

11 September 2017

CORPORATE UPDATE

Acacia Coal Limited (“AJC”) recently completed and announced to the market a successful Pre-Feasibility Study over the Riversdale Anthracite Colliery project (see ASX announcement 1st May 2017 – “Riversdale Anthracite Project Pre-Feasibility Statement”).

This study was completed to a $\pm 15\%$ level of accuracy and demonstrated an ungeared post-tax IRR of 53% and an NPV₁₀ of A\$73m.¹ The project economics surpass expectations from the due diligence review at the time of the transaction to secure the right to acquire the project from Coalvent in October 2016. Current prices for the low impurity anthracite are higher than those used in the study, and discussions with potential offtake partners confirm the strong demand for the product.

In June 2017 the South African Government announced a revision to the Mining Charter, which, *inter alia*, requires the proportion of a project to be held by Black Economic Empowerment interests to rise to 30% from a current level of 26%. Following immediate legal action taken by interested and affected parties, the implementation of the new Charter has been suspended pending the results of legal proceedings, and the outcome of this process is uncertain.

AJC is considering how best to fund the Bankable Feasibility Study, vendor payments and project planning to take the project to the point of project financing. A number of options are being considered, among which include working with Coalvent to identify funding at a subsidiary or project level to progress the project. A number of discussions are in progress.

In the interim AJC is taking all necessary steps to curtail further expenditures, pending the outcome of this process.

For further details, contact

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¹ The material assumptions underpinning this information continue to apply and have not materially changed.