ASX RELEASE

Acacia Coal

1 May 2017

Pre-Feasibility Study Demonstrates Significant Potential of the Riversdale Anthracite Project

Acacia Coal (ASX: AJC) is pleased to announce that a Pre-Feasibility Study has found that its flagship Riversdale Anthracite Colliery (RAC) Project in South Africa (AJC:74%) will generate strong financial returns for shareholders. A copy of the Executive Summary of the Pre-Feasibility Study and of the most recent Resource Statement is attached.

Study Parameters – Cautionary Statements:

The Study referred to in this announcement is based on technical and economic assessments to a ±15% accuracy level. All figures, projections and assumptions are stated on the basis of a 100% owned Project, and it is noted that Acacia Coal Ltd holds a 74% share in the project, with the remainder held by African Onca Pty Ltd.

The PFS is at a lower confidence level than a Feasibility Study and is based only on the Measured and Indicated Resources established at the time of reporting. These do not by themselves provide certainty that the conclusions of the PFS will be realised. The PFS includes a financial analysis based on reasonable assumptions on the Modifying Factors, among other relevant factors. Further, given that the financial analysis in the PFS is conceptual in nature and contains an inherent level of uncertainty, investors should not make their investment decision based solely on the information contained herein.

The study was based upon Measured and Indicated Resources reported in April 2017 in accordance with the JORC 2012 code, and a copy of the ASX announcement ("Updated RAC JORC 2012 Resource" dated 19th April 2017) is attached as an appendix to this announcement. The proportions of these resources underpinning the production target are 24.06% of Total Resources or 2.901 million tonnes in Measured category, and 62.20% of Total Resources or 5.923 million tonnes in the Indicated category. There is no certainty that further exploration work will result in the conversion of additional Measured, Indicated and Inferred Mineral Resources to Ore Reserves, or that the production target itself will be realised.

JORC Modifying factors have been applied to the mining studies, processing and marketing studies, and environmental baseline studies which have been extensively analysed and documented in a Pre-Feasibility Study conducted by independent consultants. An application for an Integrated Water Use Licence will be lodged with the responsible regulator during May 2017. The Company has concluded it has a reasonable basis for providing the forward looking statements included in this announcement and expects it will be able to fund the development of the Project. All material assumptions on which the production target and forecast financial information derived from the production target are based are set out in the Executive Summary of the Pre-Feasibility Study attached to this announcement.

Competent Persons Statement

The information contained in this announcement relating to exploration results and mineral resources was previously announced to ASX by the Company on 19th April 2017 in an announcement titled "Updated RAC JORC 2012 Resource" (Previous Announcement) with the written consent of Mr Peet Meyer (Competent Person). The Company is not aware of any new information or data that materially affects the information included in the Previous Announcement. The Company confirms the material assumptions and technical parameters underpinning the mineral resource estimates in the Previous Announcement continue to apply and have not materially changed. The Company also confirms that the form and context in which the Competent Person's findings are presented have not been materially modified.

Highlights:

- ✓ **Study forecasts free operating cash-flow after tax averaging \$14.5m a year based on an initial 8 year mine life with potential for further increases**
- ✓ **NPV_{10} of A\$73m and IRR of 53% (ungeared and post-tax and royalties)**
- ✓ **Capital payback period of 2.70 years**
- ✓ **The anthracite, a form of premium metallurgical coal, will become a strategic supplier to nearby ferrochrome manufacturers, including Glencore and Samancor, due to extremely low contaminants and declining inventories and production rates in the South African metallurgical coal industry**
- ✓ **Forecast initial development capital of just A\$24m due to use of an outsourced operating model, with \$7.85m of sustaining capital.**
- ✓ **Study outlines an initial 8 year mine life with average annual sales of 438,000mt of low impurity anthracite, and peak annualised sales of 540,000mt**
- ✓ **Post-tax and royalty margins of \$34.40/t based on an average selling price of A\$125.1/mt and a nett 6% royalty rate**
- ✓ **PFS based on the Measured and Indicated Resources reported in April 2017**
- ✓ **Additional drilling planned during Feasibility Study commencing July 2017**
- ✓ **Non-binding Letter of Intent already received from major ferrochrome trader and consumer; discussions have commenced on the potential for binding off-take agreements and related project finance**

Overview

The study shows that the RAC Project is estimated to cost just \$24 million to build on an outsourced operational model, with sustaining capital of \$7.85m and is forecast to generate an average 438,000mt of sales per annum for an initial 8 year mine life.

Based upon an average selling price of A\$125.1/tonne FCA mine gate and an effective 6% royalty rate, the project study demonstrates a cash margin after tax of A\$34.40/t.

