

ACACIA COAL LIMITED

ACN 009 092 068

NON-RENOUNCEABLE RIGHTS ISSUE OFFER DOCUMENT

A non-renounceable pro rata fully underwritten offer of New Shares at an issue price of \$0.003 each on the basis of 1 New Share for every 2 Shares held on the Record Date to raise up to approximately \$1.56 million.

This document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares being offered by this document.

THE OFFER IS CURRENTLY SCHEDULED TO CLOSE AT 5.00PM WST ON 11 NOVEMBER 2016

VALID APPLICATION FORMS MUST BE RECEIVED BEFORE THAT TIME.

Please read the instructions in this Rights Issue Offer Document and on the Entitlement and Acceptance Form regarding the acceptance of Shares under the Offer.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL FINANCIAL ADVISER BEFORE DECIDING TO ACCEPT OR DECLINE THE OFFER.

THE SHARES OFFERED BY THIS RIGHTS ISSUE OFFER DOCUMENT SHOULD BE CONSIDERED SPECULATIVE IN NATURE.

IMPORTANT INFORMATION

This Rights Issue Offer Document is dated 24 October 2016. No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Rights Issue Offer Document. Any information or representation not so contained may not be relied on as having been authorised by Acacia in connection with the Offer.

Eligibility

Applications for New Shares by Eligible Shareholders can only be made on the original Entitlement and Acceptance Form, as sent with this Rights Issue Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

Privacy

Acacia collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the application and, if the application is successful, to administer the Applicant's security holding in Acacia.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that Acacia may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes in this privacy disclosure statement and may disclose it for those purposes to the share registry, Acacia's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities. If you do not provide the information required on the Entitlement and Acceptance Form, Acacia may not be able to accept or process your application.

An Applicant has a right to gain access to the information that Acacia holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to Acacia's registered office.

Overseas Shareholders

No Offer will be made to Shareholders resident outside Australia and New Zealand.

This Rights Issue Offer Document and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Rights Issue Offer Document. The distribution of this Rights Issue Offer Document in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Rights Issue Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

New Zealand

The Offer is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

Notice to nominees and custodians

Nominees and custodians may not distribute any part of this Rights Issue Offer Document or any Entitlement and Acceptance Form in any country outside Australia and New Zealand, except in such other country as the Company may determine it is lawful and practical to make the Offer. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

This document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares being offered by this document.

This document has been prepared in accordance with section 708AA of the Corporations Act and applicable ASIC Class Order 08/35 which in general terms, permits certain companies to undertake entitlement offers without being required to use or provide to shareholders a prospectus or other disclosure document.

1. Details of Offer

1.1 Offer

Pursuant to this Rights Issue Offer Document, Acacia is making a non-renounceable pro-rata offer of Shares to Eligible Shareholders on the basis of 1 New Share for every 2 Shares held at the Record Date, each at an issue price of \$0.003 (**Offer**). Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a Share, such fraction will be rounded down to the nearest whole Share.

The Offer is fully underwritten by Argonaut Capital Limited (**Underwriter**).

As at the Record Date, Acacia will have on issue approximately 1,039,356,112 Shares (as a result of the Placement as described below). The Company expects that up to approximately 519,678,056 New Shares will be issued under the Offer to raise approximately \$1,559,034 (before costs of the Offer).

Prior to the Record Date, the Company intends to proceed with an issue of Shares by way of a placement to sophisticated and professional investors (for the purposes of section 708 of the Corporations Act) to allow the Company to raise up to approximately \$406,704 before costs (**Placement**).

The Placement comprises of an offer of approximately 135,568,188 Shares made at an issue price of \$0.003 per Share under the Company's placement capacity pursuant to Listing Rule 7.1. Shareholder approval is consequently not required in order to make the Placement offer.

The Placement is not being offered pursuant to this Rights Issue Offer Document.

The combined gross proceeds of the Placement and the Offer will be approximately \$1.97 million which will be used to pay the costs of the Placement and the Offer as well as for:

- (a) the costs associated with due diligence on and the advancement of the Riversdale Anthracite Colliery (**RAC**), a premier anthracite project in South Africa;
- (b) subject to the Company proceeding with the acquisition of the RAC, additional planned expenditure on the RAC;
- (c) planned expenditure on the Company's Comet Ridge Coal Project; and
- (d) general working capital purposes.

