nil direct frontage to water course and nil water entitlements in the transaction. The asset does have infrastructure and access to water for irrigation purposes. Nil structural improvements on site. Appears to be related party transaction – and we are advised the sale includes a discount of land value for predominantly alluvial flats. RU4 Primary Production Small Lots under the provisions of the Upper Hunter LEP 2013. Analysed as Improvements Nil Portable Water Nil Land value (TFW) \$876,000	N/A	\$16,859
14	63 Blairmore Lane, Aberdeen	Feb 2018	\$1,770,000	54.45	Gently undulating river flats with broad frontage to the Hunter River and vehicle access is off Blairmore Lane and via a formed access road over adjoining properties. Comprises two dated dwellings (one is dilapidated and other is in poor condition), small storage/pump housing, 2 x steel framed metal clad farm sheds each with earth floor an older timber framed shed and a former dairy and small set of cattle yards. Includes 2 x centre pivot irrigators, pump on the river, 200mm underground mains, town water is connected, power is available and connected to all structures. Motivated vendor influence. Zoned RU4 Primary Production Small Lots. There is 189ML of General Security River water (@\$2,250/ML). Analysed as Improvements \$ 320,000 Portable Water \$ 425,250 Land value (TFW) \$1,024,750	\$32,506 (\$24,696/ha ex water)	\$18,820
15	"Camyr-Allyn" 341 Turanville Road, Scone 102/1210928 & 1-2/784987	Jan 2020	\$5,575,000	196.70	Substantial improvements on large lifestyle rural holding bisected by Dart Brook. Gently undulating alluvial flats with double frontage to the Dart Brook. Comprises substantial double brick rendered/WB/CGI 1910 constructed, prestige style dwelling presented in good condition – 4bed, 2 bath and wrap around verandah. 2x machinery sheds, former dairy, store shed. Underground mains service the majority of the property and 4 x pump sites. Strong Lucerne production property with secure water access. RU4 Primary Production Small Lots under the provisions of the Upper Hunter LEP 2013. There is 486ML of water license – WAL 17783 – Aquifer - Dartbrook water source. Analysed as Improvements \$1,000,000 Portable Water \$ 364,500 (@\$750/ML) Land value (TFW) \$4,210,500	\$28,342 (\$25,871/ha ex water)	\$21,405

Table 5

SALES EVIDENCE (Cont'd)

Sales Evidence – Rural Properties – Hobby blocks benefited with access to water

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Vacant Land - Rate/ha TFW
16	"Moobi Farm" 115 Nandowra Road, Moobi	Nov 2019	\$1,525,000	42.40	Gently undulating alluvial flats with frontage to the Dart Brook. BV/C'bond clad modern homestead – 2011 construction, 4beds, 2 bath double car port. Features The land is fenced to 7 paddocks and serviced by underground mains and hydrants and an equipped well. Formerly part of Wakefield stud and subsequently excised. Includes MD clad stables, vet crush, feed shed, foal boxes and loading ramp and round yard. Post an rail fencing , day yards and reticulated watering. Underground mains service approximately 90% of the property. Irrigation s via K line pods. There is 100ML of Aquifer water license. Analysed as Improvements \$500,000 Portable Water \$75,000 (@\$750/ML) Land value (TFW) \$950,000	\$35,966 (\$33,608/ha ex water)	\$22,405
17	146 Cressfield Road, Wingen	Dec 2018	\$1,500,000	27.76	Gently undulating to undulating predominantly cleared rural parcel. Improvements comprise a renovated weatherboard and corrugated iron clad 1930's style detached dwelling, detached double car garage, detached open sided hay shed. 33 ML water licence. Zoned RU1 Primary Production and RU4 Primary Production Small Lots. Analysed as Improvements \$ 320,000 Portable Water \$ 33,000 Land value (TFW) \$1,017,000	\$54,035	\$36,635
18	Standen Drive, Lower Belford Lot 1 DP1161243 & Lot 237 DP806121	Jan 2020	\$1,400,000	48.98	Cleared land providing frontage to Hunter River and bisected by small creek. 40ha arable land and alluvial flats. Improvements comprise large home and 3 x large outbuildings. Zoned RU1 Primary Production – Singleton LEP 2013 Imps: \$400,000 Land: \$1,000,000	\$28,583	\$20,416
19	400 Middlebrook Road, Middle Brook	Jan 2018	\$1,850,000	22.42	Elevated home site with river frontage, alluvial river flats and rural views. Improvements comprise a brick and colorbond clad 2000's style detached dwelling and double car garage. 24 ML water licence. RU4 Primary Production Small Lots. Analysed as Improvements \$ 825,000 Portable Water \$ 24,000 Land value (TFW) \$1,001,000	\$82,516	\$44,648
20	3283 New England Highway, Parkville	Apr 2018	\$1,500,000	40.47	Gently undulating alluvial river flats. Improvements comprise a brick and colorbond clad 1980's detached dwelling with wrap around verandah and covered entertaining area, detached double car garage and 3 x metal deck clad machinery sheds. Adjoins Kingdon ponds along the western boundary. We understand the property also provides a water licence WAL17740 - 240 ML from Dartbrook water source and understand it transferred for \$480,000. RU4 Primary Production Small Lots. Improvements \$320,000 Portable Water \$480,000 Land value (TFW) \$700,000	\$37,064	\$17,296

Table 6

SALES EVIDENCE (Cont'd)

Sales Evidence – Rural Properties – Hobby blocks benefited with access to water

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Vacant Land - Rate/ha TFW
21	1064D Middle Falbrook Rd, Middle Falbrook Lot 1/79387	Aug 2019	\$1,000,000 (Recorded as Real Estate as \$815,000)	79.72	Predominantly gently undulating with creek flats. Improvements comprise two dwellings (1 x 4bed, 1 x 2bed), 18mx6m steel frame shed and a 12mx6m shed with a half concrete floor and power. In addition is a 15mx12m garage with power and shower/toilet, plus a silo, 8 horse walker, 6 stable barn with lights and fans, wash bay and 3 outside stables, 3 stable shed with storeroom. There is also a round yard and another five open stables. Fenced to 30 paddocks. Includes 50meg WAL from Glennies Creek with irrigation system. Valued for analysis at \$1,250/ML Water: \$62,500 Imps: \$400,000 Land: \$537,500	\$11,759 (ex water)	\$6,742
22	"Wallabrae" 66 Nandowra Road, Moobi Lot 1 DP863858	Dec 2019	\$890,000	44.00	Gently undulating land rising up to an elevated building platform towards the western boundary. Predominantly cleared grazing land with an equipped bore on site servicing stock troughs to four paddocks. Advertised as accessing a well adjoining Dartbrook Creek. Small shed on site, power connected and tanks for water storage. RU4 Primary Production Small Lots under the provisions of the Upper Hunter LEP 2013. Improvements \$75,000 Portable Water Nil Land value (TFW) \$815,000	N/A	\$18,522
23	20 Mangoola Road, Denman Lot 132 DP587046	Sep 2017	\$700,000	30.85	Gently undulating cleared river flats – situated opposite rail line. Cleared and fenced grazing land bisected by small creek. Small area towards road frontage is irrigated and cropped. Includes 128ML Bore water entitlement WAL18221 - Aquifer entitlement Regulated Hunter River alluvial water source. Property comprises a two level weatherboard and colorbond clad detached dwelling circa 1970's style 5bed, 3bath. Property also includes hardiplank and colorbond clad storage shed, 5 x PVC water tanks (approx. 27,000L each) and a large open bay machinery shed. Zoned RU1 Primary Production – Muswellbrook LEP 2009 Water: \$500/ML = \$64,000 Improvements: \$200,000 Land: \$436,000	\$22,690	\$14,132
24	Lot 2 Denman Road, Denman Lot 2 DP1191139	Mar 2018	Understood to be \$1,100,000 including water entitlements (RPData records Real estate only as \$912,500)	32.06	Small rural property with cleared and fenced river flats suitable for irrigation and approximately 1.2km of river frontage. Property comprises a single level dilapidated weatherboard and corrugated iron clad residential dwelling, constructed circa 1930's style – approx. 80sqm. Property also features a 3 bay steel frame hay shed in poor condition, large 2 bay machinery shed, weatherboard and corrugated iron clad bunkhouse/granny flat and centre pivot irrigation. NSW Water Register Approval 20CA201314 – WAL13378 Regulated River (General Security) – 75ML Approval 20CA212862 - Bore Zoned RU1 Primary Production – Muswellbrook LEP 2009 Water: \$2,000/ML = \$150,000 Improvements: \$250,000 Land: \$700,000	\$34,310	21,834

Table 7

SALES EVIDENCE (Cont'd)

Sales Evidence – Rural Properties – Hobby blocks benefited with access to water

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Vacant Land - Rate/ha TFW
25	420 Dalswinton Road, Dalswinton Private purchaser	Dec 2017	\$1,525,000	117.14	Predominately cleared undulating parcel providing frontage to the Hunter River and Goulburn River (at their confluence). The land rises up from road frontage before sloping markedly down to river flats. Comprises alluvial river flats rising to lighter sandy loams (red basalt type). Elevated land is approximately 50ha. Parts of the flats are flood liable. Previously utilised for fodder production on the river flats and general grazing above. We understand the flats are developed for irrigation (it is assumed the condition of underground mains and risers is operative - a center pivot irrigator for the flats is included into the sale). Irrigation entitlement of 243ML. The improvements include a WB/CGI clad dwelling in poor condition, detached shed and other outbuilding all of which appear to be dilapidated. Purchased by proximate owner to be used in conjunction with other land. Zoned RU1 Primary Production – Muswellbrook LEP 2009 Property is situated approximately 15.8km south of Mangoola Mine and 18.5km south west of Mt. Arthur Mine Water entitlement 243ML @ \$2,000/ML = \$486,000 Improvements: \$100,000 Land: \$939,000	\$8,869 (ex water)	\$8,016
26	2718 Golden Highway, Jerrys Plains	\$5,000,000	April 2018	254.0	Two properties sold in one line. Approximately 40ha river flats, 94ha quality arable country and 120ha of undulating grazing country. 50 stand rotary dairy, 2 dated dwellings, large shed and outbuildings, large shed and drainage pad (used as dairy) 140ML + 400megs General Security Hunter river water (plus 227ML of supplementary water) and 5 center pivots. Established Dairy milking 430 cows. Large set of cattle yards. Sale conditioned on vendor opportunity to dismantle dairy parlor and selling/removing independently. Water: General Security: 530ML @ \$2,250/ML = \$1,192,500 Supplementary: 227ML @ \$500/ML = 113,500 Improvements: \$600,000 Land: \$3,094,000	\$19,685	\$12,181

Table 8

The above sales in Tables 3-8 are representative of hobby blocks benefiting from access to water and showing analysed land value in the range \$11,000 - \$44,600/ha as vacant land area. It is our experience, supported by the above described sales evidence - smaller parcels generally evidence a superior analysed dollar rate per metre squared of site area than do the larger parcels.

Furthermore, land with frontage to a consistent waterway will generally evidence a higher analysed dollar rate per hectare than will those parcels which are not so benefitted.

SALES EVIDENCE (Cont'd)

Small Lifestyle Blocks - Vacant land sales and Improved properties

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Vacant Land - Rate/ha TFW
27	Lot 15 72 Boulton Drive, Paterson	Aug 2017	\$315,000	4.02	Elevated allotment with rural views to the south. Elevated homesite, town water available, access entry, tar sealed frontage and rural outlook. Market has improved since 2017. Planning controls: Zoned R5 Large Lot Residential & E3 Environmental Management – Dungog LEP 2014, Minimum Lot Size – R5 - 8,000m ² ; E3 - 300ha, Bushfire Prone Land. Land: \$315,000 Imps: Nil	N/A	\$78,358
28	987 Maitland Vale Road, Rosebrook	Oct 2018	\$550,000	10.26	Undulating parcel bisected by natural swale and providing relatively narrow frontage to the Hunter River. Dated improvements comprising small dwelling and outbuildings in various stages of disrepair. Small yards on site. Improvements set back from the road frontage. Improvements assumed as little or nil added value. Market has improved since this sale. Planning controls: Zoned RU1 Primary Production – Maitland LEP 2011, Minimum Lot Size – 40ha, Flood Planning Area, Watercourse, Bushfire Prone Land Imps: \$50,000 Land: \$500,000	\$53,606	\$48,732
29	469 Redmanvale Rd, Jerrys Plains Lot 973 DP618795	Apr 2020	Sale price withheld Marketed asking in the range \$580,000 - \$620,000 Assumed as \$600,000	10.11	Comprises a regular shaped gently undulating 10.11ha block divided into 5 paddocks, mostly cleared with some timbered areas. Improvements comprise a fibrous cement and corrugated iron clad dwelling providing 3bed, 1bath, 2LUG, slow combustion fireplace, 2 x A/C units, large outdoor entertaining deck & shaded above ground swimming pool. Self-contained, 1bed studio apartment with split system A/C and separate water supply. Rural improvements comprise 2 dams, various water troughs, 105,000 litres tank water storage, 5 bay shed with tack room, concrete floor & power connected, American style barn, round yard and fencing consisting of a combination of post & rail and wire. Gravel access road at the end of bitumen main road frontage. Planning controls: Zoned RU1 Primary Production – Singleton LEP 2013, Minimum lot size – 40ha, Riparian lands & watercourses, Bushfire prone land – vegetation, Mine subsidence district – Patrick Plains Water: Nil Improvements: \$300,000 Land Value (TFW): \$300,000	\$59,347	\$29,673

Table 9

SALES EVIDENCE (Cont'd)

Small Lifestyle Blocks - Vacant land sales and Improved properties

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Vacant Land - Rate/ha TFW
30	563 Redmanvale Rd, Jerrys Plains Lot 1 DP1087595	Aug 2018	\$570,000	12.01	Comprises a regular shaped, gently undulating, selectively cleared bush block. Improvements comprise a weatherboard and colorbond clad dwelling providing 4bed, 2bath, 2LUG, 3x split system A/C and fireplace as well as a granny flat with ensuite. Fully fenced house yard, dam, 2 x 25,000 litre water tanks and 2 x 10,000 litre water tanks. Gravel road frontage. The market has improved since this sale. Planning controls: Zone RU1 Primary Production – Singleton LEP 2013, Minimum lot size – 40ha, Riparian lands & watercourses, Bushfire prone land – vegetation, Mine subsidence district – Patrick Plains Water: Nil Improvements: \$270,000 Land Value (TFW): \$300,000	\$47,460	\$24,979
31	388 Sandy Creek Rd, Muswellbrook	Aug 2018	\$375,500	4.148	Hardiplank & colorbond clad 2000's style single storey "manufactured home" style dwelling. Comprising 5 bedrooms, 2 bathrooms, detached shed with double car garage plus workshop. Gently sloping home site in remote location. Overlooking large correctional facility and immediately adjoining large electricity substation. Imps: \$210,500 Land: \$165,000	\$90,525	\$42,189
32	313 Wybong Rd, Muswellbrook	Jun 2018	\$423,000	3.690	WB/C/Bond clad 1940's style cottage. Upgraded in recent years. Comprising 3 bedrooms, bathroom and detached garage and car port. Situated on two registered allotments – the larger lot has river frontage and may be suitable for additional dwelling entitlement. Substantial part of land is impacted by encroachment of the flood bank of the river. Impacted by proximity to surrounding mining operations. Imps: \$200,000 Land: \$223,000	\$114,634	\$60,433
33	861 Ridgeland Road, Manobalai Lot 15 DP252956	Jul 2019	\$540,000	9.88	Cleared gently undulating rural hobby block. Property comprises a single level weatherboard and colorbond clad residential dwelling, constructed circa 1980's style. 3bed, 2bath, 2LUG+2CP (detached). Property also features ceiling fans, ducted and wall mount a/c, combustion fireplace, steel cattle yards, detached open bay machinery shed and detached entertainment are/flat. Provides frontage to Wybong Creek Zoned RU1 Primary Production – Muswellbrook LEP 2009 Water Licence 20CA202536 (diversion works pump) – WAL7287 – Unregulated River Wybong Creek Water Source – 72ML 20CA202676 (diversion works – pump) – WAL6310 & 6311 – Domestic and stock Wybong Creek Water Source 17.5ML 20WA202560 (diversion works – pump) – WAL9342 – domestic and stock Wybong Creek water source – 5ML Improvements \$230,000 Portable Water \$ 70,000 Land value (TFW) \$240,000	\$54,656	\$24,291

Table 10

The above sales in Table 9 & 10 are representative of small hobby blocks and showing analysed land value in the range \$24,000 - \$78,000/ha as vacant land area.