This will enable the RAC project to generate free operating cash-flow after tax averaging A\$14.5m over the initial 8 year mine life.

The PFS found that these outstanding financial parameters would result in an outstanding internal rate of return of 53% and underpin a Net Present Value at a 10% discount rate (NPV_{10}) for the Project of \$73 million.

Acacia Managing Director Hugh Callaghan said the combination of the extremely high quality nature of the RAC coal and the declining inventory of metallurgical coal in South Africa was at the heart of the project's strong outlook.

Metallurgical test work conducted as part of the PFS found the RAC coal was ideal for use in South Africa's ferrochrome industry, which is struggling to source sufficient quantities of low phosphorus and low sulphur anthracite.

Mr Callaghan said these factors were responsible for the strong price environment which, when coupled with RAC's low costs, would enable the project to enjoy robust margins.

"The PFS shows that the RAC project ticks every box, ranging from a premium-quality product through to low costs and strong margins," he said.

"The project is ideally placed to capitalise on the strong supply-demand fundamentals in the South African premium metallurgical coal market.

"There is also encouraging potential to grow the mine life with further drilling of both the Gus and Alfred Seams."

RAC Project

The PFS, led by VBkom, a mining engineering consultancy based in Centurion, South Africa, examined all aspects of geology, mining, processing and supporting infrastructure at market prices for anthracite, to a nominal accuracy of ±15%. Specialist studies were undertaken on particular matters that fall within this rubric.

The study evaluated the technical and economic viability of various underground development scenarios. Processing options were considered in the context of the various mining scenarios to optimise both throughput capacity, utilisation and mineralised feed flexibility to enhance metallurgical outcomes.

The trade-off and detailed optimisation studies delivered an optimal development scenario of an average 60,000mt (metric tonnes) per month mining operation using conventional mining in a bord-and-pillar configuration, using contractor-run operations, but where 70% of the equipment fleet is provided by Acacia.

The Project is expected to deliver an average saleable coal production of 438,000mt per annum over an initial eight-year mine life at a post-tax and royalty margin of A$34.40 per saleable tonne.

The project economics were based only upon that inventory of anthracite falling within the Measured and Indicated categories of the declared Mineral Resources reported in April 2017 (see Appendix). Total resources of 9.52 million tonnes were reported in accordance with the JORC 2012 code, of which 86% fell into the Measured and Indicated category.

Additional drilling is planned during the Feasibility Study commencing in July 2017, with the intention of raising the confidence levels of resources in the Gus Seam, and evaluating the potential for the Alfred Seam to be brought into a resource classification.

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Key Economic Assumptions (A$/ZAR10.00)

The project economics demonstrate outstanding returns based on an initial mine life of 8 years, based upon anthracite contained in Measured and Indicated Resources reported in April 2017. While there is no certainty that any resources may be converted to Ore Reserves, it is the Company's intention to pursue this objective.

The economic analysis has been based upon an ungeared funding model and assumes that offtake agreements will be finalised prior to the funding of the mine. A non binding letter of intent to purchase the production has already been received from a major trader and producer of ferrochrome and discussions about securing a binding offtake agreement have commenced

The Directors and Officers of Acacia Coal have substantial relevant experience in management of projects and public mining companies and have a demonstrable history of raising equity capital in sums sufficient to fund the Riversdale project. The Directors are confident that equity capital will be secured based upon their demonstrated history and on their discussions with capital market participants.

Key Operating Parameters

Year	2018	2019	2020	2021	2022	2023	2024	2025	Total
Primary Mining ROM (kt)	83	755	708	689	689	703	651	209	4 485
Secondary Mining ROM (kt) (Pillar Extraction)	-	71	170	145	160	198	198	600	1 542
Total ROM (kt)	**83**	**826**	**877**	**834**	**849**	**901**	**849**	**808**	**6 027**
Prod Ton (kt)*	47	482	512	476	508	546	458	480	3 509
Effective Yield (After handpicking)	68%	69%	69%	65%	68%	68%	62%	67%	67%

Notes

1. **Run of Mine is sourced from anthracite contained in Measured and Indicated Resources**
2. **The Effective Yield of 67% to a 16% ash (air dried) product reflects all coal losses associated with mining, handling, processing and other sources of contamination or degradation. This compares with a theoretical yield of 85% reported in the April 2017 Resource Statement**

Capital Assumptions

CAPEX - TOTAL		INSOURCE	OUTSOURCE	VARIANCE
Feasibility Study	$m	1.05	1.05	-
Capex - Mining	$m	31.93	21.95	-9.98
Capex - Process	$m	11.19	-	-11.19
Capex - Infrastructure	$m	9.25	9.25	-
Total Capex	**$m**	**53.42**	**32.25**	**-21.17**

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Note that the preferred and selected outsourced capital model selected includes sustaining capital of $7.85m, and that initial development capital required is forecast at $24.4m.