Acacia will accept Entitlement and Acceptance Forms until 5.00pm WST on the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the ASX Listing Rules.

Your Entitlement is shown on the personalised Entitlement and Acceptance Form accompanying this Rights Issue Offer Document. You may accept the Offer only by applying for Shares on the Entitlement and Acceptance Form.

Acceptances must not exceed your entitlement as shown on the Entitlement and Acceptance Form, although you may accept for all or only part of your Entitlement. If your acceptance

exceeds your Entitlement, acceptance will be deemed to be for your maximum Entitlement and any surplus application monies will be returned to you.

There will be no Shortfall available under the Offer. (Refer section 1.8).

The Underwriter has the right to issue any New Shares not subscribed for by Eligible Shareholders under the Offer at their discretion pursuant to the Underwriting Agreement. Details regarding the Underwriting Agreement are set out in Section 4.1.

Acceptance of a completed Entitlement and Acceptance Form by Acacia creates a legally binding contract between the Applicant and Acacia for the number of Shares accepted or deemed to be accepted by the Applicant. The Entitlement and Acceptance Form does not need to be signed by the Applicant to be legally binding. The Offer and contract formed on acceptance are governed by the laws of Western Australia.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

Shares offered by this Rights Issue Offer Document are expected to be issued, and security holder statements dispatched, on the date specified in the timetable in Section 1.2.

It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

1.2 Timetable

Lodgment of Offer Document, Appendix 3B and s708AA notice	24 October 2016
Notice to Shareholders	25 October 2016
Existing Shares quoted on an "ex" basis	26 October 2016
Record Date	27 October 2016
Rights Issue Offer Document and Entitlement and Acceptance Form sent to Eligible Shareholders	31 October 2016
Closing Date	11 November 2016
Securities quoted on a deferred settlement basis	14 November 2016
Company to notify ASX of under subscriptions (if any)	16 November 2016
Anticipated date for the issue of the Shares and sending of security holder statements	18 November 2016
Deferred settlement trading ends	18 November 2016

Subject to the ASX Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer. Any extension of the Closing Date will have a consequential effect on the anticipated date for issue of the Shares.

1.3 Use of Funds

It is proposed that the current cash reserves of Acacia and the proceeds raised from the Offer be allocated as follows:

Use of Funds of the Offer	\$
Pre Offer cash available	950,000¹
Funds raised from the Offer and Placement	1,970,000
Total funds available	2,920,000
Transaction and Offer Costs	180,000
Deposit to Rio Tinto & Khulani	340,000
Resource and Reserve Update Costs	68,000
Revised Mine Plan	330,000
BFS, Engineering, Infrastructure and Planning	310,000
Planned expenditure on Comet Ridge Project	100,000
Remaining Working Capital	1,592,000
Payment to Rio Tinto on Section 11 Ministerial Consent	970,000
Remaining Cash	622,000

1. As at 30 June 2016

1.4 No Rights trading

The pro-rata offer of Shares is non-renounceable, which means that Eligible Shareholders may not sell or transfer all or any part of their Entitlement to subscribe for Shares under the Offer.

1.5 ASX quotation

Application will be made to ASX for the Official Quotation of the Shares to be issued under the Offer. If permission is not granted by ASX for the Official Quotation of the Shares to be issued under the Offer, Acacia will repay, as soon as practicable, without interest, all application monies received pursuant to the Offer.

1.6 Risk Factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are described in Section 3.

1.7 Underwriting

The Offer is fully underwritten by the Underwriter on the terms of the Underwriting Agreement. Details regarding the Underwriting Agreement are set out in Section 4.1.

1.8 No Shortfall Offer

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall and will revert to the Underwriter.

Shareholders will not be able to apply for additional Shares.

The Offer is fully underwritten. In the event the Underwriting Agreement is terminated and there is a Shortfall, the Directors reserve the right to place the Shortfall Shares at their discretion.