SALES EVIDENCE (Cont'd)

We are also aware of a recent sale of a 2.22ha parcel of river front land at 51 Kayuga Road - with a shed on site and which was previously utilised for market gardening - which recently sold for a consideration of \$250,000 or \$113,636/ha - per agent. We understand the purchase indicates a premium paid by proximate mining company. A similar outcome occurred at 678 Kayuga Road where proximate mining interests paid \$300,000 for a small, improved, village allotment situated on 2,023m² and post-sale removed the dwelling.

Small rural/residential sales

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Vacant Land - Rate/ha TFW
34	28 Koolbury Flats Row, Muswellbrook	Mar 2020	\$405,000	1.45	Brick veneer & colorbond clad 1980's style single storey dwelling. Raised up on retained site and presented in fair - good condition featuring split A/C, 4 bedrooms, 1 bathroom, dated interior finish, outdoor entertainment area and inground pool. Includes metal clad, detached triple garage and workshop. Equipped bore on site providing water. Carport and Metal clad store shed is detached. Situated in small subdivision on alluvial flats with shared drive access. Previous sale in 2007 for \$575,000. Current sale seems low by comparison to prevailing market evidence. Imps: \$225,000 Land: \$175,000	\$279,310	\$120,689
35	85-87 Ironbark Rd, Muswellbrook	Oct 2018	\$850,000	1.198	Brick veneer & colorbond clad 2010's style single storey dwelling. Modern dwelling featuring ducted A/C, 4 bedrooms, 2 bathrooms, timber floors and outdoor entertainment area. Includes metal clad, detached triple garage and workshop. Imps: \$650,000 Land: \$250,000	\$709,515	\$208,681
36	10 Jillaroo Way, Muswellbrook	Jan 2019	\$185,000	0.7944	Vacant land – within modern rural/residential housing estate. Proximate to Muswellbrook CBD. Natural drainage swale traverses rear of lot. Imps: Nil Land: \$185,000	N/A	\$232,880
37	12 Octagonal Way, Muswellbrook	Aug 2018	\$157,000	1.3020	Vacant land – within modern rural/residential housing estate. Proximate to Muswellbrook CBD. Natural drainage swale traverses through the middle of the lot and will severely impact upon development of the land. Imps: Nil Land: \$157,000	N/A	\$120,584
38	49 Kayuga Road, Muswellbrook	Jun 2019	\$300,000	0.2885	Small WB and CGI clad cottage with covered outdoor area and shed. Imps: \$175,000 Land: \$125,000	\$1,039,860	\$433,275

Table 11

The above sales in Table 11 are representative of small rural/residential lots and showing analysed land value in the range \$120,000 - \$433,000/ha as vacant land area.

SALES EVIDENCE (Cont'd)

Hunter Valley - Medium – Larger Sized Rural/Lifestyle Parcels and Rural Production units

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Vacant Land - Rate/ha TFW
39	436 Davis Creek Road, Davis Creek Lot A DP191722	May 2020	\$550,000	138.00	Irregular shaped, undulating to sloping predominantly cleared parcel with stands of shade timber. Adjoins Davis Creek along proportion of north-eastern boundary. Four dams. Provides a building entitlement with house pad laid, cattle yards with calf race and good internal fencing. 4 x dams. Has a dwelling entitlement (pad is benched) as well as a pad and footing for a 12x9m shed. Fully fenced, access road and electricity to boundary. Steel cattle yards, internal fencing (some is electrified via solar) Zoned RU1 Primary Production – Upper Hunter LEP 2013 Imps: \$15,000 Land: \$535,000	\$3,795	\$3,876
40	Fernlawn Cottage 411 Stoney Creek Rd, Rouchel Brook Lot 1 DP1164118	Oct 2019	\$1,500,000	264.05	Irregular shaped, undulating to steep undulating, selectively cleared land rising to a timbered escarpment along the north eastern boundary. Four dams on site plus arable land towards road frontage. Improvements comprise a part two storey weatherboard and corrugated iron clad dwelling with detached garage and store shed; plus a second WB/CGI clad cottage with garage. Two large machinery sheds and cattle yards. Zoned RU1 Primary Production – Upper Hunter LEP 2013 Imps: \$450,000 Land: \$1,050,000	\$5,680	\$3,976
41	493 Myall Creek Rd, Glendon Brook Lots 892-893 DP878602 Owner: Heuston Vendor: Wake/Knight	Oct 2019	\$1,350,000	244.30	"Glenreagh". Predominantly cleared undulating grazing land with double frontage to Myall Creek, 8 x dams, 4 main paddocks and stock yards. Improvements comprise a weatherboard & corrugated iron clad 4bed cottage and sheds. Zoned RU1 Primary Production – Singleton LEP 2013 Land - \$1,150,000; Improvements - \$200,000	\$5,525	\$4,707

Table 12

SALES EVIDENCE (Cont'd)

Hunter Valley - Medium – Larger Sized Rural/Lifestyle Parcels and Rural Production units

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Vacant Land - Rate/ha TFW
42	2060 Mirannie Road, Mirannie Lot 1 DP137161 & Lots 32,42,61,131-133,143,152,155,160 DP752475 Owner: Bower Vendor: Donehue	\$1,800,000	Mar 2019	366.38	"Myoola". Predominantly cleared gently undulating to undulating grazing land (85% cleared) shade trees as well as some hilly timbered land and rock outcrops. 1km double frontage to Mirannie Creek, 3 spring fed gullies, 26 x dams, 16 x paddocks & 2 x cattle yards. Improvements comprise a weatherboard and terracotta tile clad renovated 3bed cottage, machinery shed, hay shed, former dairy, former Reedy Creek school house, 15KL tanks & 12t silo. Advertised as consistently carries 90 x breeders. Zoned RU1 Primary Production – Singleton LEP 2013 Land - \$1,500,000; Improvements - \$300,000	\$4,912	\$4,094
43	Various Lots, Glendonbrook Rd, Glendon Brook Lots 5-6,26,65-66,69-70,74-75,109,136,138 DP752496 Owner: Ballanday P/L/ Maley Vendor: Eui P/L	\$1,500,000	Jul 2019	598.33	Vacant Land. Predominately steep to steeply undulating vacant land – 25% cleared slopes with balance heavily timbered steep undulating land. Appears nil direct access to Glendonbrook Road. Access appears to be form Lambs Valley Road via rudimentary track off Blue Bonnett Road. Zoned RU1 Primary Production – Singleton LEP 2013	N/A	\$2,506
44	Goorangoola Creek Rd, Goorangoola LOTS 246-248,271-273,298-299,301-302,352-353 DP752460 Owner: Ladner/ Lindermann Ladner Vendor: Shenstone Pastoral Co Pty Ltd	\$2,000,000	Nov 2019	560.86	Approximately 45% is cleared to selectively cleared undulating to sloping grazing land with the balance timbered slopes and ridges. Accessed via a ROW over adjoining land (with constraints regards vehicle size, etc). Nil dwelling, single shed and yards on site. Zoned RU1 Primary Production – Singleton LEP 2013	N/A	\$3,566
45	271 Glencoe Road and Lot 3 Bowmans Gully Road South, Upper Rouchel Lot 3 DP791593 plus various lots	\$2,750,000 Asking \$3,400,000 - \$3,500,000 Under offer. Resale confirmed \$3,275,000	Aug 2017 Resale Feb 2021	803.70 <u>211.20</u> 1,014.90	Irregular shaped, gently undulating to undulating, cleared to selectively cleared grazing rising to steep sloping heavily timbered country. Ranging from gently undulating arable creek flats to cleared gully's and selectively cleared grazing slopes to timbered ridges. Some 60% (600ha) is cleared to selectively cleared grazing country predominately comprising alluvial creek flats, chocolate to light brown loams on valley floor and lower slopes. The balance is sloping lighter timbered grazing rising to heavily timbered ridges. WB+FC/CGI 1920's style 5 bedroom main dwelling plus 4 bedroom managers cottage. Two sets of cattle yards and two sheds on site. Fenced to 25 paddocks. Carrying 320 breeders. 21 Dams, springs, solar equipped bore, reticulated stock trough system, frontage to Back Creek and Dry Creek. Includes a 58ML water entitlement. Zoned RU1 Primary Production – Upper Hunter LEP 2013 Imps: \$450,000 Land: \$2,825,000	\$3,226	\$2,783

Table 13

The above sales in tables 12 & 13 are examples of medium to large sized, gently undulating to undulating grazing country, rising to steep sloping timbered land which are improved to varying standards and readily accessible, services available with undulating topography. The sales above – which include a mix of medium and large sized grazing parcels in the Hunter Valley - show \$2,500-\$4,707/ha as vacant land.

SALES EVIDENCE (Cont'd)

Dairy Farm Sales – varying locations

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Rate/Cow Area
46	Bungay Dairy 400 Bungay Road, Wingham Lot 1 DP716936 Lot 10 DP114686 Lots 1 & 11 DP754454 Lot 72 DP801074 Approximately 145km from Kayuga	Oct 2019	\$9,900,000	343.19	Five independently titled allotments providing an irregular shaped, gently undulating to undulating parcel with river flats fronting the Manning River. Improvements comprise a good quality 5bed, 3bath substantial dwelling, managers residence and workers cottage. Working dairy with adjoining workshop, sheds and calf compound. Some 165ha alluvial river flats developed for irrigation, includes 2 x 560ML unregulated river WAL and 10ML aquifer license. Balance of land (Some 178.19ha) is improved pasture and small area suitable for higher density development. Total sale is understood to comprise livestock, water and all improvements on WIWO basis. Three separate contracts. 42 stand rotary dairy milking capacity for 800 cows (reduced to 550 at date of sale). Subdivided to 54 paddocks. Planning controls: Zoned RU1 Primary Production, R5 Large Lot Residential & E2 Environmental Conservation, Greater Taree LEP 2010, Minimum lot size – 1ha / 40ha, Height of building – 8.5m, Bushfire prone land – vegetation buffer & vegetation category Land near electrical infrastructure Herd: \$1,000,000 Residue improved asset: \$8,900,000 Dairy, land and total other improvements: \$8,900,000 or \$25,933/ha or \$15,479/ cow area. Imps: \$2,250,000 Land TFW: \$6,650,000 (\$19,377/ha – including water)	\$25,933	\$15,479
47	Yellow Rock Dairy Yellow Rock Road, Raleigh Approximately 280km from Kayuga	Jul 2019	\$8,800,000	429.3	5 contiguous parcels with frontage to Bellinger River. Adjoins main norther rail line. Some 220ha of river flats developed for irrigation to support dairy plus 209.3ha of run off land. Improvements comprise 3bed heritage listed dwelling, 2 x two story brick clad dwellings. Working dairy with adjoining workshop and sheds. Sold mortgagee in possession. Cleared of livestock. No milk contract at date of sale. Situated in flood liable area with small area of flood free grazing. Pasture improved river flats. Connected to town water. Includes 30 aside herringbone style dairy parlor milking 650 cows. Automated feed system and silos. Dairy, land and total other improvements: \$8,800,000 or \$20,498/ha or \$13,538/ cow area. Imps: \$1,400,000 Land TFW: \$7,400,000 (\$17,237/ha)	\$20,498	\$13,538

Table 14

SALES EVIDENCE (Cont'd)

Dairy Farm Sales – varying locations

#	Address	Sale Date	Sale Price	Area (ha)	Comment	Rate/ha Improved Area	Rate/Cow Area
48	The Meadows 1148 North Bank Rd, Raleigh Approximately 280km from Kayuga	Dec 2018	\$3,570,000	125.97	Three contiguous parcels adjoining the Bellinger River and in part bisected by the Pacific Motorway. Alluvial river flats developed for irrigation and improved pasture. Flood liable land. Was formally operated with adjoining land. Sold as mortgagee in possession as standalone property. Working dairy improvements include 43 stand dated rotary dairy parlor. Farm previously utilised for larger aggregation however, capable of supporting some 250 milking cows independently. Planning controls: Zoned RU1 Primary Production – Bellinger LEP 2010, Minimum lot size – 200ha, Height of building – 10m, Heritage – The Meadows / Cultural Planting & Remnant Forest Trees – Local Significance, Acid sulfate soils – Class1-5, Terrestrial biodiversity – sensitive land, Bushfire prone land – vegetation buffer & vegetation category Dairy, land and total other improvements: \$3,570,000 or \$28,340/ha or \$14,280/ cow area. Imps: \$800,000 Land TFW: \$2,770,000 (\$21,989/ha)	\$28,340	\$14,280

Table 15

In addition to the above there is steady activity in the dairy market – most particularly for those larger family farms as well as some institutional scale assets.

The above dairy farm sales in tables 14-15 shows \$20,000 - \$28,000/ha improved for stand alone family dairy farms or \$13,500 - \$15,500/cow area.

The subject assets comprise a broad mix of land specific to each of the individually described twelve (12) x assets and therefore the above sales are representative of a range of assets, situation and size as are comparable in some way to the subject land.

Sales recorded in the tables above as Nos. 1 – 45 are identified on a map below in order to provide context as to location in comparison to the subject land. They are all in the Hunter Valley.

The described Dairy sales are situated at the near north coast of NSW.

We are aware of a recent marketing campaign (during late 2020 - early 2021) as was undertaken by a licensed real estate agent on behalf of the registered proprietors of the subject property in an effort to achieve a sale of the total land holding. We understand there was interest from a range of potential purchasers – all of whom were concerned of the proposed conditions attached to the contract of sale.

It is our understanding a number of lifestyle parcels were sold – comprising three in one line as well as an independent parcel as are described in the sales tables above as sale 5 and sale 10. Those parcels are situated towards the northern periphery of the total holding and as we understand it - have retained the right to claim compensation should the company holding Mining Authorities seek access to the land as may be required for the purposes of mining.

SALES EVIDENCE (Cont'd)

The table below indicates a range representative of market value for the varying classifications of land represented in the sales tables above and which are relevant to the basis of valuation adopted in respect to the subject parcel. Values are sensitive to size and generally the lower analysed dollar rate per hectare for similar land type is indicative of larger land areas as compared to small land areas – where location, soils, water, servicing and utility and amenity is similar.