CAPEX - MINING		INSOURCE	OUTSOURCE	VARIANCE
Site preparation	$m	0.22	0.22	-
Mining face & stone work equipment	$m	16.69	11.69	-5.01
Portal to crusher equipment	$m	2.47	2.47	-
Force fans ventilation	$m	0.55	0.55	-
Adit/Highwall establishment	$m	0.28	0.28	-
Surface conveyor structure & belting	$m	0.74	0.74	-
Site establishment - main development	$m	1.01	1.01	-
Site establishment - section development	$m	2.58	2.58	-
Production equipment & ancillary	$m	1.29	1.29	-
Back Bye equipment & ancillary	$m	0.77	0.77	-
Haul road construction	$m	3.30	-	-3.30
Support vehicles	$m	0.54	0.38	-0.16
Sustaining capital	$m	1.51	-	-1.51
Capex - Mining	**$m**	**31.93**	**21.95**	**-9.98**

CAPEX - PROCESS		INSOURCE	OUTSOURCE	VARIANCE
ROM Section	$m	2.89	-	-2.89
200tph HM Cyclone Plant	$m	2.61	-	-2.61
Spiral Plant	$m	0.80	-	-0.80
15m Thickener & Filter Press	$m	3.16	-	-3.16
Discard Bin	$m	0.19	-	-0.19
Product & Discard Rehandling	$m	1.00	-	-1.00
Sustaining capital	$m	0.53	-	-0.53
Capex - Process	**$m**	**11.19**	**-**	**-11.19**

CAPEX - INFRASTRUCTURE		INSOURCE	OUTSOURCE	VARIANCE
Site clearance	$m	0.08	0.08	-
Earthworks	$m	0.73	0.73	-
Roads and parking	$m	0.15	0.15	-
Stormwater drainage	$m	0.38	0.38	-
Evaporation pond, silt trap and discard dump	$m	1.65	1.65	-
Potable water	$m	0.10	0.10	-
Fire water	$m	0.13	0.13	-
Process water	$m	0.85	0.85	-
Sewerage	$m	0.07	0.07	-
Fencing	$m	0.28	0.28	-
Electrical installation	$m	3.33	3.33	-
Buildings and structures	$m	0.89	0.89	-
Telecoms and lamp room consumables	$m	0.12	0.12	-
Maintenance tools and equipment	$m	0.05	0.05	-
Sustaining capital	$m	0.44	0.44	-
Capex - Infrastructure	**$m**	**9.25**	**9.25**	**-**

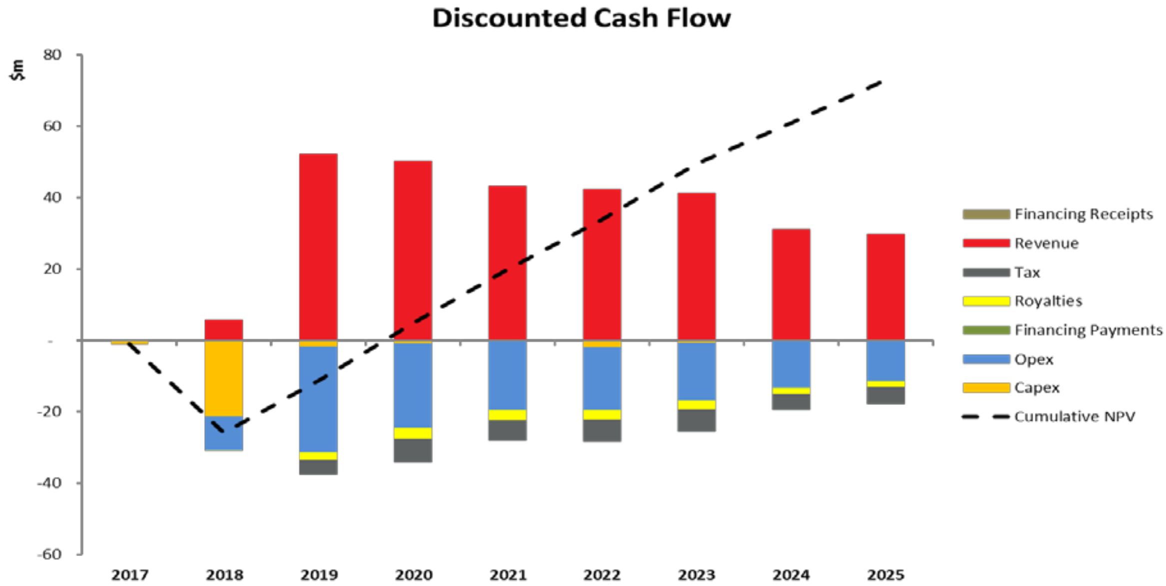
The outsourced business model is enabled by a focus on contractor mining and processing to reduce capital, with a number of interested washing plant operators able to provide BOOT (Build-Own-Operate-Transfer) options for plant operations. The region in which the RAC project is located has a few mining contractors with the requisite skills and experience to provide an outsourced mining operation.