1.9 Effect of the Offer on control of the Company

The potential effect the Offer will have on each Shareholder's percentage interest in the total issued capital of the Company is as follows:

- (a) If all Eligible Shareholders take up their Entitlement, each Eligible Shareholder's percentage in the total issued Shares of the Company will remain the same and will not be diluted; and
- (b) If some but not all Eligible Shareholders take up their entitlement, and some or all of the Shortfall is taken up under the Shortfall Offer and the Underwriting Agreement, the percentage interest in the total issued Shares of each Eligible Shareholder who does not take up their Entitlement will be diluted and the percentage interest of the total issued Shares of each Eligible Shareholder who does take up their Entitlement will remain the same.

It is not expected that the issue of the New Shares under the Offer will have any material impact on the control of the Company. In particular, no Shareholder will acquire an interest in 20% or more of the issued capital of the Company as a result of the Offer.

Below is a table showing the Company's current capital structure and the capital structure upon completion of the Offer.

	Shares
Balance at the date of this Rights Issue Offer Document	903,787,924
Placement Shares to be issued on 24 October 2016	135,568,188
Pursuant to the Offer	519,678,056
Balance following completion of the Offer	1,559,034,168⁽¹⁾

(1) Assumes all New Shares are issued under the Offer.

1.10 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale price of the Shares on ASX during the three months immediately preceding the date of release of this Offer Document is as follows:

	\$	Date
Highest	0.008	15 October 2016 16 October 2016

Lowest	0.003	19-28 July 2016 3-17 August 2016
Last	0.006	21 October 2016

1.11 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for Shares under this Rights Issue Offer Document. Acacia, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for Shares under this Rights Issue Offer Document.

1.12 Overseas Shareholders

No Offer will be made to Shareholders resident outside Australia and New Zealand. The Company has decided that it is unreasonable to make the Offer to Shareholders outside Australia and New Zealand having regard to the small number of Shareholders with addresses in other jurisdictions, the small number and value of the Shares they hold and the cost of complying with the legal requirements and the requirements of regulatory authorities in those other jurisdictions and the amount to be raised under the Offer.

This Rights Issue Offer Document and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Rights Issue Offer Document. The distribution of this Rights Issue Offer Document in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Rights Issue Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Shareholders resident in Australia and New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

Notwithstanding the above, the Company may (in its absolute discretion) extend the Offer to certain shareholders who have registered addresses outside Australia and New Zealand in accordance with applicable law.

1.13 CHESS and issuer sponsorship

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. All trading on ASX in Shares will be settled through CHESS. ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Rules.

The Company's Registry operates an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. Both these sub-registers constitute the Company's principal register of Shareholders.

Holders of Shares will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored or other participant in CHESS, ASX Settlement will send you a CHESS statement. The CHESS statement will set out the number of Shares issued under this Rights Issue Offer Document, provide details of your holder identification number, and provide the participant identification number of the sponsor and the terms and conditions applicable to the Shares, including a notice to exercise the Shares.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by the Company's Registry and will contain the number of Shares issued to you under this Rights Issue Offer Document and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

1.14 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price of value of its securities.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from its website www.acaciacoal.com or the ASX www.asx.com.au.

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. These reports are released to ASX and published on the Company's and the ASX websites.

This Offer Document (including the Entitlement & Acceptance Form) and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the nonexclusive jurisdiction of the courts of Western Australia.

1.15 Entitlement Offer Notice

The Company has lodged with ASX a notice in accordance with section 708AA of the Corporations Act which sets out, amongst other information, the effect of the Offer on the control of the Company. This notice may be reviewed on the websites of the Company and ASX.

1.16 Enquiries

Enquiries concerning the Entitlement and Acceptance Form can be made by contacting the Company's Registry, Boardroom Pty Limited, by telephone on (02) 9290 9600. The addresses for the Registry are:

Mailing Address

Acacia Coal Limited C/-
Boardroom Pty Limited
GPO Box 3993
SYDNEY, NSW, 2001

Delivery Address

Acacia Coal Limited C/-
Boardroom Pty Limited
Level 12, 225 George Street
SYDNEY, NSW, 2001

General enquires in relation to Acacia can be made to the company secretary by telephone on (08) 9389 2000 and may also be obtained by visiting the Company's website at www.acaciacoal.com.au

2. Action Required

2.1 Acceptance of Shares under this Rights Issue Offer Document

Should you wish to accept all of your Entitlement to Shares, then applications for Shares under this Rights Issue Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Rights Issue Offer Document or by completing a BPAY® payment, in accordance with the instructions referred to in this Rights Issue Offer Document and on the Entitlement and Acceptance Form. Please read the instructions carefully.