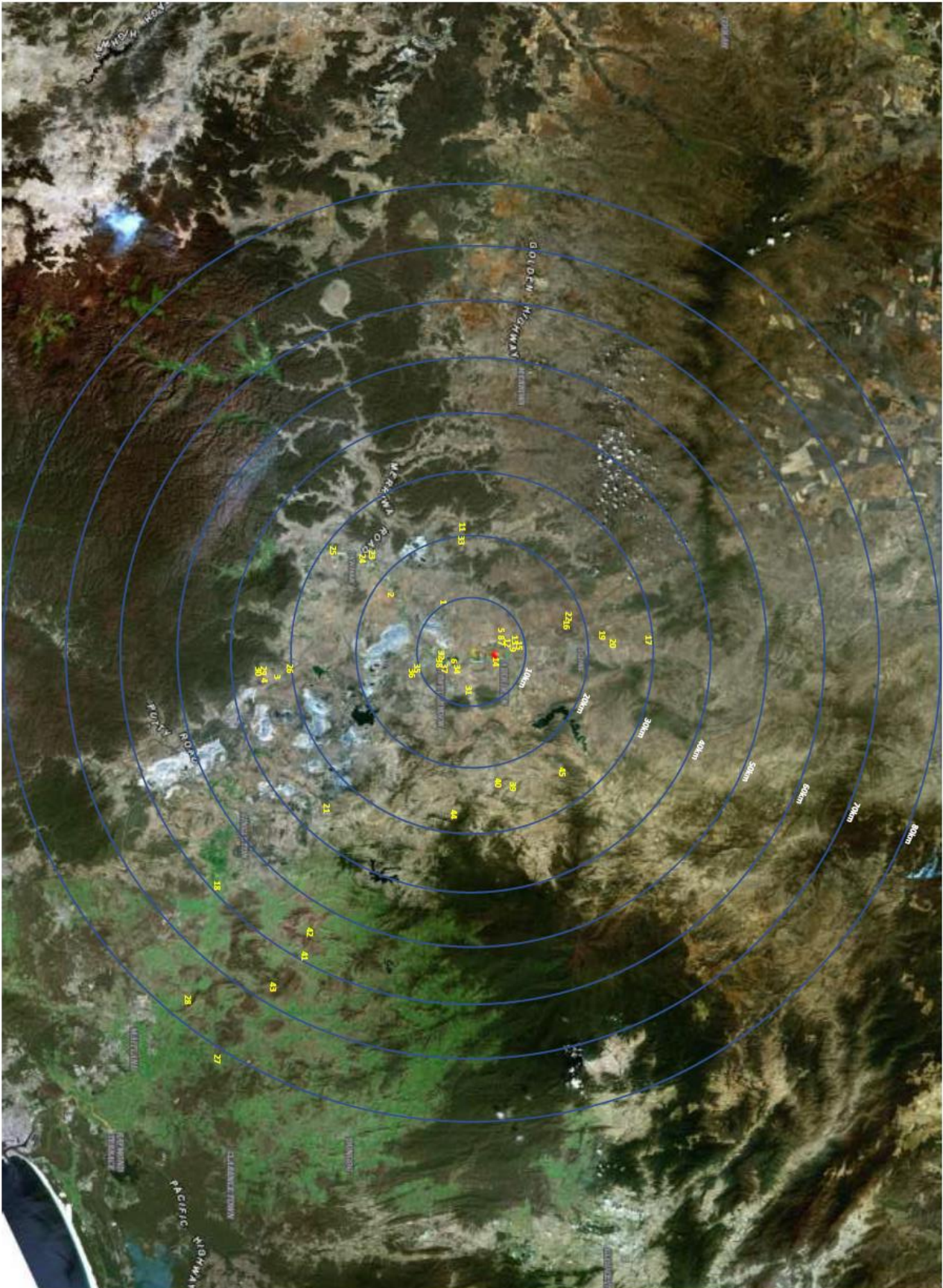
Analysed Land Values - Singleton, Muswellbrook & Upper Hunter LGA's

Type	Land Description	Value Range – vacant land
1	Cleared alluvial flats - developed for pivot irrigation.	\$25,000 – \$32,000 per hectare
2	Gently undulating cleared alluvial land developed for irrigation and suitable for cropping and pasture improvement.	\$15,000 – \$25,000 per hectare
3	Gently undulating to undulating cleared grazing and lighter arable land.	\$7,500 – \$15,000 per hectare
4	Undulating to sloping selectively cleared grazing land	\$3,500 - \$7,500 per hectare
5	Undulating to steep sloping, selectively cleared to timbered grazing land	\$2,000 - \$3,500 per hectare
6	Steep sloping timbered slopes and ridges	\$1,000 - \$2,000 per hectare
7	Small rural/residential and small lifestyle lots suitable for a single home site	\$24,000 – \$433,000 per hectare

The above tables indicate the difference in land value specific to land type and subject to relevant factors including location, size, shape, topography, soils, water, utility, amenity, zoning, services, development potential and constraints.

SALES EVIDENCE (Cont'd)

See below image – indicating location of recorded sales evidence (numbered) – north is to the right of page. The centre of the concentric circles is Kayuga - the perimeter radiates out at 10 km intervals.



SALES EVIDENCE (Cont'd)

Below is an extract of records of a range of recent water transactions and sale prices searched on the Water NSW website for the period 2019. 2020, 2021 for Hunter Regulated River Water. Those transaction with nil price recorded against them are likely to be a transaction where the sale is included with a Real Estate transaction. There are no recorded recent transactions for Alluvial water.

Transfers					
WAL No.	Water Source	Category	Transferred	Share (units or ML)	Price Paid '\$ per Unit'
16013	Hunter Regulated River Water Source	Domestic And Stock	21-MAR-2019	2	0.00
1373	Hunter Regulated River Water Source	Supplementary Water	22-MAR-2019	23.4	0.00
11174	Hunter Regulated River Water Source	Regulated River (General Security)	27-MAR-2019	668	0.00
30627	Hunter Regulated River Water Source	Domestic And Stock	04-APR-2019	1	0.00
7819	Hunter Regulated River Water Source	Regulated River (General Security)	24-APR-2019	250	0.00
7819	Hunter Regulated River Water Source	Regulated River (General Security)	24-APR-2019	250	0.00
7819	Hunter Regulated River Water Source	Regulated River (General Security)	24-APR-2019	250	0.00
14848	Hunter Regulated River Water Source	Domestic And Stock	24-APR-2019	18	0.00
14848	Hunter Regulated River Water Source	Domestic And Stock	24-APR-2019	18	0.00
7820	Hunter Regulated River Water Source	Domestic And Stock	24-APR-2019	16	0.00
7820	Hunter Regulated River Water Source	Domestic And Stock	24-APR-2019	16	0.00
7820	Hunter Regulated River Water Source	Domestic And Stock	24-APR-2019	16	0.00
10541	Hunter Regulated River Water Source	Regulated River (High Security)	01-MAY-2019	300	0.00
482	Hunter Regulated River Water Source	Regulated River (General Security)	03-JUN-2019	18	1,944.00
30008	Hunter Regulated River Water Source	Regulated River (High Security)	03-JUN-2019	92	5,500.00
27880	Hunter Regulated River Water Source	Regulated River (High Security)	03-JUN-2019	30	5,500.00
477	Hunter Regulated River Water Source	Regulated River (General Security)	04-JUN-2019	0	0.00
8406	Hunter Regulated River Water Source	Regulated River (General Security)	21-JUN-2019	168	2,300.00
8445	Hunter Regulated River Water Source	Supplementary Water	21-JUN-2019	12.6	300.00
42001	Hunter Regulated River Water Source	Supplementary Water	26-JUN-2019	8.8	0.00
41997	Hunter Regulated River Water Source	Domestic And Stock	26-JUN-2019	4	0.00
41995	Hunter Regulated River Water Source	Regulated River (General Security)	26-JUN-2019	184.5	0.00
41991	Hunter Regulated River Water Source	Regulated River (High Security)	26-JUN-2019	1.5	0.00
938	Hunter Regulated River Water Source	Regulated River (General Security)	02-JUL-2019	115	0.00
796	Hunter Regulated River Water Source	Regulated River (General Security)	05-JUL-2019	30	0.00
41720	Hunter Regulated River Water Source	Regulated River (General Security)	22-JUL-2019	170	1,800.00
36058	Hunter Regulated River Water Source	Regulated River (General Security)	22-JUL-2019	150	1,800.00
41996	Hunter Regulated River Water Source	Domestic And Stock	24-JUL-2019	4	0.00
42000	Hunter Regulated River Water Source	Supplementary Water	24-JUL-2019	8.8	0.00
41994	Hunter Regulated River Water Source	Regulated River (General Security)	24-JUL-2019	184.5	0.00
41990	Hunter Regulated River Water Source	Regulated River (High Security)	24-JUL-2019	1.5	0.00
842	Hunter Regulated River Water Source	Regulated River (General Security)	25-JUL-2019	112	1,000.00
843	Hunter Regulated River Water Source	Domestic And Stock	25-JUL-2019	8	1,000.00
513	Hunter Regulated River Water Source	Regulated River (General Security)	29-JUL-2019	63	0.00
768	Hunter Regulated River Water Source	Regulated River (General Security)	05-AUG-2019	150	1,800.00
581	Hunter Regulated River Water Source	Regulated River (General Security)	06-AUG-2019	36	0.00
581	Hunter Regulated River Water Source	Regulated River (General Security)	06-AUG-2019	36	0.00
1040	Hunter Regulated River Water Source	Regulated River (General Security)	15-AUG-2019	39	0.03
1040	Hunter Regulated River Water Source	Regulated River (General Security)	15-AUG-2019	39	0.03
8820	Hunter Regulated River Water Source	Regulated River (General Security)	03-SEP-2019	102	640.00
1094	Hunter Regulated River Water Source	Domestic And Stock	06-SEP-2019	2	0.00
885	Hunter Regulated River Water Source	Regulated River (General Security)	06-SEP-2019	11.25	0.00
1285	Hunter Regulated River Water Source	Supplementary Water	06-SEP-2019	15	0.00
1323	Hunter Regulated River Water Source	Supplementary Water	09-SEP-2019	4	0.25
1323	Hunter Regulated River Water Source	Supplementary Water	09-SEP-2019	1.3	0.77
1378	Hunter Regulated River Water Source	Supplementary Water	16-SEP-2019	111.5	0.00
852	Hunter Regulated River Water Source	Regulated River (General Security)	16-SEP-2019	0	0.00
1279	Hunter Regulated River Water Source	Supplementary Water	16-SEP-2019	14	0.00
13315	Hunter Regulated River Water Source	Regulated River (General Security)	16-SEP-2019	0	0.00
13785	Hunter Regulated River Water Source	Domestic And Stock	17-SEP-2019	1	0.00
8598	Hunter Regulated River Water Source	Regulated River (General Security)	17-SEP-2019	3	2,500.00
10651	Hunter Regulated River Water Source	Domestic And Stock	19-SEP-2019	8	0.00

SALES EVIDENCE (Cont'd)

Transfers					
WAL No.	Water Source	Category	Transferred	Share (units or ML)	Price Paid '\$ per Unit'
31439	Hunter Regulated River Water Source	Regulated River (General Security)	08-JUL-2020	90	0.00
31440	Hunter Regulated River Water Source	Regulated River (General Security)	08-JUL-2020	9	0.00
1066	Hunter Regulated River Water Source	Regulated River (General Security)	08-JUL-2020	99	0.00
902	Hunter Regulated River Water Source	Domestic And Stock	28-JUL-2020	8	2,000.00
1212	Hunter Regulated River Water Source	Regulated River (General Security)	04-AUG-2020	74	0.00
1212	Hunter Regulated River Water Source	Regulated River (General Security)	04-AUG-2020	74	0.00
11923	Hunter Regulated River Water Source	Domestic And Stock	18-AUG-2020	8	2,500.00
42973	Hunter Regulated River Water Source	Regulated River (General Security)	28-AUG-2020	10	0.00
602	Hunter Regulated River Water Source	Domestic And Stock	03-SEP-2020	8	0.00
582	Hunter Regulated River Water Source	Regulated River (High Security)	09-SEP-2020	50	2,550.00
23330	Hunter Regulated River Water Source	Regulated River (General Security)	09-SEP-2020	160	765.63
10520	Hunter Regulated River Water Source	Regulated River (General Security)	14-SEP-2020	75	0.00
884	Hunter Regulated River Water Source	Regulated River (General Security)	17-SEP-2020	106	0.00
883	Hunter Regulated River Water Source	Regulated River (High Security)	21-SEP-2020	40	0.00
43234	Hunter Regulated River Water Source	Regulated River (General Security)	14-OCT-2020	10	0.00
36846	Hunter Regulated River Water Source	Domestic And Stock	14-OCT-2020	1	0.00
13306	Hunter Regulated River Water Source	Regulated River (General Security)	16-OCT-2020	99	0.00
9657	Hunter Regulated River Water Source	Domestic And Stock	26-OCT-2020	64	0.00
9655	Hunter Regulated River Water Source	Regulated River (High Security)	26-OCT-2020	50	0.00
27046	Hunter Regulated River Water Source	Regulated River (General Security)	26-OCT-2020	0	0.00
20317	Hunter Regulated River Water Source	Regulated River (General Security)	26-OCT-2020	0	0.00
9656	Hunter Regulated River Water Source	Regulated River (General Security)	26-OCT-2020	842	0.00
41569	Hunter Regulated River Water Source	Regulated River (General Security)	27-OCT-2020	0	0.00
10531	Hunter Regulated River Water Source	Regulated River (General Security)	27-OCT-2020	120	2,000.00
13309	Hunter Regulated River Water Source	Domestic And Stock	06-NOV-2020	5	0.00
13346	Hunter Regulated River Water Source	Supplementary Water	06-NOV-2020	160	0.00
13308	Hunter Regulated River Water Source	Regulated River (General Security)	06-NOV-2020	243	0.00
1180	Hunter Regulated River Water Source	Domestic And Stock	11-NOV-2020	5	0.00
1179	Hunter Regulated River Water Source	Regulated River (General Security)	11-NOV-2020	84	0.00
13376	Hunter Regulated River Water Source	Domestic And Stock	12-NOV-2020	8	0.00
1345	Hunter Regulated River Water Source	Supplementary Water	23-NOV-2020	20	0.00
10520	Hunter Regulated River Water Source	Regulated River (General Security)	26-NOV-2020	75	1,200.00
43235	Hunter Regulated River Water Source	Regulated River (General Security)	01-DEC-2020	10	0.00
558	Hunter Regulated River Water Source	Regulated River (General Security)	01-DEC-2020	294	2,675.58

Transfers					
WAL No.	Water Source	Category	Transferred	Share (units or ML)	Price Paid '\$ per Unit'
508	Hunter Regulated River Water Source	Regulated River (General Security)	06-APR-2021	99	4,646.46
505	Hunter Regulated River Water Source	Regulated River (General Security)	06-APR-2021	195	1,538.46
579	Hunter Regulated River Water Source	Regulated River (General Security)	06-APR-2021	120	3,833.33
565	Hunter Regulated River Water Source	Regulated River (General Security)	06-APR-2021	243	1,893.00
504	Hunter Regulated River Water Source	Regulated River (High Security)	06-APR-2021	3	100,000.00
13781	Hunter Regulated River Water Source	Domestic And Stock	15-APR-2021	32	0.00
978	Hunter Regulated River Water Source	Regulated River (General Security)	03-MAY-2021	63	0.00
6581	Hunter Regulated River Water Source	Regulated River (General Security)	05-MAY-2021	58	0.00
6582	Hunter Regulated River Water Source	Domestic And Stock	05-MAY-2021	3	0.00