Financial Assumptions

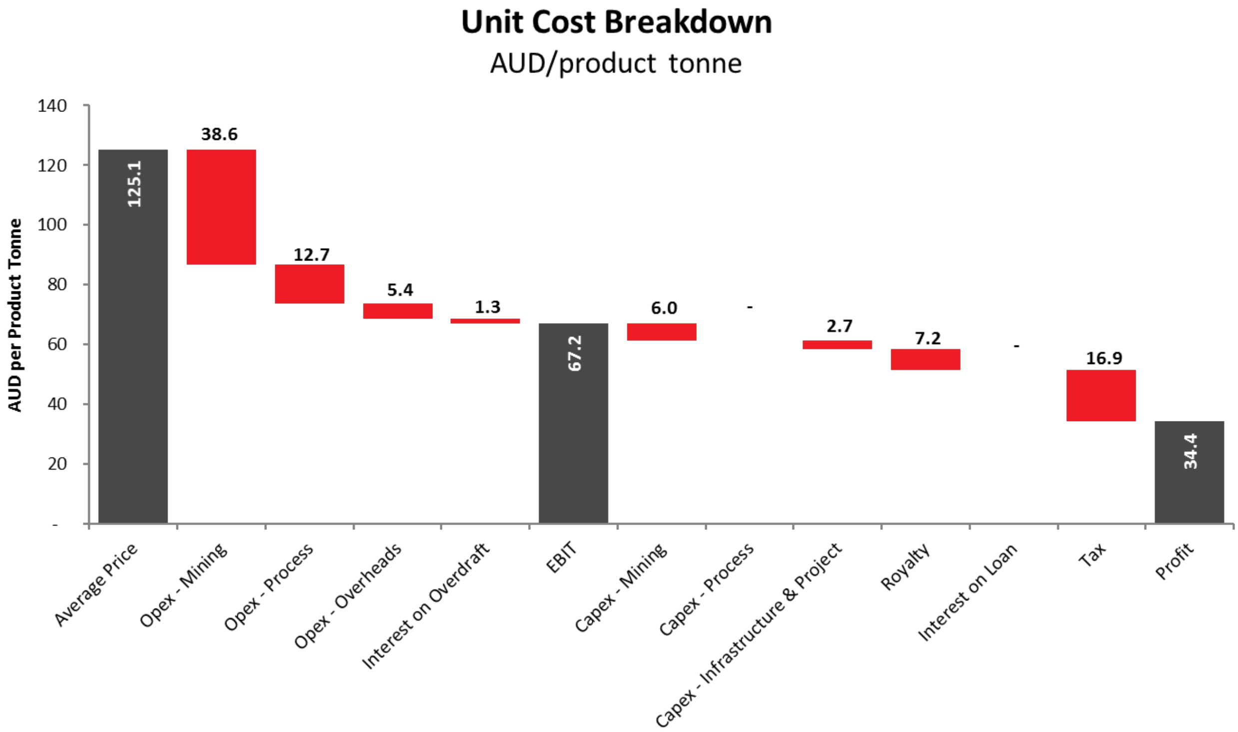
On a 100% owned basis (AJC:74%), and based upon a post-tax ungeared project assumption, the project demonstrates outstanding financial returns under a financial model assembled by VbKom at the conclusion of the Pre-Feasibility Study

NPV_{10}	$73m
IRR	53%
ROI	29.15%
Payback Period	2.70 years
Development Capital	$24m

Sustaining Capital	$7.85m
Tonnes Mined	6.03m
Tonnes Sold	3.51m



Note: The Price Assumptions of an average price for anthracite sold at A$125.1m on an FCA basis ex mine gate is derived from analysis conducted by external experts in partnership with in-house marketing expertise, and have included allowances for quality premiums,, premiums for specific sizing fractions, value- in-use assessments of the product and transport advantages relative to competitors.



Next Steps

The Company will submit the Integrated Water Use Licence application during May 2017 and, based on discussions to date, would expect to receive this final outstanding regulatory approval in mid-2018.
The company will commence with a Feasibility Study in July 2017, the key components of which will comprise additional drilling, further and detailed design work, and the

finalisation of contracts for key equipment and services, binding off-take agreements and project finance.

For further details, contact

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