If you wish to pay by cheque please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque, in Australian dollars, for the Application Monies indicated on the Entitlement and Acceptance Form, crossed "Not Negotiable" and made payable to "Acacia Coal Limited" and lodged and received at any time after the issue of this Rights Issue Offer Document and no later than 5.00pm (WST) on the Closing Date at the Company's share registry (by post) at:

By Post Boardroom Pty Limited
 GPO BOX 3993, SYDNEY, NSW, 2001

If you wish to pay via BPAY® you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your Entitlement upon receipt of the BPAY® payment by the Company. Eligible Shareholders who elect to pay via BPAY® do not need

to return their completed Entitlement and Acceptance Form. If you elect to pay via BPAY® then your payment must be made before 4.00pm (WST) on the Closing Date. Please read the instructions carefully.

The Company will not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

2.2 If you wish to take up part of your Entitlement

Should you wish to only take up part of your Entitlement, then applications for Shares under this Rights Issue Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Rights Issue Offer Document or by completing a BPAY® payment in respect of the portion of your Entitlement you wish to take up, in accordance with the instructions referred to in this Rights Issue Offer Document and on the Entitlement and Acceptance Form. Please read the instructions carefully.

If you wish to pay by cheque please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of Shares you wish to accept and the Application Monies (calculated at \$0.003 per Share accepted). Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed “Not Negotiable” and made payable to “Acacia Coal Limited” and lodged and received at any time after the issue of this Rights Issue Offer Document and no later than 5.00pm (WST) on the Closing Date at the Company’s share registry (by post) at the address listed in Section 2.1.

If you wish to pay via BPAY® you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your Entitlement upon receipt of the BPAY® payment by the Company. Eligible Shareholders who elect to pay via BPAY® do not need to return their completed Entitlement and Acceptance Form. If you elect to pay via BPAY® then your payment must be made before 4.00pm (WST) on the Closing Date. Please read the instructions carefully.

The Company will not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

2.3 If you do not wish to take up you Entitlement

If you do not wish to accept any of your Entitlement, you are not obliged to do anything and your Entitlement will automatically lapse. In that case, New Shares not accepted by the Closing Date will become Shortfall Shares and you will receive no benefit.

The number of Shares you hold and the rights attaching to those Shares will not be affected should you choose not to accept any part of your Entitlement, however your percentage holding in the capital of Acacia will be diluted.

2.4 Shortfall

Shareholders will not be eligible to apply for Shortfall Shares. All Shortfall Shares will revert to the Underwriter for subscription.

3. Risk Factors

This Section discusses some of the key risks associated with an investment in Shares. A number of risks and uncertainties, which are both specific to Acacia and of a more general nature, may adversely affect the operating and financial performance or position of Acacia, which in turn may affect the value of Shares and the value of an investment in Acacia.

The risks and uncertainties described below are not an exhaustive list of the risks facing Acacia or associated with an investment in Acacia. Additional risks and uncertainties may also become important factors that adversely affect Acacia's operating and financial performance or position.

Before investing in Acacia, you should consider whether an investment in Acacia is suitable for you. Potential investors should consider publicly available information on Acacia (such as that available on the websites of Acacia and ASX), carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

3.1 Specific Risks associated with the Company

(a) **Dilution risk**

A Shareholder's voting power in Acacia will be diluted if the Shareholder does not take up the Shareholder's full Entitlement under the Offer.

(b) **Completion of Acquisition**

On 17 October 2016, the Company announced to ASX that it has entered into a binding agreement to acquire Coalvent Limited (**Coalvent**). Coalvent, through its subsidiary Vryheid Anthracite Collieries (Pty) Ltd, has agreed to acquire a 74% interest in the Riversdale Anthracite Colliery (**RAC**), a premier anthracite coal project in South Africa, from a member of the Rio Tinto group of companies.

Completion of the acquisition of Coalvent, and Coalvent's acquisition of the 74% interest in the RAC, is conditional on a number of conditions including required approvals of the Company's Shareholders and required regulatory approvals (including the approval of the South African Minister for Mines).