VALUATION CALCULATIONS

Summation Method

Depreciated Value of Improvements:

Property Name	Improvements Description	Building Area	Replacement Cost - \$/m ²	Calculated Raw Replacement Cost	Depreciation Rate	Depreciated Value of Improvements – As If Unimpacted by Condition of COS
Kayuga West						
	Steel yards on site are demountable and therefore of nil added value.					
Sub total – say						\$0
Kayuga Dairy - East						
	Kayuga Homestead - Sandstone/TCT & CGI clad 1800's style Heritage significant, 7 bedroom homestead (updated in early 1900's) (accessed of Blairmore Road) garage and carport. Four outbuildings, inground pool and established landscaping. Two PVC water tanks.	455	\$4,000	\$1,820,000	85%	\$273,000
	Garage and carport	80	\$450	\$36,000	85%	\$5,400
	Shed 1- Metal clad	80	\$250	\$20,000	90%	\$2,000
	Shed 2- Metal clad	194	\$250	\$48,500	90%	\$4,850
	Shed 3- Metal clad	64	\$250	\$16,000	90%	\$1,600
	Shed 4- Metal clad	131	\$250	\$32,750	90%	\$3,275
	Inground pool, water tank, landscaping, gravel road	1	\$40,000	\$40,000	70%	\$12,000
	Store dam, No1 shaft, ancillary shedding for mining purposes. Shedding = 752m ²	752	\$650	\$488,800	50%	\$244,400
	1800's Sandstone/CGI clad 2 bedroom cottage.	120	\$2,250	\$270,000	75%	\$67,500
	Veranda	50	\$650	\$32,500	75%	\$8,125
	Carport, Water tank, landscaping	1	\$10,000	\$10,000	50%	\$5,000
	HP/CGI 1990's 3 bedroom cottage	120	\$1,550	\$186,000	50%	\$93,000
	Verandah	50	\$450	\$22,500	50%	\$11,250
	Water tank, landscaping	1	\$6,000	\$6,000	50%	\$3,000
	Disused, former dairy (40 stand rotary floating platform with reverse entry) Steel framed, metal clad, reinforced concrete floor, office, amenities, vats, cooling system. Appears not operational. Assumed as little or nil added value.	520	\$2,000	\$1,040,000	95%	\$52,000
	Covered feed pad - steel framed, metal clad, open sided - approximately 5m wide.	1,300	\$350	\$455,000	75%	\$113,750
	Permanent yards attached to dairy, with race, crush and loading ramp. Water tank, parking and gravel road.	1	\$25,000	\$25,000	75%	\$6,250
	Shed 1 - steel framed, metal clad, open fronted.	220	\$250	\$55,000	75%	\$13,750
	Shed 2 - timber framed, metal clad, open front and back.	230	\$250	\$57,500	90%	\$5,750
	Shed 3 - steel framed, metal clad, reinforced concrete floor, open front, wasted partition walls to three bays.	160	\$350	\$56,000	75%	\$14,000
	Shed 4 - steel framed, metal clad, open front and rear.	220	\$250	\$55,000	75%	\$13,750
	Silo, small permanent yards with covered work area, race crush and loading ramp.	1	\$25,000	\$25,000	75%	<u>\$6,250</u>
						\$959,900
Sub total – say						\$960,000
Garoka Dairy	Developed for irrigation. Fenced to multiple paddocks for strip grazing. Utilised for fodder production - particularly Oats, Ryegrass, Kikuyu and mixed plantings.					
	Dairy curtilage - main cottage - HP/CGI renovated 3-bedroom, 1950's cottage - renovated internally.	170	\$1,850	\$314,500	50%	\$157,250
	Verandah	30	\$650	\$19,500	50%	\$9,750
	Dairy curtilage - managers cottage - AL clad/CGI small 3-bedroom, 1960's cottage	100	\$1,550	\$155,000	60%	\$62,000
	Carport	30	\$350	\$10,500	60%	\$4,200

VALUATION CALCULATIONS (Cont'd)

Depreciated Value of Improvements:

Property Name	Improvements Description	Building Area	Replacement Cost - \$/m ²	Calculated Raw Replacement Cost	Depreciation Rate	Depreciated Value of Improvements – As If Unimpacted by Condition of COS
	Enclosed Steel framed metal clad Dairy with reinforced concrete floor - 50 stand rotary parlour (1,000 head capacity) - "Yarroweyah" engineering, 32KL Stainless steel De Laval vat and 13KL Chill master vat, colling system, Automated feeding system (uniform ration however can be converted to specific ration subject to capital), Skiold Disc Mill, Skiold flex mixer (2 tonne capacity, 2 tonne per hour). Refer to exclusion schedule for specifics.	660	\$2,000	\$1,320,000	15%	\$1,122,000
	Walk in Shed (automated forcing gate)	240	\$350	\$84,000	50%	\$42,000
	Feed Shed	56	\$350	\$19,600	50%	\$9,800
	Silos x 9 = 526 tonne capacity	526	\$100	\$52,600	50%	\$26,300
	Effluent control and filtration ponds		\$0	\$0	0%	\$0
	Garoka - Shed 1 - Steel and timber framed, metal clad, earth floor, power connected. Open fronted.	95	\$275	\$26,125	70%	\$7,838
	Shed 2 - Steel and timber framed, metal clad, earth and reinforced concrete floor, power connected. Open fronted and one side.	190	\$275	\$52,250	70%	\$15,675
	Shed 3 - Timber framed, metal clad, part enclosed.	620	\$275	\$170,500	80%	\$34,100
	Shed 4 - Steel and timber framed, metal clad, reinforced concrete floor. Part enclosed and extended open sided addition with earth floor.	165	\$300	\$49,500	70%	\$14,850
	Dilapidated out building buildings					
	Blairmore - Shed 5 - Steel framed, metal clad - open sided with earth floor	180	\$250	\$45,000	70%	\$13,500
	Dilapidated out buildings					
	Angle Dale - Shed 6 - Steel framed, metal clad - open fronted with earth floor	340	\$250	\$85,000	70%	\$25,500
	Knights Cottage - WB/CGI 4-bedroom 1960's cottage	165	\$1,850	\$305,250	50%	\$152,625
	Garage	57	\$350	\$19,950	70%	\$5,985
	Shed - open fronted	220	\$350	\$77,000	70%	\$23,100
	Roselea - WB/CGI 3-bedroom 1940's cottage	110	\$1,550	\$170,500	70%	\$51,150
	Roselea - HP/CT clad 3-bedroom 1960's cottage	155	\$1,550	\$240,250	70%	\$72,075
	Awning and water tank	84	\$250	\$21,000	50%	\$10,500
	Medhurst - HP clad/CGI - 3-bedroom 1960's cottage	145	\$1,550	\$224,750	60%	\$89,900
	Carport	18	\$250	\$4,500	70%	\$1,350
	Patty's - Vinyl clad/CGI2 bedroom 1920's cottage	160	\$1,550	\$248,000	60%	\$99,200
	Outdoor living	20	\$650	\$13,000	60%	\$5,200
	Shed	35	\$350	\$12,250	70%	\$3,675
	Blairmore Point - HP/CGI clad 4-bedroom, 1960's cottage	185	\$1,850	\$342,250	60%	\$136,900
	Porch	20	\$650	\$13,000	60%	\$5,200
	Garage	48	\$450	\$21,600	70%	\$6,480
	Angle Dale - WB/CGI clad 5-bedroom 1940's cottage	177	\$1,850	\$327,450	55%	\$147,353
	Verandah	28	\$650	\$18,200	55%	\$8,190
	Carport and garage	75	\$450	\$33,750	65%	<u>\$11,813</u>
	Various improvements situated on the broader parcel which are dilapidated and include residences, former dairies, machinery sheds, hay sheds, storage sheds. All are ignored for the purposes of this report.					
						\$2,375,458
Sub total – Say						\$2,375,000

VALUATION CALCULATIONS (Cont'd)

Depreciated Value of Improvements:

Property Name	Improvements Description	Building Area	Replacement Cost - \$/m ²	Calculated Raw Replacement Cost	Depreciation Rate	Depreciated Value of Improvements – As If Unimpacted by Condition of COS
Hardes/Wheatleys						
	Hardes - HP/CGI 5-bedroom, 1990's cottage	195	\$1,850	\$360,750	40%	\$216,450
	Verandah	155	\$650	\$100,750	50%	\$50,375
	Dutch barn	125	\$450	\$56,250	50%	\$28,125
	Carport	18	\$250	\$4,500	50%	\$2,250
	Store shed and tank	122	\$350	\$42,700	50%	<u>\$21,350</u>
	Dilapidated former dairy and demountable steel yards- ignored for the purposes of this report.					
						\$318,550
Sub total – Say						\$315,000
Browns Mt East	Timber cattle yards (nil value).	1	\$10,000	\$10,000	50%	\$5,000
Sub total – Say						\$5,000
Browns Mt West - CHPP	Includes the CHPP facility, rail loop and associated improvements. All improvements appear to be related coal mining improvements and associated infrastructure which are non fixtures. They are ignored for the purposes of this valuation.					
Administration Precinct	Comprises administration facility, workshops and Pit head and associated surface infrastructure. We are instructed to include the building improvements for the purposes of this valuation.					
	Administration facility - Brick/Colorbond clad 1990's office and administration office. Suspended tile ceiling, ducted A/C, partitioned to offices, meeting rooms, board room, crib room, wash room, dispatch room and management centre.	1,796	\$2,000	\$3,592,000	50%	\$1,796,000
	Open fronted maintenance - steel framed, metal clad, reinforced concrete floor - tiled floor.	234	\$650	\$152,100	50%	\$76,050
	Enclosed Store - steel framed, metal clad, reinforced concrete floor. Includes small mezzanine area.	396	\$750	\$297,000	50%	\$148,500
	Workshop - steel framed, metal clad, reinforced concrete floor. Overhead gantry and 10t crane.	524	\$850	\$445,400	50%	\$222,700
	Fuel bowser shelter - steel framed, metal shelter - open sided - reinforced concrete pad and bund.	60	\$250	\$15,000	50%	\$7,500
	Various detached sheds - steel framed, metal clad - store, pit head cover, workshop.	500	\$750	\$375,000	50%	\$187,500
	Ancillary improvements, landscaping, security fencing, reinforced concrete hardstand, bitumen sealed car park and gravel sealed working curtilage. Total commercial curtilage = 3.00ha	30,000	\$55	\$1,650,000	50%	\$825,000
	Haig's Cottage - Heritage significant stone constructed - not habitable. Ignored for the purposes of this report					
	Garage - nil added value.					
	Shed 1 - timber framed metal clad, earth floor. Open sided.	320	\$250	\$80,000	70%	\$24,000
	Shed 2 - timber framed metal clad, earth floor. Open fronted.	140	\$250	\$35,000	70%	<u>\$10,500</u>
	Cemetery - Heritage significant - nil added value.					
						\$3,297,750
Sub total - Say						\$3,300,000
Village Block 1	Dilapidated cottage on site - assumes as nil added value.					\$0
Village Block 2						\$0
Village Block 3		1	\$10,000	\$10,000	50%	\$5,000
Sub Total – Say						\$5,000

VALUATION CALCULATIONS (Cont'd)

Depreciated Value of Improvements:

Property Name	Improvements Description	Building Area	Replacement Cost - \$/m ²	Calculated Raw Replacement Cost	Depreciation Rate	Depreciated Value of Improvements – As If Unimpacted by Condition of COS
Village Block 4						
Village Block 5						
	Rendered brick/CT clad 4-bedroom 1980's cottage.	185	\$1,850	\$342,250	45%	\$188,238
	Garage	18	\$450	\$8,100	60%	\$3,240
	Storage shed	110	\$250	\$27,500	60%	<u>\$11,000</u>
	Dilapidated shed - roof collapsed - nil added value.					
						\$202,478
Sub Total – Say						<u>\$200,000</u>
Total	Depreciated Value of Improvements					<u>\$7,160,000</u>

Add Land Value:

Parcel Id	Total Area (Ha)	Market Value - \$/ha	Calculated Land Value - As If Unimpacted by Conditions of COS
Kayuga West - grazing			
	1,376.51	\$ 5,000	\$ 6,882,540
Kayuga Dairy - East			
	276.39	\$ 15,000	\$ 4,145,850
Garoka Dairy			
	472.75	\$ 17,500	\$ 8,273,148
Hardes/Wheatleys			
	106.76	\$ 12,500	\$ 1,334,500
Browns Mt - East			
	387.9	\$ 3,500	\$ 1,357,650
Brown Mt West - CHPP			
	267.735	\$ 3,500	\$ 1,029,508
Administration precinct			
	78.19	\$ 9,000	\$ 703,710
Village block 1			
	2.5739	\$ 65,000	\$ 167,304
Village Block 2			
	4.0196	\$ 50,000	\$ 200,980
Village Block 3			
	0.5975	\$ 200,000	\$ 119,500
Village Block 4			
	0.7955	\$ 200,000	\$ 159,100
Village Block 5			
	4.3892	\$ 50,000	<u>\$ 219,460</u>
Total Land Value – as if unimpacted by conditions of COS	2,978.61		\$ 24,500,814

VALUATION CALCULATIONS (Cont'd)

Summary Table – Far right hand column sets out the Market Value/Fair Value as if impacted by conditions of COS. Discount is applied as 35% of the otherwise unconstrained market value:

Parcel Identification	Total Land Area (Ha)	Land Value - \$/ha	Total Land Value - As Individual Parcel	Depreciated Value of Improvements	Summated Value – As If Unconstrained by COS	Adopted Market Value – As If Unconstrained by COS	Market Value - \$/Ha Improved – As If Unconstrained	Market Value – Discounted to Reflect Relevant Constraints
Kayuga West - grazing								
	1376.51	\$ 5,000	\$6,882,540		\$ 6,882,540	\$6,880,000	\$4,998	\$4,472,000
Kayuga Dairy - East								
	276.39	\$15,000	\$ 145,850	\$ 960,000	\$ 5,105,850	\$5,105,000	\$18,470	\$3,318,250
Garoka Dairy								
	472.75	\$17,500	\$8,273,148	\$ 2,375,000	\$ 10,648,148	\$10,650,000	\$22,528	\$6,922,500
Hardes/Wheatleys								
	106.76	\$12,500	\$1,334,500	\$ 315,000	\$ 1,649,500	\$1,650,000	\$15,455	\$1,072,500
Browns Mt - East								
	387.9	\$ 3,500	\$1,357,650	\$ 5,000	\$ 1,362,650	\$1,365,000	\$3,506	\$887,250
Brown Mt West - CHPP								
	267.73	\$ 3,500	\$ 937,073		\$ 937,073	\$935,000	\$3,492	\$607,750
Administration precinct								
	78.19	\$ 9,000	\$ 703,710	\$ 3,300,000	\$ 4,003,710	\$4,000,000	\$51,157	\$2,600,000
Village block 1								
	2.5739	\$65,000	\$ 167,304		\$ 167,304	\$170,000	\$66,048	\$110,500
Village Block 2								
	4.0196	\$50,000	\$ 200,980		\$ 200,980	\$200,000	\$49,756	\$130,000
Village Block 3								
	0.5975	\$200,000	\$ 119,500	\$ 5,000	\$ 124,500	\$125,000	\$209,205	\$81,250
Village Block 4								
	0.7955	\$200,000	\$ 159,100		\$ 159,100	\$160,000	\$201,131	\$104,000
Village Block 5								
	4.3892	\$ 50,000	\$ 219,460	\$ 200,000	\$ 419,460	\$420,000	\$95,689	\$273,000
	2,978.61		\$24,500,814	\$ 7,160,000	\$ 31,660,814	\$31,660,000	\$10,629	\$20,579,000

Land Value– as if unconstrained: \$24,500,814

Add – deprecated value of improvements – as if unconstrained: \$ 7,160,000

Total Value – as if unconstrained: \$31,660,814

Adopt Say: \$31,660,000

Deduction for relevant constraints @ 35% = \$11,081,000

Market value as is - constrained asset in accordance with COS: \$20,579,000

It is our understanding the subject property is not subject to GST. However, in the event GST is applicable we have provided our valuation including Goods and Services Tax.