Further details relating to the acquisition, including details of conditions to be satisfied, or waived, prior to the acquisition proceeding are set out in the Company's announcement of 17 October 2016.

Failure to obtain shareholder approval to proceed with the acquisition, or if other conditions precedent are not achieved, or waived, will result in the acquisition of Coalvent, and/or Coalvent's acquisition of a 74% interest in the RAC, not being completed. If this is the case the Company will have

expended funds on the initial deposit payable to Rio Tinto under the agreement to acquire RAC and in carrying out due diligence activities which will not be recovered.

(c) **Underwriting risk**

The Offer is being underwritten by the Underwriter. Shareholders should be aware of the terms of the Underwriting Agreement as outlined in Section 4.1, which includes certain termination events that may not be within the Company's control, including changes in the political, economic and regulatory environment.

Investors should be aware that if the Underwriter terminates the Underwriting Agreement the Acacia Board of Directors will be required to meet and to determine whether the Offer can or should continue.

(d) **Coal Thickness**

Coal thickness can vary locally. If mining to a minimum thickness, this can adversely affect the coal recovery and the subsequent transportation and processing costs. Historical drill holes have been completed at the RAC and the Company intends to drill further confirmatory and infill holes to gain greater knowledge of the coal seams. Local conditions can change within short distances. When mining, if the thickness of the coal is thinner than anticipated, the financial viability of the RAC may be adversely affected.

(e) **Roof and floor conditions**

Local conditions can vary. Hard or soft contacts above and below the seam can create difficult mining conditions. Varying conditions can cause difficulty for roof support, or decrease efficiency in mining. As a result coal recovery, coal dilution and mining productivity may suffer, adversely affecting the value and potentially viability of a particular mining area.

(f) **Access to infrastructure**

The development of the Company's projects will require access to suitable infrastructure facilities including road, rail and port facilities. Notwithstanding the proximity of the Company's projects to current or potential infrastructure facilities there is no guarantee that the Company will be able to agree suitable commercial arrangements with owners of the infrastructure facilities to utilise the facilities. In addition there is no guarantee that there will be available capacity at existing infrastructure facilities to cater for any future production. Inability to access existing infrastructure may impact on the Company's ability to develop its projects or lead to delays in the development of the projects until infrastructure facilities are available.

(g) **Results of Studies**

An historical bankable feasibility study (**BFS**) has been completed on the RAC. Post completion of the acquisition of Coalvent, the Company intends to update the BFS with up to date parameters.

Potential investors should understand that although it is the Company's intention to perform the required work, including updating the BFS, to proceed to a decision to mine, this does not guarantee the RAC will get to production. This may be for a variety of reasons including but not limited to financial, economic, legal, environmental, social etc.

(h) **Funding**

Assuming the results of the updated BFS referred to above are positive, there is a risk that the Company will not be able to raise the capital necessary to commence mining operations on the RAC. Additional funding may be dilutive to current shareholders.

(i) **Dependence on key personnel**

Following completion of the acquisition of Coalvent, the Company will be reliant on a number of key personnel who will be employed by the Company. Loss of such personnel may have a materially adverse impact on the performance of the Company. While there can be no assurance given as to the continued availability of such key personnel, the Company expects that the key team members will continue post-completion of the acquisition.

3.2 Mineral Industry Risks

(a) **Resource and Reserve Estimates**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that are valid when made may change significantly when new information becomes available through drilling, sampling and similar examinations.

In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect the Company's operations.

Coal Reserve and Coal Resource estimates are expressions of judgment based on drilling results and other exploration observations along with and Competent Person's experience working with coal mining properties, and other factors. Estimates based on available data and interpretations and

thus estimations may prove to be inaccurate or may change substantially when new information becomes available.

The actual quality and characteristics of coal deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop resources.

Coal Reserves are value based financial and operational forecasts and consequently, the actual Coal Reserves and Coal Resources may differ from those estimated either positively or negatively.

(b) Exploration, development, mining and processing risks

Mineral exploration, project development and mining by their nature contain elements of significant risk. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) the discovery and/or acquisition of economically recoverable ore resources;
- (ii) successful conclusions to bankable feasibility studies;
- (iii) access to adequate capital for project development;
- (iv) design and construction of efficient mining and processing facilities within capital expenditure budgets;
- (v) securing and maintaining title to tenements;
- (vi) obtaining consents and approvals necessary for the conduct of exploration and mining;
- (vii) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants; and
- (viii) adverse weather conditions over a prolonged period which may adversely affect exploration and mining operations and the timing of revenues.

Whether or not income will result from development of tenements depends on the successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades and commodity prices affect successful project development and mining operations.

(c) **Licences, Leases and Permits**

The Company's mining and exploration activities are dependent upon the grant and/or the maintenance of relevant licences, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of the consents, obtaining renewals, or getting licences granted, typically depends on the Company's success in obtaining required approvals for its proposed activities and that its licences, leases, permits or consents will be kept in good order and renewed as and when required.

There is no assurance that such grants and renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed.

(d) **Operational Risks**

The operations of the Company following completion of the acquisition of Coalvent may be affected by various factors including failure to locate or identify mineral deposits, failure to achieve predicted coal qualities in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect production costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Company.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

(e) **Payment Obligations**

Under the mineral licences and leases comprising the RAC, the Company will become subject to payment and other obligations. Failure to meet these commitments may render the licence or lease liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies that may be available to other parties, this could result in dilution or forfeiture of the Company's interest in the projects.

(f) **Commodity Price Volatility and Foreign Exchange Risk**

In the event that the Company proceeds to production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price risks.

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for coal, forward selling by producers, and production cost levels in major coal-producing regions.

Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the commodity as well as general global economic conditions. These factors may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Furthermore, international prices of various commodities are denominated in United States Dollars and the portion of coal saleable in South Africa will be denominated in South African Rand. A portion of the Company's capital expenditure and ongoing expenditure is denominated in either United States Dollars or South African Rand, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States Dollar, South African Rand and the Australian Dollar as determined in international markets.

(g) Environmental Risks

The coal mining industry has become subject to increasing environmental responsibility and liability. The potential for liability is an ever present risk. Future legislation and regulations governing coal production may impose significant environmental obligations on the Company in relation to coal mining. The Company intends to conduct its activities in a responsible manner which minimises its impact on the environment, and in accordance with applicable laws.

The operations and proposed activities of the Company are subject to regulations concerning the environment. The government and other authorities that administer and enforce environmental laws determine these requirements. As with all exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if mine development proceeds. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable mineral deposits.

Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or

other unforeseen circumstances, which could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

(h) Future Capital Needs and Additional Funding

The future capital requirements of the Company will depend on many factors including the results of future exploration and business development activities. The Company believes its available cash resources following completion of the Offer should be adequate to fund its exploration work program, business development activities and other Company objectives.

Should the Company require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance.

(i) Changes in Government Policies and Legislation

Any material adverse changes in government policies or legislation of the Republic of South Africa, Australia or any other country that the Company may acquire economic interests may affect the viability and profitability of the Company.

3.3 General Risks

(a) Securities investments

There are risks associated with any securities investment. The prices at which the Shares trade may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for mining and exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the

operating performance of such companies. There can be no guarantee that these trading prices will be sustained. These factors may materially affect the market price of the Shares regardless of the Company's operational performance.

(b) Share market conditions

Share market conditions may affect the value of Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) changes in investor sentiment toward particular market sectors;
- (iv) the demand for, and supply of, capital; and
- (v) terrorism or other hostilities.

The market price of the Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company, or any return on an investment in the Company.

(c) Economic Risk

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption, the rate of growth of gross domestic product in Australia, or any other country in which the Company operates, interest rates and the rate of inflation.

(d) Changes in Government Policies and Legislation

Any material adverse changes in government policies or legislation of Australia or South Africa or any other country where the Company may acquire economic interests may affect the viability and profitability of the Company.

(e) Competition

The Company will compete with other companies, including major mineral exploration and mining companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the

Company's competitors not only explore for and produce minerals, but also carry out refining operations and produce other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

3.4 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Rights Issue Offer Document. Therefore, the Shares to be issued pursuant to this Rights Issue Offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for Shares pursuant to this Rights Issue Offer Document.