VALUATION CALCULATIONS (Cont'd)

1. Total Asset – As is - Improved:

Current Market Value/Fair Value:

Aggregate - as if independently marketed: Adopt Say: **\$20,579,000**

Browns Mountain West: Adopt Say **\$ 607,000**

Total Asset Value - Excluding Browns Mountain West: **\$19,972,000**

2. Total Asset - “As If” In One Line.

Total Asset - Current Market Value: **\$16,975,563 (Excluding Browns Mountain West)**

It is our understanding the subject property is not subject to GST. However, in the event GST is applicable we have provided our valuation including Goods and Services Tax.

3. Water Entitlements - “As If” In One Line.

		\$/ML	\$/ML	Market Value	Market Value
Water Source/Classification	ML	Low Range	High Range	Low Range	High Range
Aquifer	2379	\$ 750	\$ 1,250	\$ 1,784,250	\$ 2,973,750
River - General Security	2896	\$ 2,000	\$ 2,500	\$ 5,792,000	\$ 7,240,000
River - High Security	6	\$ 5,000	\$ 6,000	\$ 30,000	\$ 36,000
River - Supplementary	254.8	<u>\$ 300</u>	<u>\$ 500</u>	<u>\$ 76,440</u>	<u>\$ 127,400</u>
Total	5535.8			\$ 7,682,690	\$ 10,377,150

Market Value: Adopt Say - \$9,000,000

VALUATION CALCULATIONS (Cont'd)

CONCLUSION

For the purposes of this report, we advise Market Value/Fair Value for the described asset is as follows:

Improved Asset – as if twelve independently marketable holdings:

**Aggregate of eleven assets - As if impacted by conditions of COS: \$19,972,000
(Excluding Water)**

**Eleven assets - in one line - As if impacted by conditions of COS: \$16,975,563
(Excluding Water)**

It is our understanding the subject property is not subject to GST. However, in the event GST is applicable we have provided our valuation including Goods and Services Tax.

Water Entitlements as if in one line: \$9,000,000

Brown Mountain West - As if impacted by conditions of COS: \$607,000

It is our understanding the subject property is not subject to GST. However, in the event GST is applicable we have provided our valuation including Goods and Services Tax.

Critical Factors which have informed our considerations of value include the following:

- Large mixed use rural holding situated in the immediate fringe of the urban expansion of Muswellbrook.
- Comprises valuable river flats and developed irrigation country and open grazing land - proximate to a broad range of services.
- Improvements are a varying mix of type, standard and condition.
- Large volume and mix of water entitlements.
- Comprises some twelve independently marketable assets within the total aggregation but may provide more – subject to expert planning advice.
- Impacted by surrounding mining activity.
- Subject to existing mining approvals and related authorities.
- Subject to onerous conditions as are contained in the Contract of Sale (we are instructed to consider them).
- Specialised improvements may meet with some market resistance.
- Large scale commercial/industrial facilities which would prove difficult to let in one line - if put to market.
- Strong prevailing market conditions for both rural production units, rural lifestyle land and rural/residential allotments.
- Concerns of duration of prevailing strong market condition.
- Concerns of ongoing impacts and uncertainties in respect to COVID 19.
- We have undertaken our assessments of value in accordance with instructions.

VALUATION CERTIFICATE

We are of the opinion having regard to the Fee Simple in Possession the Current Market Value/Fair Value of **VARIOUS LOTS (DESCRIBED AS AQC LAND) SITUATE DARTBROOK AREA, VIA MUSWELLBROOK NSW 2333** - and the improvements erected thereon – in accordance with our instructions - assigned as at **16th April 2021** would be:

**Aggregate of eleven assets - As if impacted by conditions of COS: \$19,972,000
(Excluding Water)**

**Eleven assets - in one line - As if impacted by conditions of COS: \$16,975,563
(Excluding Water)**

It is our understanding the subject property is not subject to GST. However, in the event GST is applicable we have provided our valuation including Goods and Services Tax.

Water Entitlements as if in one line: \$9,000,000

Brown Mountain West - As if impacted by conditions of COS: \$607,000

It is our understanding the subject property is not subject to GST. However, in the event GST is applicable we have provided our valuation including Goods and Services Tax.

TEW PROPERTY CONSULTANTS



**RW TEW AAPI MRICS (Director)
Certified Practising Valuer
API Membership No: 68242**



**Review Valuer – SM POWELL AAPI
Certified Practising Valuer
API Membership No: 69519**

DATED THIS THE 16TH DAY OF APRIL 2021

Tew Property Consultants Terms and Conditions

IT IS AGREED AS FOLLOWS:

1. DEFINITIONS 'Confidential Information' means information that: (a) Is by its nature confidential; (b) Is designated by Us as confidential (c) You know or ought to know is confidential; (d) and includes, without limitation: (i) Information comprised in or relating to any of Our intellectual property in the Services or any reports or certificates provided as part of the Services; and (ii) The Quotation annexed hereto. 'Currency Date' means, in relation to any valuation or consultancy report, the date as at which our professional opinion is stated to be current. 'Fee' means the amount agreed to be paid for the Services as set out in the Quotation. 'Draft' means, in relation to any valuation or consultancy report or letter of advice, a preliminary written form which is not complete and may be subject to revision. 'Parties' mean You or Us as the context dictates. 'Quotation' means the written quote provided by Us in relation to the Services. 'Services' means the valuation or consultancy services provided pursuant to these Terms and Conditions and the Quotation, and includes and documents, reports or certificates provided by Us in connection with the services. 'We', 'Us', 'Our', means Tew Property Consultants (ABN 93 257 871 670). 'You', 'Your' means the entity engaging Us to perform the Services as set out in the Quotation
2. PERFORMANCE OF SERVICES 2.1 We will provide the Services in accordance with: (a) The Terms and Conditions contained herein; and (b) The required provisions of the current Australian Property Institute Professional Practice Standard.
3. CONDITIONS OF THE PROPERTY 3.1. In undertaking the Services We will have regard to the apparent state of repair, condition and environmental factors in relation to the property based upon a visual inspection, but We will not (and are not qualified to) carry out structural, geotechnical or environmental survey. We will not inspect those parts of the property that are unexposed or inaccessible. 3.2. We will assume that there is no timber infestation, asbestos or any other defect (unless advised otherwise) and that the property is compliant with all relevant environmental laws. It is Your responsibility to provide reports to Us that are relevant to these issues. 3.3. We will not undertake a detailed inspection of any plant and equipment or obtain advice on its condition or suitability. 3.4. We recommend that You engage appropriately qualified persons to undertake investigations excluded from the Services. 3.5. No responsibility will be accepted either to You or to any third party for loss or damage that may result directly or indirectly from the condition of the property.
4. ENVIRONMENT AND PLANNING 4.1. We will obtain only verbal town planning information. It is Your responsibility to check the accuracy of this information by obtaining a certificate under the appropriate legislation. 4.2. State or Federal Laws may require environmental audits to be undertaken before there is a change of land use. You will provide such audits to Us where they are required. We will not advise You whether such audits are required or obtain such audits. If You do not provide Us with such audits We will perform the Services on the assumption that such audits are not required.
5. BUILDING AREAS AND LETTABLE AREAS 5.1. Where a survey is provided to Us for consideration, We will assume that information contained in the survey is accurate and has been prepared in accordance with the Property Council of Australia (PCA) Method of Measurement. 5.2. If You do not provide Us with a survey, We will estimate building and/ or lettable areas based only upon available secondary information (including but not limited to building plans, Deposited Plans, and our own check measurements). Such estimates do not provide the same degree of accuracy or certainty as would be provided by a survey prepared by an appropriately qualified professional in accordance with the Property Council of Australia (PCA) Method of Measurement. 5.3. Where such a survey is subsequently produced which differs from the areas estimated then You will refer the valuation or consultancy advice back to Us for comment or, where appropriate, amendment.
6. OTHER ASSUMPTIONS 6.1. Unless otherwise notified by You, We will assume: (a) there are no easements, mortgages, leases, encumbrances, covenants, caveats, rights of way or encroachments except those shown on the Title; and (b) all licences and permits can be renewed and We will not make any enquiries in this regard. 6.2. Where third party expert or specialist information or reports are provided to Us or obtained by Us in connection with the Services (including but not limited to surveys, quantity surveyors reports, environmental audits, structural/ dilapidation reports), We will rely upon the apparent expertise of such experts/ specialists. We will not verify the accuracy of such information or reports. 6.3. Where We describe Our valuation or consultancy report or valuation advice as either a kerbside valuation, desktop assessment, restricted assessment or restricted valuation, You will assume it has been carried out in strict compliance with the Restricted Valuation Supporting Memorandum or Residential Desktop Assessment Advisory Note issued by the Australian Property Institute as applicable as at the date of such valuation or assessment.
7. VALUATION FOR FIRST MORTGAGE SECURITY 7.1. Where the Services are provided for mortgage purposes, You agree that You will not use the valuation or consultancy report where the property is used as security other than by first registered mortgage. 7.2. We reserve the right, at Our absolute discretion, to determine whether or not to assign Our valuation to any third party. Without limiting the extent of Our discretion, We may decline a request for assignment where: (a) the proposed assignee is not a major recognised lending institution (such as a major bank); (b) the assignment is sought in excess of 3 months after the date of valuation; (c) We consider that there has been a change in conditions which may have a material impact on the value of the property; (d) the proposed assignee seeks to use the valuation for an inappropriate purpose (including in a manner inconsistent with Your agreement at clause 7.1); or (e) Our fee has not been paid in full. 7.3. Where We decline to provide an assignment on either of the bases at 7.2(b) or (c), We may be prepared to provide an updated valuation on terms to be agreed at that time. 7.4. In the event that You request us to assign Our valuation and We agree to do so, You authorise Us to provide to the assignee a copy of these Terms and Conditions, the Quotation and any other document, including instructions provided by You, relevant to the scope of Our Services.

Tew Property Consultants Terms and Conditions

8. ESTIMATED SELLING PRICE 8.1. Where You instruct Us to provide an Estimated Selling Price, You agree that the Services: (a) are limited to the provision of an opinion based upon Our knowledge of the market and informal enquiries. (b) We are not required to carry out a full inspection of the property; any inspection of comparable properties; a search on Title(s) or other enquiries as to encumbrances, restrictions or impediments on Title(s); or other investigations which would be required for a formal valuation. (c) provide an indicative figure only which is not suitable for use for any purpose other than as general information or guide as to sale expectations. It is not suitable to be relied upon for the purpose of entry into any transaction. 8.2. No responsibility will be accepted either to you or any third party for loss or damage that may result from the issue of such an Estimated Selling Price.
9. CURRENCY OF VALUATION 9.1. Due to possible changes in market forces and circumstances in relation to the subject property the Services can only be regarded as relevant as at the Currency Date. 9.2. Where You rely upon Our valuation or consultancy report after the Currency Date, You accept the risks associated with market movement between the Currency Date and the date of such reliance. 9.3. Without limiting the generality of 9.2, You should not rely upon Our valuation or consultancy report; (a) after the expiry of 3 months from the Currency Date; (b) where circumstances have occurred during that period which may have a material effect on the value of the property or the assumptions or methodology used in the valuation or consultancy report.
10. MARKET PROJECTIONS 10.1. Any market projections incorporated within our Services including, but not limited to, income, expenditure, associated growth rates, incentives, interest rates, yields and costs are projections only, and may prove to be inaccurate. Accordingly, such market projections should be interpreted as an indicative assessment of potentialities only, as opposed to certainties. 10.2. Where Our Services include market projections such as projections which require the dependence upon a host of variables that are highly sensitive to varying conditions. Accordingly, variation in any of these conditions may significantly affect these market projections. 10.3. Where market projections form part of Our Services, We draw your attention to the fact that there will be a number of variables within acceptable market parameters that could be pertinent to Our Services and the projections adopted are representative of only one of these acceptable parameters.
11. YOUR OBLIGATIONS. 11.1. You warrant that the instructions and subsequent information supplied by You contain a full and frank disclosure of all information that is relevant to Our provision of the Services. 11.2. You warrant that all third party expert or specialist reports provided to Us by You for the purpose of Us providing the Services are provided with the authority of the authors of those reports. 11.3. You authorise and licence us to incorporate Your intellectual property within our report(s). 11.4. You will not release any part of Our valuation or consultancy report or its substance to any third party without Our written consent. Such consent will be provided at Our absolute discretion and on such conditions as We may require including that a copy of these Terms and Conditions be provided to such third party. This clause shall not apply to persons noted as recipients in Your prior instruction to Us or in the Quotation provided that you shall provide any such recipient with a copy of these Terms and Conditions. 11.5. If you release any part of the valuation or consultancy advice or its substance with our written consent, You agree: a) to inform the other person of the terms of our consent; and b) to compensate Us if You do not do so. We have no responsibility to any other person even if that person suffers damage as a result of any other person receiving this valuation or consultancy advice. 11.6. You must pay our fees within 14 days of the date of a correctly rendered invoice. Fees that remain unpaid for a period of 30 days or more will attract an administration charge of 2% of the total of the invoice calculated per month or part thereof. 11.7. We reserve the right to reconsider or amend the valuation or consultancy advice, or the Fee set out in our Quotation to You if: (a) Certificates, surveys, leases, side agreements or related documentation that were not provided to Us prior to the provision of the Services are subsequently provided, and contain matters that may affect the value of the advice; or (b) Where subsequent site inspections made in relation to any of the matters raised in clause 3 materially affect or may alter the value of the property the subject of the Services.
12. CONFIDENTIALITY 12.1. You must not disclose or make any of the Confidential Information available to another person without Our written consent. 12.2. If consent to disclose the Confidential Information is provided by Us, You agree to abide by any additional terms and conditions that We may apply to that disclosure.
13. PRIVACY 13.1. We may obtain personal information about You in the course of performing Our Services. We respect Your privacy. The Privacy Amendment (Private Sector) Act, 2001 requires Us to advise You that we will only obtain information that is necessary to assist us in the course of performing Our Services. If it is necessary for Us to engage third parties, we will inform these parties that they are not to disclose any personal information about You to any person or organisation other than Us.
14. SUBCONTRACTING 14.1. We may subcontract or otherwise arrange for another person to perform any part of the Services or to discharge any of Our obligations under any part of these Terms and Conditions, with Your consent.
15. LIABILITY 15.1. You agree to release Us and hold Us harmless from all liability to You for or in respect of any loss, damage, costs and expenses of whatsoever kind which we have or may have or, but for the operation of this Clause, might have had arising from or in any way connected with the Services or the use of the Services or any part of them. This release shall be complete and unconditional except in the case of gross negligence or wilful misconduct by Us in the provision of the Services. 15.2. You agree that You will fully indemnify us for an in respect of all loss, liability, costs and expenses of whatsoever kind which We may suffer or incur arising from or in any way connected with any breach by You of Clause 11 or Clause 12. This indemnity shall include but not be limited to loss, liability, costs and expenses which we may suffer or incur in respect of any claims, actions, proceedings, disputes or allegations made against Us or to which we are party.
16. DOCUMENTATION 16.1. We may forward documentation to You which is clearly marked as a "draft" document. 16.2. You agree You will not rely on documentation which is marked "draft" as You understand such documentation is preliminary and may be subject to revision. 16.3. You agree such marked documents cannot, under any circumstances, be relied upon for the purposes of mortgage or other financial security. 16.4. No responsibility will be accepted either to You or to any third party for or in respect of any loss, damage, costs and expenses of whatsoever kind that may result directly or indirectly from You relying on documentation which is provided to You in a "draft" form.
17. ENTIRE AGREEMENT 17.1. No further agreement, amendment or modification of these Terms and Conditions shall be valued or binding unless made in writing and executed on behalf of the Parties by their duly authorised officers. 17.2. If there is an inconsistency between these Terms and Conditions and the Quotation, any letter of instruction from You, or other specific request or information, other specific request or information shall prevail to the extent of the inconsistency.

Part 2 – Financial Services Guide

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT
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28 June 2021

1. Ernst & Young Strategy and Transactions Limited

Ernst & Young Strategy and Transactions Limited (“we,” or “us” or “our”) has been engaged to provide general financial product advice in the form of an Independent Expert’s Report (“Report”) in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide (“FSG”) provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- ▶ financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- ▶ arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$82,500 (inclusive of GST).

Ernst & Young Strategy and Transactions Limited is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Strategy and Transactions Limited, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Strategy and Transactions Limited and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Strategy and Transactions Limited, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority Limited.

9. Compensation Arrangements

The Ernst & Young and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Ernst & Young's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Ernst & Young's satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Strategy and Transactions Limited AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Contacting the Independent Dispute Resolution Scheme: Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08
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This Financial Services Guide has been issued in accordance with ASIC Corporations (Financial Services Guides) Instrument 2015/541.

Attachment 2- Employee Incentive Plan

Employee Incentive Plan Rules

Australian Pacific Coal Limited

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Employee Incentive Plan Rules

1. Introduction

Purpose of plan

- 1.1 The Company has established this Plan to encourage Employees to share in the ownership of the Company and to promote the long-term success of the Company as a goal shared by all Employees.

Advice

- 1.2 There are legal and tax consequences associated with participation in the Plan. Employees should ensure that they understand these consequences before accepting an invitation to participate in the Plan.
- 1.3 Any advice given by or on behalf of the Company is general advice only, and Employees should consider obtaining their own financial product advice from an independent person who is licensed by ASIC to give such advice.

2. Definitions and Interpretation

Definitions

- 2.1 In these Rules unless the contrary intention appears:

Acquisition Loan means a loan made by the Company to a Participant under clause 4 for the purpose of the Participant acquiring a Loan Share as the result of the acceptance of an Offer.

Acquisition Loan Period means the period of the Acquisition Loan determined in accordance with clause 4.3(e).

Application means a written acceptance of an Offer for, or an application for, Awards in a form approved by or acceptable to the Board.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited or the securities market which it operates, as the context requires.

Award means:

- (a) an Option,
- (b) a Performance Right,
- (c) a Loan Share,
- (d) a Deferred Share Award,
- (e) an Exempt Share

Award, as applicable.

Board means the Board of Directors of the Company.

Company means Australian Pacific Coal Limited (ACN 089 206 986).

Corporations Act means the *Corporations Act 2001* (Cth).

Deferred Share Award means a Share issued under clause 3.5.

Employee means a person who is an employee, officer, director or consultant of a Group entity.

Exempt Share Award means a Share issued under clause 3.7.

Exercise means exercise of an Award in accordance with its terms, and includes automatic exercise in accordance with these Rules.

Exercise Price means the price payable (if any) per Share to exercise an Award.

Expiry Date means the date on which an Award lapses, being the date specified in an Offer as the Expiry Date, or fixed by a method of calculation set out in an Offer.

Good Leaver means a Participant who ceases to be employed by, contracted by, or a director of, a Group Member as a result of:

- (a) total or permanent disablement, or an illness which persists for at least 3 months, which in either case prevents the person from carrying out their previous functions as an employee, contractor or director;
- (b) genuine redundancy;
- (c) death; or
- (d) other factors determined by the Board in its discretion to constitute sufficient reason to treat the person as a Good Leaver.

Group means the Company and each of its controlled entities, and **Group Member** means any of them.

Issue of a Share includes the transfer of an existing Share in accordance with clause 8.3.

Issue Price means the price (if any) to be paid for the issue of a Share as stated in the Offer.

Liability means any liability, whether actual or contingent, present or future, quantified or unquantified.

Listed means the Company being and remaining admitted to the official list of the ASX.

Listing Rules means the Listing Rules of ASX and any other rules of the ASX which are applicable while the Company is Listed each as amended or replaced from time to time, except to the extent of any waiver granted by the ASX.

Loan Share means a Share issued under clause 3.4 on the terms set out in clause 4.

Market Price means the weighted average sale price of Shares on the ASX over the five trading days immediately preceding the day the Offer is made, or another pricing method determined by the Company.

Offer means an offer or issue of Awards made to an Employee under clause 4. Where Awards are issued without the need for acceptance, an Offer includes the document setting out the terms of the Award.

Option means an option to acquire Shares issued under clause 3.2.

Participant means an Employee to whom Awards are issued.

Performance Right means a right to acquire a Share issued under clause 3.3.

Plan means this Employee Incentive Plan.

PPSA means the *Personal Property Securities Act 2009* (Cth).

Restricted Award means an Award or a Share issued on exercise of an Award in respect of which a restriction on sale or disposal applies under this Plan.

Restriction Period means the period during which Awards, or Shares issued on exercise of Awards, must not be sold or disposed of, being the period specified in these Rules in respect of Deferred Share Awards and Exempt Share Awards, and as specified in the Offer in respect of other Awards.

Rules means these rules as amended from time to time.

Security Interest means a right, interest, power or arrangement in relation to any property which provides security for, or protects against default by a person in, the payment or satisfaction of a debt, obligation or Liability, including a mortgage, charge, bill of sale, pledge, deposit, lien, encumbrance or hypothecation and a security interest as defined in sections 12(1) and 12(2) of the PPSA.

Share means a fully paid ordinary share of the Company, and where the context requires, includes a Loan Share.

Tax Act means the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997*, or any legislation amending or replacing the provisions of those Acts relating to the issue and exercise of Awards.

Vesting Conditions means any conditions described in the Offer that must be satisfied before an Award can be exercised or before an Award (or Share issued under an Award) is no longer subject to forfeiture.

Vesting Date means the date on which an Award is exercisable or is no longer subject to forfeiture following satisfaction of any Vesting Conditions.

Interpretation

2.2 In these Rules, unless expressed to the contrary:

- (a) terms defined in the Corporations Act or the Listing Rules have the same meaning in these Rules;
- (b) words importing:
 - (i) the singular include the plural and vice versa;
 - (ii) any gender includes the other genders;
- (c) if a word or phrase is defined cognate words and phrases have corresponding definitions;
- (d) a reference to:
 - (i) a person includes a firm, unincorporated association, corporation and a government or statutory body or authority;
 - (ii) a person includes its legal personal representatives, successors and assigns;

- (iii) a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (iv) a right includes a benefit, remedy, discretion, authority or power;
- (v) "\$" or "dollars" is a reference to the lawful currency of Australia;
- (vi) this or any other document includes the document as varied or replaced and notwithstanding any change in the identity of the parties; and
- (vii) any thing (including, without limitation, any amount) is a reference to the whole or any part of it and a reference to a group of things or persons is a reference to any one or more of them.

Headings

2.3 Headings are for convenience only and do not affect the interpretation of these Rules.

Tax treatment of Plan

2.4 This Plan is a plan to which Subdivision 83A-C of the Tax Act applies (subject to the conditions in that Act).

3. Awards that may be made under the Plan

3.1 The Company may, at the discretion of the Board, offer and issue Awards to Employees of the kind set out in this clause 3.

Options

3.2 The Company may offer or issue Options, which are rights to be issued a Share upon payment of the Exercise Price and satisfaction of specified Vesting Conditions. These terms apply unless the Offer specifies otherwise:

- (a) Options are Restricted Awards until they are exercised or expire.
- (b) An Offer may specify a Restriction Period for Shares issued on the exercise of Options.
- (c) Options are subject to adjustment under clause 13.

Performance Rights

3.3 The Company may offer or issue Performance Rights, which are rights to be issued a Share for nil Exercise Price upon the satisfaction of specified Vesting Conditions. These terms apply unless the Offer specifies otherwise:

- (a) Performance Rights are Restricted Awards until they are exercised or expire.
- (b) An Offer may specify a Restriction Period for Shares issued on the exercise of Performance Rights.
- (c) Performance Rights are subject to adjustment under clause 13.

Loan Shares

- 3.4 The Company may offer or issue Loan Shares, which are Shares issued to Employees at an Issue Price that the Board in its discretion determines, and may be subject to the satisfaction of specified Vesting Conditions. These terms apply unless the Offer specifies otherwise:
- (a) Loan Shares are Restricted Awards until Vesting Conditions are satisfied and the Acquisition Loan is repaid or satisfied.
 - (b) The Acquisition Loan and security terms in clause 4 apply.

Deferred Share Awards

- 3.5 The Company may offer or issue Deferred Share Awards, which are Shares issued to Employees:
- (a) who elect to receive Shares in lieu of any wages, salary, director's fees, or other remuneration; or
 - (b) by the Company in its discretion, in addition to their wages, salary and remuneration, or in lieu of any discretionary cash bonus or other incentive payment.
- 3.6 Unless a different Restriction Period is specified in an Offer, the Restriction Period for Deferred Share Awards will expire on the earlier of:
- (a) when a Participant ceases to be an Employee;
 - (b) when the Board, in its discretion, agrees to end the Restriction Period; and
 - (c) 10 years from the date of issue of the Shares.

Exempt Share Awards

- 3.7 The Company may offer or issue Exempt Share Awards, which are Shares issued for no consideration or at an Issue Price which is a discount to the Market Price with the intention that up to \$1,000 (or such other amount which is exempted from tax under the Tax Act from time to time) of the total value or discount received by each Employee will be exempt from tax.
- 3.8 Unless a different Restriction Period is specified in an Offer, the Restriction Period for Exempt Share Awards will expire on the earlier of:
- (a) three years from the date of issue of the Shares; and
 - (b) the time when a Participant ceases to be an Employee.
- 3.9 The Company must offer Exempt Share Awards on a non-discriminatory basis as defined by section 83A-35(6) of the Tax Act.

4. Loan Shares

Offer of Acquisition Loan

- 4.1 The Company may provide an Acquisition Loan in relation to Loan Shares by making a loan to a Participant on the terms set out in an Offer and in these Rules.

- 4.2 The offer of an Acquisition Loan may be subject to the Company and the Participant executing agreements and other documents in a form acceptable to the Company providing for:
- (a) the offer by the Company and the acceptance by the Participant of an Acquisition Loan equal to the aggregate Issue Price of the Loan Shares offered;
 - (b) the grant by the Participant in favour of the Company of a Security Interest over the Loan Shares as set out in this clause 4 and the perfection of that Security Interest under the PPSA as a first ranking Security Interest; and
 - (c) if required by the Company, a written agreement by the Participant to the application of a holding lock in respect of the Loan Shares.

Default Acquisition Loan Terms

- 4.3 Unless otherwise determined by the Board:

- (a) **(Timing)** an Acquisition Loan will be made to a Participant at the time the Participant acquires a Loan Share as the result of their acceptance of an Offer;
- (b) **(Amount)** the amount of the Acquisition Loan will be equal to the aggregate Issue Price of the Loan Shares offered;
- (c) **(Application of Acquisition Loan money)** a Participant who accepts an Acquisition Loan irrevocably authorises the Company to apply the Acquisition Loan on behalf of the Participant to pay for the aggregate Issue Price of the Loan Shares to be issued or transferred to the Participant Employee;
- (d) **(Acquisition Loans interest free)** an Acquisition Loan will not bear interest;
- (e) **(Acquisition Loan Period)** the Acquisition Loan Period commences when the Acquisition Loan is made and ends on the earliest of:
 - (i) the date on which the Participant ceases to be an Employee;
 - (ii) the buy-back of the Loan Shares in accordance with clause 12;
 - (iii) the failure to satisfy any Vesting Conditions applicable to the Loan Shares;
 - (iv) any breach by the Participant of this Plan where the breach is not remedied within seven days of the Company's notice to the Participant to do so; or
 - (v) an application being made to a court for an order, or an order being made, that the Participant be made bankrupt (or any similar event in any jurisdiction as determined by the Board in its discretion); and
- (f) **(Repayment)** a Participant:
 - (i) may repay all or part of an Acquisition Loan made to the Participant at any time before expiry of the Acquisition Loan Period; and
 - (ii) must repay in full the outstanding amount of the Acquisition Loan at the end of the Acquisition Loan Period.

Repayment of Acquisition Loan

- 4.4 If an Acquisition Loan provided to a Participant becomes repayable, the Company must accept in full and complete satisfaction of the Participant's indebtedness and obligations to it under the Acquisition Loan:
- (a) if the applicable Vesting Conditions have been satisfied, the total amount owing by the Participant to the Company in cash or by other means agreed between the Participant and the Company; or
 - (b) in any case, the transfer to the Company (or its nominee) of the Loan Shares to which the Acquisition Loan relates in accordance with clause 12.
- 4.5 If the Participant has:
- (a) not repaid the outstanding amount of an Acquisition Loan (if any) at the end of the Acquisition Loan Period; or
 - (b) not satisfied the Vesting Conditions applicable to the Loan Shares,
- the Board may, in its discretion, determine that the Company may, on behalf of the Participant:
- (c) transfer to the Company (or its nominee) the Loan Shares to which the outstanding amount of the Acquisition Loan or outstanding Vesting Conditions (as applicable) relate in accordance with clause 12; or
 - (d) sell the relevant Loan Shares to which the outstanding amount of the Acquisition Loan or outstanding Vesting Conditions (as applicable) relate.
- 4.6 Without limiting the generality of clause 16, for the purpose of the sale of the Loan Shares in accordance with clause 4.5(d), the Participant appoints the secretary of the Company (or his or her duly authorised delegate) as their attorney and authorises the secretary of the Company (or their duly authorised delegate) to sell the relevant Loan Shares on behalf of the Participant. The Company and the secretary will have complete discretion in respect of the sale of the relevant Loan Shares under clause 4.5(d) and will not be liable to the Participant in respect of the timing of or price obtained on or any other circumstances relating to such sale.
- 4.7 If the Company sells any Loan Shares in accordance with clause 4.5(d), the proceeds of sale will be applied in the following order, unless the Board otherwise determines:
- (a) in payment of any costs and expenses of the sale incurred by the Company;
 - (b) in reduction of the outstanding amount of the Acquisition Loan (if any); and
 - (c) the balance (if any):
 - (i) if Vesting Conditions applicable to the Loan Shares were satisfied at the time of the sale, in payment to the Participant; or
 - (ii) if the Loan Shares were unvested at the time of the sale, in payment to the Company.