4. Underwriting

4.1 Underwriting agreement

The Company and the Underwriter entered into an underwriting agreement (**Underwriting Agreement**) pursuant to which the Underwriter agreed to fully underwrite the New Shares offered under the Offer (**Underwritten Shares**).

The Company must pay to the Underwriter:

- (a) an underwriting fee of 4% of the aggregate offer price of the Underwritten Shares, estimated to be \$62,361; and
- (b) a management fee equal to 2% of the aggregate offer price of the Underwritten Shares, estimated to be \$31,180.

The above fees payable to the Underwriter will be reduced by an amount of 4% of the total amount of entitlements under the Offer subscribed for by Argonaut Equity Partners Pty Ltd, Skye Equity Pty Ltd, Aviemore Capital Pty Ltd and any members or associates of the Hoperidge Group.

Additionally, the Company will reimburse the underwriter for all reasonable costs and expenses of and incidental to the Offer.

The Underwriting Agreement contains termination clauses that relieve the Underwriter of its obligations if certain events occur. These include:

- (a) (**Indices fall**): the S&P ASX 200 Index is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the business day prior to the date the Underwriting Agreement and remains at that level for a period of 5 consecutive days;

- (b) **(Offer Document)**: the Company does not dispatch this Rights Issue Offer Document to Shareholders on the dispatch date or the Rights Issue Offer Document or the Offer is withdrawn by the Company;
- (c) **(Offer Materials)** a statement contained in the offer materials is or becomes misleading or deceptive or likely to mislead or deceive, or the offer materials omit any information they are required to contain (having regard to the provisions of section 708AA of the Corporations Act and any other applicable requirements);
- (d) **(Lodgement of Cleansing Notice)** the Company fails to lodge with the ASX a cleansing notice by the required time under Underwriting Agreement;
- (e) **(Cleansing Notice)** the cleansing notice is defective, or a supplementary statement is issued or is required to be issued under the Corporations Act (as modified by ASIC Class Order 08/35);
- (f) **(New Circumstance)** an obligation arises on the Company to give ASX a notice in accordance with subsection 708AA(12) of the Corporations Act (as inserted by ASIC Class Order 08/35), in relation to a matter that the Underwriter reasonably considers to be adverse, or a new circumstance that the Underwriter reasonably considers to be adverse, arises or becomes known which, if known at the time of issue of the offer materials and the cleansing notice would have been included in the offer materials or the cleansing notice;
- (g) **(Proceedings)** ASIC or any other person proposes to conduct any enquiry, investigation or proceedings, or to take any regulatory action or to seek any remedy, in connection with the Offer or the offer materials, or publicly foreshadows that it may do so;
- (h) **(Unable to issue Shares)** the Company is prevented from allotting and issuing the New Shares within the time required by the timetable in the Underwriting Agreement, the Listing Rules, applicable laws, an order of a court of competent jurisdiction or a government agency;
- (i) **(Future matters)** Any statement or estimate in the offer materials which relates to a future matter is or becomes incapable of being met or, in the reasonable opinion of the Underwriter, unlikely to be met in the projected timeframe;
- (j) **(No Quotation Approval)**: the Company fails to lodge an Appendix 3B in relation to the New Shares with ASX by the time required by the Corporations Act, the Listing Rules or any other regulation;
- (k) **(ASIC application)**: an order is made under Section 1324B or any other provision of the Corporations Act in relation to this Rights Issue Offer Document;
- (l) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, which in the Underwriter's reasonable opinion has a Material Adverse Effect;
- (m) **(Authorisation)**: any authorisation which is material to anything referred to in this Rights Issue Offer Document is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter acting reasonably;