Limited recourse

- 4.8 If the Acquisition Loan is discharged or repaid under clauses 4.4 to 4.7 then:
- (a) no further amount will be repayable by the Participant to the Company

- under the Acquisition Loan in respect of the Loan Shares; and
- (b) no further amount will at any time be recoverable by the Company from the Participant in respect of the Acquisition Loan.

Security

- 4.9 As security for the Acquisition Loan, each Participant grants to the Company:
 - (a) a pledge of its Loan Shares provided under the Plan; and
 - (b) a charge over all dividends and other amounts paid or payable on those Loan Shares.
- 4.10 While the Shares are subject to the restrictions of this Plan, a Participant must not without the consent of the Board:
 - (a) create, other than in favour of the Company, any Security Interest over any Shares; or
 - (b) grant, or agree to grant, a first right of refusal, voting right, or pre-emptive right or enter into any agreement, option or other arrangement to grant such an interest or right.
- 4.11 Loan Shares are Restricted Awards until the Vesting Conditions applicable to the Loan Shares (if any) are satisfied and/or the Acquisition Loan is repaid, unless the Board in its discretion determines otherwise.
- 4.12 The Company is entitled to retain the share certificates (if any) for any Loan Shares provided under this Plan to the Participant, and to impose a holding lock on the Loan Shares.

Dividends and other entitlements

- 4.13 The Company may retain, or pay to itself on behalf of a Participant, any moneys (including dividends) and any capital distributions that may become payable in respect of a Loan Share in reduction of the amount outstanding under the Acquisition Loan in respect of that Loan Share.
- 4.14 A Participant may not participate in any dividend reinvestment plan (or similar plan) established by the Company until the Acquisition Loan in respect of his or her Loan Shares has been fully repaid.
- 4.15 If any Shares or other securities are issued in respect of Loan Shares as part of a bonus or entitlement issue, then those Shares or other securities will also be subject to the security in this clause 4 and the other terms of this Plan as if they were a Loan Share (unless the Board otherwise determines).

5. Offers of Awards

- 5.1 Subject to clause 6, the Company may make an Offer to any Employee.

Form of Offer

- 5.2 Each Offer must be in writing (which includes email), include an Application if acceptance is required, and specify the following to the extent applicable:
 - (a) the identity of the Employee to whom the Offer is made;
 - (b) the type of Awards being offered;

- (c) the number of Awards being offered;
- (d) any Vesting Conditions for the Awards;
- (e) the Issue Price and/or Exercise Price for the Awards, or the manner in which the Issue Price and/or Exercise Price is to be determined;
- (f) the Expiry Date (if any);
- (g) any Restriction Period;
- (h) any other terms or conditions that the Board decides to include; and
- (i) any other matters required to be specified in the Offer by either the Corporations Act or the Listing Rules.

5.3 If required by applicable laws or the conditions to applicable ASIC relief, the Offer must include an undertaking by the Company to provide to a Participant, if a request is made before the Award is Exercised and within a reasonable period of being so requested, the current market price of the Shares.

Compliance with laws

5.4 No Offer will be made to the extent that any such Offer would contravene the Company's Constitution, the Listing Rules, the Corporations Act or any other applicable law.

Acceptance

5.5 If acceptance of an Offer is required, it may be accepted:

- (a) by an Employee completing and returning the Application, as required by the Offer, by not later than the date specified in the Offer; and
- (b) if required, by the Employee making or directing payment of the total amount payable for the Awards (if any) accepted under the Offer, in the manner specified in the Offer.

5.6 An Offer which requires acceptance lapses if it is not accepted by the Employee to whom the Offer is made as required under clause 5.5.

6. Dilution limit

6.1 An Offer of Awards must not be made if the total of the following:

- (a) the number of Shares which are the subject of the Offer of Awards;
- (b) the total number of Shares which are the subject of any outstanding Offers of Awards;
- (c) the total number of Shares issued during the previous five years under this Plan or any other employee share scheme extended only to Employees of the Company (adjusted if necessary in each case for capital reorganisations), but not including existing Shares transferred to a Participant after having been acquired for that purpose; and
- (d) the total number of Shares which would be issued under all outstanding Awards that have been granted but which have not yet been exercised, terminated or expired, assuming all such Awards were exercised and ignoring any Vesting Conditions,

but disregarding any Offer made, or Award offered or issued, or Share issued by way of or as a result of:

- (a) an offer to a person situated outside Australia at the time of receipt of the offer;
- (b) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
- (c) of offer made under a disclosure document as defined in the Corporations Act, would exceed 5% of the number of Shares on issue at the time of the Offer.

7. Vesting and Exercise of Awards

Vesting

- 7.1 The Awards held by a Participant will vest in and become exercisable by that Participant upon the satisfaction of any Vesting Conditions specified in the Offer and in accordance with these Rules.
- 7.2 Vesting Conditions may be waived at the absolute discretion of the Board (unless such waiver is excluded by the terms of the Award).

Default vesting conditions if none specified in an Offer

- 7.3 If vesting conditions or other vesting events are not specified in an Offer and the Offer does not expressly state to the effect that no vesting conditions apply, the following Vesting Conditions apply to any Options, Performance Rights or Loan Shares offered under the Plan:
 - (a) the Awards only vest if at the applicable vesting date the Participant either:
 - (i) remains employed with a Group Member, continues to provide consulting services to a Group Member or acts as a director of a Group Member (as applicable); or
 - (ii) ceased to do so before the applicable vesting date in circumstances where the person was a Good Leaver; and
 - (b) the Awards vest in equal one-third tranches on the first, second, and third anniversaries of the grant date of the Awards (or of another date specified in the Offer for this purpose).

Automatic Exercise

- 7.4 Unless clause 7.5 applies, the vesting of an Award on the satisfaction of any Vesting Conditions will not automatically trigger the exercise of the Award.
- 7.5 The terms of an Award which has a nil Exercise Price may provide for the Award to be exercised automatically upon vesting. Further, and whether or not the terms of the Award provide for it, the Board may in its discretion waive any requirement that an issued Award which has a nil Exercise Price be exercised by the Participant. In either case the Company will treat the Award as having been validly exercised on the Vesting Date.

Exercise of Awards

- 7.6 A Participant is, subject to this clause 7, entitled to exercise an Award on or after the

Vesting Date. Any exercise must be for a minimum number or multiple of Shares (if any) specified in the terms of the Offer.

- 7.7 Awards may be exercised by the Participant delivering to the Company a notice stating the number of Awards to be exercised together with the Issue Price (if any) for the Shares to be issued.
-

8. Allotment of Shares on exercise or vesting of Awards

Rights attaching to Shares

- 8.1 The Shares issued under this Plan will upon allotment:
- (a) be credited as fully paid;
 - (b) rank equally for dividends and other entitlements where the record date is on or after the date of allotment, but will carry no right to receive any dividend or entitlement where the record date is before the date of allotment;
 - (c) be subject to any restrictions imposed under these Rules, and
 - (d) otherwise rank equally with the existing issued Shares at the time of allotment.

Quotation

- 8.2 If the Company is Listed, then as soon as practicable after the date of the allotment of Shares, the Company will, unless the Board otherwise resolves, apply for official quotation of such Shares on the ASX.

New or existing Shares

- 8.3 The Company may, in its discretion, either issue new Shares or cause existing Shares to be acquired for transfer to the Participant, or a combination of both alternatives, to satisfy the Company's obligations under these Rules.
- 8.4 If the Company determines to cause the transfer of Shares to a Participant, the Shares may be acquired in such manner as the Company considers appropriate, including from a trustee appointed under clause 8.5.

Trustee

- 8.5 The Company may appoint a trustee on terms and conditions which it considers appropriate to acquire and hold Shares, options, or other securities of the Company either on behalf of Participants or for the purposes of this Plan.
-

9. Restricted Awards

Restrictions

- 9.1 A Participant must not sell, transfer, grant a Security Interest over or otherwise dispose of any Restricted Awards, or agree to do any of those things, during the Restriction Period.
- 9.2 The Company may implement any procedures it considers appropriate to ensure that Restricted Awards are not disposed of during the Restriction Period, including applying a holding lock in respect of Shares.
- 9.3 Without limiting its discretions under these Rules, the Board may at any time in its discretion waive or shorten the Restriction Period applicable to an Award.

Bonus issues

- 9.4 If the Company makes a pro rata bonus issue to holders of Restricted Awards, the Shares issued to Participants under the pro rata bonus issue will be subject to the balance of the Restriction Period that applied to the Restricted Awards.

Takeovers and control transactions

- 9.5 If a takeover bid is made to acquire all of the issued Shares of the Company, or a scheme of arrangement, selective capital reduction or other transaction is initiated which has an effect similar to a full takeover bid for Shares in the Company, then Participants are entitled to accept the takeover bid or participate in the other transaction in respect of all or part of their Awards other than Exempt Share Awards notwithstanding that the Restriction Period in respect of such Awards has not expired. The Board may, in its discretion, waive unsatisfied Vesting Conditions in relation to some or all Awards in the event of such a takeover or other transaction.

Personal representatives

- 9.6 If a Participant dies before the end of the Restriction Period, then the legal personal representative of that deceased Participant will have the same rights and benefits and be subject to the same obligations in respect of those Shares as the deceased Participant would have had or been subject to had they survived until the end of the Restriction Period.

10. Hedging unvested Awards

- 10.1 Participants must not enter into transactions or arrangements, including by way of derivatives or similar financial products, which limit the economic risk of holding unvested Awards.
- 10.2 Without limiting clause 10.1, if a Participant is a member of the Company's key management personnel (as defined in the Corporations Act) then the Participant must also observe any additional restrictions imposed by the Corporations Act.

11. Clawback

- 11.1 If in relation to a Participant's Awards:
- (a) the Company or Board waived any Vesting Condition; or
 - (b) the Company or Board determined that a Vesting Condition was satisfied; or
 - (c) clause 7.3(a)(ii) (Good Leaver vesting) applied to the Awards, and it was the case or is later discovered that:
 - (d) a Vesting Condition was not, in fact, satisfied; or
 - (e) the Participant was not, in fact, entitled to the benefit of clause 7.3(a)(ii); or
 - (f) the satisfaction of a Vesting Condition, or the decision of the Company or Board to waive a Vesting Condition, was contributed to by the Participant's fraud, unlawful behaviour, wilful default, or conduct in material breach of the Company's policies and codes of conduct,
- then the Board may determine that:
- (g) all or some of the Awards held by the Participant immediately expire

and are incapable of being exercised; and/or

- (h) the Participant must, or must procure that any relevant third party, immediately on request by the Company transfers any or all Shares issued upon the exercise of the relevant Award on terms, determined by the Company (which may include transferring them for nil consideration), to:
 - (i) the Company in accordance with clause 12; or
 - (ii) to a person, determined by the Board in its discretion; and/or
 - (i) the Participant must pay the Company any:
 - (i) proceeds received from the sale of any Shares issued upon the exercise of the Awards; and
 - (ii) any distributions or dividends paid on Shares issued upon the exercise of the Awards,as a debt due to the Company.
-

12. Share buy-back or transfer

When Shares are bought back or transferred

12.1 Shares held by a Participant may be bought back and cancelled if:

- (a) the Participant elects to transfer Loan Shares to the Company in satisfaction of any outstanding Acquisition Loan under clause 4.4(b);
- (b) an Acquisition Loan has become repayable and either the Participant does not repay the Acquisition Loan in accordance with clause 4.4(a) on the repayment due date or any Vesting Conditions in respect of relevant Loan Shares have not been satisfied at the repayment due date;
- (c) any Vesting Conditions in respect of relevant Loan Shares have not been satisfied by the last date for their satisfaction (if applicable) or have otherwise failed to be satisfied; or
- (d) the circumstances set out in clause 11.1 arise and the Board in its discretion determines that Participant must, or must procure that any relevant third party must transfer any or all Shares issued upon the exercise of a relevant Award.

Buy-back price

12.2 The consideration for a buy-back of Shares is:

- (a) if the buy-back is in respect of Loan Shares, the full satisfaction of any Acquisition Loan provided in connection with the acquisition of those Loan Shares, even if the amount of Acquisition Loan was or has been reduced to nil; or
- (b) if the buy-back is in the circumstances set out in clause 11.1, nil.

How Shares are bought back

12.3 A Participant and the Company must do whatever is necessary or desirable to effect a buy-back or transfer of Shares when required under clause 12. Each Participant

irrevocably appoints the Company and each of its Directors and secretaries from time to time severally as its attorney to sign any document necessary or desirable, and carry out any act, on that Participant's behalf for the purposes of this clause 12.

- 12.4 If the buy-back is in respect of Loan Shares where an Acquisition Loan is outstanding, payment of the amount by the Company under a buy-back of the Loan Share as provided in this clause 12 will be satisfied by being set off and applied against the amount of the Acquisition Loan outstanding in respect of the Loan Share bought back.
- 12.5 If it is impractical to buy back Shares to which this clause 12 applies, or if the Board in its discretion otherwise determines, the Company may, instead of buying back the relevant Shares, direct that they be transferred to a person nominated by the Company. Any transfer under this clause 12.5 will discharge the Participant's Acquisition Loan in the same way as a buy-back would have done if conducted under this clause 12.

13. Adjustments

- 13.1 This clause 13 applies to Options, Performance Rights, and other Awards where the Participant may be entitled to acquire Shares in the future on exercise of the Award.

New issues of shares

- 13.2 A Participant is not entitled to participate in a new issue of Shares or other securities made by the Company to holders of its Shares without exercising the Awards, or unless the applicable Loan Shares or other Shares comprising the Award are on issue, before the record date for the relevant new issue.

Bonus issues

- 13.3 If, prior to the exercise of an Award, the Company makes a pro-rata bonus issue to the holders of its Shares, and the Award is not exercised prior to the record date in respect of that bonus issue, the Award will, when exercised, entitle the holder to one Share plus the number of bonus shares which would have been issued to the holder if the Award had been exercised prior to the record date.

Other reorganisations of capital

- 13.4 If, prior to the exercise of an Award, the Company undergoes a reorganisation of capital (other than by way of a bonus issue or issue for cash) the terms of the Awards of the Participant will be changed to the extent necessary to comply with the Listing Rules as they apply at the relevant time.

General

- 13.5 Unless otherwise permitted by the Listing Rules, the number of Shares which the Participant is entitled to receive on exercise of an Award will only be adjusted in accordance with this clause 13.
- 13.6 The Company must give notice to Participants of any adjustment to the number of Shares which the Participant is entitled to receive on exercise of an Award in accordance with the Listing Rules.

14. Termination benefits

- 14.1 This clause 14 applies to any benefit which may be required to be provided by

any Group entity (**Benefit**). This clause 14 applies notwithstanding, and prevails over, any other provision of this Plan, an Offer, Award or other agreement or arrangement.

- 14.2 No person will be entitled to any Benefit in connection with any person's cessation of Employment to the extent that the giving of the Benefit would give rise to a breach of Part 2D.2 of the Corporations Act, any other provision of the Corporations Act, or any other applicable law which limits or restricts the giving of such Benefits (**Limiting Legislation**).
- 14.3 If any Limiting Legislation limits the amount of the Benefit, or the amount of the Benefit that may be given without obtaining shareholder approval, the Benefit is capped at that amount and no further Benefit is required to be provided to the relevant person. The Group may reduce any Benefit in such manner as it determines appropriate to ensure compliance with Limiting Legislation and so that shareholder approval does not need to be obtained. No Group entity is required to seek or obtain the approval of its shareholders for the purpose of overcoming any limitation or restriction imposed by any Limiting Legislation.

15. Tax compliance

Taxes and withholding

- 15.1 The Company is not responsible for any taxes which may become payable by a Participant in connection with the issue or transfer of Awards, the issue, transfer or allocation of Shares, or any other dealing by a Participant with such Awards or Shares including the payment of any cash amount. Participants are solely responsible for all such amounts.
- 15.2 Where a Group entity, or a trustee appointed under these Rules, must account for any tax or social security contributions (in any jurisdiction) for which a Participant may be liable because of the issue or transfer of Shares, payment of cash, or the vesting or exercise of an Award (the **Amount**), the entity or trustee may in its discretion:
- (a) withhold up to the Amount from any cash payment; and/or
 - (b) withhold a number of Shares which would otherwise be provided to the Participant and sell them in order to realise the Amount (with any excess received over the Amount net of costs of sale being paid to the Participant).

The entity or trustee may also, either instead of or in addition to exercising the above discretion:

- (c) accept payment from the Participant of the relevant Amount; or
- (d) make acceptable arrangements with the Participant for the Amount to be made available.

Tax reporting

- 15.3 Participants acknowledge that the Company may have reporting obligations in relation to participation in the Plan. Participants authorise the Company to provide information regarding their participation in the Plan, and any related personal or financial information, to any tax authority or other government agency (in any jurisdiction) to the extent required by law, or by the official policy of the tax authority or a government agency.

16. Power of attorney

- 16.1 In consideration of the issue of the Awards, each Participant irrevocably appoints each director and the secretary for the time being of the Company severally as his or her attorney, to do all acts and things and to complete and execute any documents, including share transfers, in his or her name and on his or her behalf that may be convenient or necessary for the purpose of giving effect to the provisions of these Rules or the terms of an Award.
- 16.2 The Participant (or after his or her death, his or her legal personal representative) will be deemed to ratify and confirm any act or thing done under this power and must indemnify the attorney in respect of doing so.

17. Powers of the Board

- 17.1 The Plan will be administered by the Board, or a committee of the Board, which will have an absolute discretion to:
- (a) determine appropriate procedures for administration of the Plan consistent with these Rules;
 - (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan or these Rules;
 - (c) delegate to any one or more persons, for such period and on such conditions as they may determine, the exercise of any of their powers or discretions under the Plan or these Rules;
 - (d) formulate special terms and conditions (subject to the Listing Rules), in addition to those set out in these Rules to apply to Participants employed and/or resident in and/or who are citizens of countries other than Australia. Each of these special terms and conditions will be restricted in their application to those Participants employed and/or resident in and/or who are citizens of other jurisdictions; and
 - (e) amend these Rules, provided that such amendments do not materially prejudice the rights of existing Participants except where the amendment is made primarily:
 - (i) for the purpose of complying with a law which affects the Group, a Participant, or Awards;
 - (ii) for the purpose of complying with the Listing Rules; or
 - (iii) to correct any manifest error or mistake.
- 17.2 While the Company is Listed, the Board may only exercise its powers in accordance with the Listing Rules.

18. Commencement, suspension, termination and amendment of Plan

- 18.1 Subject to the passing of any necessary resolution approving the establishment of the Plan and the issue of the Awards, the Plan will take effect when the Board

decides.

- 18.2 The Plan may be suspended, terminated or amended at any time by the Board, subject to any resolution of the Company required by the Listing Rules.
-

19. General provisions

Bound by Constitution and Securities Trading Policy

- 19.1 Participants who are issued or who exercise Awards under this Plan are deemed to agree to be bound by these Rules, the Constitution, and by any Securities Trading Policy (by whatever name called), as each of those documents is in force from time to time.

Notices

- 19.2 Any notice required to be given by the Company to a Participant or any correspondence to be made between the Company and a Participant may be given or made by the Board or its delegate on behalf of the Company.
- 19.3 Any notice to be given by the Company may be given by email, and any reference to the Company giving or providing information or documents in writing includes doing so by email.

Effect on employee entitlements

- 19.4 Participation in the Plan does not affect an Employee's terms of employment or appointment with the Group. In particular, participation in the Plan does not detract from any right the Group may have to terminate the employment or appointment of an Employee.
- 19.5 Participation in the Plan, or the issuing of any Awards, does not form part of the Employee's remuneration for the purposes of determining payments in lieu of notice of termination of employment, severance payments, leave entitlements, or any other compensation payable to an Employee upon the termination of employment.
- 19.6 Participation in the Plan, or receipt of an Offer, does not confer on any person any expectation to receive an Offer in the future, or an expectation of benefits in lieu of participation in the Plan, even if participation is offered repeatedly.

Governing law and jurisdiction

- 19.7 These Rules are governed by and are to be construed in accordance with the laws of the State of Queensland and each Participant submits to the non-exclusive jurisdiction of the Courts of Queensland.



Australian Pacific Coal

ABN 49 089 206 986

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Australian Pacific Coal Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138



ALL ENQUIRIES TO

Telephone: +61 1300 554 474

PROXY FORM

I/We being a member(s) of Australian Pacific Coal Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy (an email will be sent to your appointed proxy with details on how to access the virtual meeting)

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **10:00am (AEST) on Friday, 30 July 2021 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in online at <https://agmlive.link/AQC21> (refer to details in the Virtual Meeting Online Guide).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒.

Resolutions

- 1 Approval of transactions with Trepang Services Pty Ltd, the Trepang Associates or any of them under Listing Rule 10.1.
- 2 Approval of Employee Incentive Plan.
- 3 Issue of Performance Rights to Mr Tony Lalor.
- 4 Issue of Performance Rights to Mr David Conry.

For Against Abstain*

☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the Shareholder. If a joint holding, all Shareholders must sign. If signed by the Shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

ACQ PRX2101N

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's security register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your Shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. A proxy need not be a Shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your Shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of Shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's security registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of Shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all Shareholders must sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting Virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at vote@linkmarketservices.com.au prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (AEST) on Wednesday, 28 July 2021**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Shareholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Australian Pacific Coal Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)

Virtual Meeting Online Guide

Before you begin

Ensure your browser is compatible.
Check your current browser by going to the website: **whatismybrowser.com**

Supported browsers are:

- Chrome – Version 44 & 45 and after
- Firefox – 40.0.2 and after
- Safari – OS X v10.9 & OS X v10.10 and after
- Internet Explorer 9 and up

To attend and vote you must have your securityholder number and postcode.

Appointed Proxy: Your proxy number will be provided by Link before the meeting.

Please make sure you have this information before proceeding.

Virtual Meeting Online Guide



Step 1

Open your web browser and go to <https://agmlive.link/AQC21> and select the relevant meeting.

Step 2

Log in to the portal using your full name, mobile number, email address, and company name (if applicable).

Please read and accept the terms and conditions before clicking on the blue **'Register and Watch Meeting'** button.

- On the left – a live video webcast of the Meeting
- On the right – the presentation slides that will be addressed during the Meeting
- At the bottom – buttons for 'Get a Voting Card', 'Ask a Question' and a list of company documents to download

Note: If you close your browser, your session will expire and you will need to re-register. If using the same email address, you can request a link to be emailed to you to log back in.

1. Get a Voting Card

To register to vote – click on the 'Get a Voting Card' button.

This will bring up a box which looks like this.

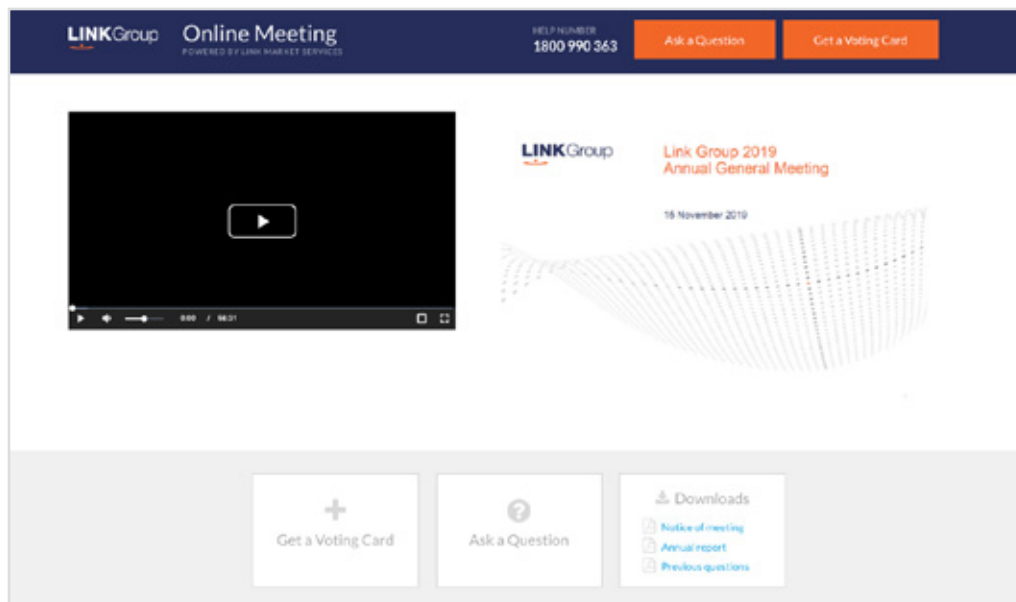
A screenshot of the 'Voting Card' registration form. The form is titled 'Voting Card' and includes a sub-header 'Please provide your Shareholder or Proxy details'. It is divided into two sections: 'SHAREHOLDER DETAILS' and 'PROXY DETAILS'. The 'SHAREHOLDER DETAILS' section includes fields for 'Shareholder Number' and 'Post Code', a checkbox for 'Outside Australia', and a red button labeled 'SUBMIT DETAILS AND VOTE'. The 'PROXY DETAILS' section includes a field for 'Proxy Number' and a red button labeled 'SUBMIT DETAILS AND VOTE'. A small 'OR' button is located between the two sections.

If you are an individual or joint securityholder you will need to register and provide validation by entering your securityholder number and postcode.

If you are an appointed Proxy, please enter the Proxy Number issued by Link in the PROXY DETAILS section. Then click the **'SUBMIT DETAILS AND VOTE'** button.

Once you have registered, your voting card will appear with all of the resolutions to be voted on by securityholders at the Meeting (as set out in the Notice of Meeting). You may need to use the scroll bar on the right hand side of the voting card to view all resolutions.

Securityholders and proxies can either submit a Full Vote or Partial Vote.



Voting Card

Please complete your vote by selecting the required voting instruction (For, Against or Abstain) for each resolution. If you would like complete a partial vote, please specify the number of votes for each resolution in the Partial Vote section. Proxy holder votes will only be applied to discretionary (undirected) votes. Directed votes will be applied as per the Unitholder's voting instructions.

Full Vote **Partial Vote**

Resolution 2B ☐ For ☐ Against ☐ Abstain
RE-ELECTION OF MR. ABC AS A DIRECTOR

Resolution 2C ☐ For ☐ Against ☐ Abstain
RE-ELECTION OF MS. XYZ AS A DIRECTOR

Resolution 3 ☐ For ☐ Against ☐ Abstain
INCREASE TO DIRECTORS' MAXIMUM FEE POOL LIMIT

Resolution 4 ☐ For ☐ Against ☐ Abstain
ADOPTION OF REMUNERATION REPORT

SUBMIT VOTE

Full Votes

To submit a full vote on a resolution ensure you are in the **'Full Vote'** tab. Place your vote by clicking on the **'For'**, **'Against'**, or **'Abstain'** voting buttons.

Partial Votes

To submit a partial vote on a resolution ensure you are in the **'Partial Vote'** tab. You can enter the number of votes (for any or all) resolution/s. The total amount of votes that you are entitled to vote for will be listed under each resolution. When you enter the number of votes it will automatically tally how many votes you have left.

Note: If you are submitting a partial vote and do not use all of your entitled votes, the un-voted portion will be submitted as No Instruction and therefore will not be counted.

Once you have finished voting on the resolutions scroll down to the bottom of the box and click on the **'Submit Vote'** or **'Submit Partial Vote'** button.

Note: You can close your voting card without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **'Not yet submitted'** will appear at the bottom of the page.

You can edit your voting card at any point while voting is open by clicking on **'Edit Card'**. This will reopen the voting card with any previous votes made.

Once voting has been closed all voting cards will automatically be submitted and cannot be changed.

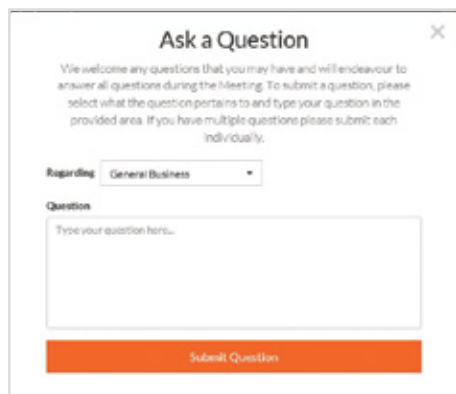
At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide windows advising the remaining voting time. Please make any changes and submit your voting cards.

2. How to ask a question

Note: Only securityholders are eligible to ask questions.

You will only be able to ask a question after you have registered to vote. To ask a question, click on the 'Ask a Question' button either at the top or bottom of the webpage.

The '**Ask a Question**' box will then pop up with two sections for completion.

A screenshot of a web-based 'Ask a Question' form. The title 'Ask a Question' is at the top with a close button (X). Below the title is a welcome message: 'We welcome any questions that you may have and will endeavour to answer all questions during the Meeting. To submit a question, please select what the question pertains to and type your question in the provided area. If you have multiple questions please submit each individually.' There is a 'Regarding:' section with a dropdown menu currently set to 'General Business'. Below this is a 'Question' section with a text input field containing the placeholder 'Type your question here...'. At the bottom is an orange button labeled 'Submit Question'.

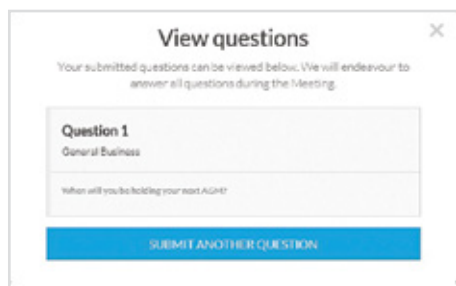
In the '**Regarding**' section click on the drop down arrow and select the category/resolution for your question.

Click in the '**Question**' section and type your question and click on 'Submit'.

A '**View Questions**' box will appear where you can view your questions at any point. Only you can see the questions you have asked.

If your question has been answered and you would like to exercise your right of reply, you can submit another question.

Note that not all questions are guaranteed to be answered during the Meeting, but we will do our best to address your concerns.

A screenshot of a web-based 'View questions' box. The title 'View questions' is at the top with a close button (X). Below the title is a message: 'Your submitted questions can be viewed below. We will endeavour to answer all questions during the Meeting.' There is a section for 'Question 1' with the category 'General Business' and the text 'When will you be holding your next AGM?'. At the bottom is a blue button labeled 'SUBMIT ANOTHER QUESTION'.

3. Downloads

View relevant documentation in the Downloads section.

Voting closing

Voting will end 5 minutes after the close of the Meeting.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide screens advising the remaining voting time. If you have not submitted your vote, you should do so now.

At the close of the meeting any votes you have placed will automatically be submitted.

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