- (n) **(Indictable offence):** a director of the Company is charged with an indictable offence; or
- (o) **(Termination Events):** if certain events occur which in the reasonable opinion of the Underwriter reached in good faith which have, or is likely to have, or could reasonably be expected to have a material adverse effect or could give rise to liability to the Underwriter under the Corporations Act, including but not limited to:
 - (i) **(Hostilities):** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement and the Underwriter believes (on reasonable grounds) that the outbreak or escalation is likely to result in the S&P ASX 200 Index falling by 10% or more;
 - (ii) **(Default):** default or breach by the Company under the Underwriting Agreement or other material contracts;
 - (iii) **(Contravention of constitution or Act):** a contravention by a the Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
 - (iv) **(Adverse change):** an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company;
 - (v) **(Error in Due Diligence Results):** it transpires that any of the due diligence results or any part of the verification materials was materially false, misleading or deceptive or that there was a material omission from them;
 - (vi) **(Misleading information):** any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of the Company is or becomes misleading or deceptive or likely to mislead or deceive;
 - (vii) **(Event of Insolvency):** an Event of Insolvency occurs in respect of the Company;
 - (viii) **(Litigation):** litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced against the Company;
 - (ix) **(Board and senior management composition):** there is a change in the composition of the Board or a change in the senior management of the Company before the date of issue of the New Shares without the prior written consent of the Underwriter (such consent not to be unreasonably withheld);
 - (x) **(Change in shareholdings):** there is a material change in the major or controlling shareholdings of the Company (other than as a result of the Offer, a matter disclosed in this Rights Issue Offer Document) or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a the Company;
 - (xi) **(Force Majeure):** a force majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;

- (xii) **(Capital Structure):** the Company alters its capital structure in any manner not contemplated by this Rights Issue Offer Document; or

As a term of the underwriting, the Company has agreed to indemnify the Underwriter, and its directors, officers, employees and agents from and against any prosecutions, losses, penalties, actions, suits, claims, costs, demands and proceedings (whether civil or criminal) arising out of or in respect of the Underwriting Agreement, the Offer, this Rights Issue Offer Document and non-compliance by the Company with or breach of any legal requirement of the Corporations Act or the Listing Rules in relation to the Offer.

The Underwriting Agreement also contains covenants, warranties, representations and other terms usual for an agreement of this nature.

4.2 Directors' interests in Company securities

The Directors or their nominees currently hold Shares and Options.

Set out in the table below are details of the Directors' relevant interests in Shares of the Company at the date of this Rights Issue Offer Document and their proposed participation in the Offer.

	Mr Adam Santa Maria ⁽³⁾	Mr Brett Lawrence ⁽³⁾	Mr Logan Robertson ⁽³⁾
No. of Shares held ⁽¹⁾	247,000	0	0
Current % holding	0.03%	0	0
Entitlement to Shares under the Offer	123,500	0	0
Maximum number of Shares following the Offer	370,500	0	0
Maximum percentage of Shares following the Offer ⁽²⁾	0.04%	0	0

(1) Held directly or indirectly by the Director or a related party of the Director.

(2) Assuming the Directors and their related parties take up their full Entitlements under the Offer.

(3) Adam Santa Maria, Brett Lawrence and Logan Robertson have agreed with the Underwriter to sub-underwrite the following amounts of the Underwritten Shares:

- (i) Adam Santa-Maria – up to 8,333,333 of the Underwritten Shares;
- (ii) Logan Robertson – up to 33,333,333 of the Underwritten Shares; and
- (iii) Brett Lawrence – up to 25,000,000 of the Underwritten Shares.

These may be issued to the Directors if there is Shortfall under the Offer.

At the time of lodging the Rights Issue Offer Document Adam Santa Maria, being eligible, has indicated that he will take up his full Entitlement under the Offer.

5. Glossary of terms

\$ means Australian dollars.

Applicant means a person who submits an Entitlement and Acceptance Form.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

ASX Settlement means ASX Settlement Pty Ltd ACN 008 504 532.

Boardroom Pty Limited means Boardroom Pty Limited ACN 003 209 836.

Business Day has the same meaning as in the Listing Rules.

CHESS means ASX Clearing House Electronic Subregister System.

Closing Date means the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Company or **Acacia** means Acacia Coal Limited ACN 009 092 068.

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

Directors mean the directors of the Company as at the date of this Rights Issue Offer Document.

Eligible Shareholder means a person registered as the holder of Shares on the Record Date whose registered address is in Australia, New Zealand or Singapore.

Entitlement means an Eligible Shareholder's entitlement to Shares under the Offer as determined on the Record Date.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Rights Issue Offer Document.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Listing Rules means the Listing Rules of ASX.

New Share means a Share proposed to be issued pursuant to this Offer.

Offer is as defined in Section 1.1

Official List means the official list of ASX.

Official Quotation means quotation of New Shares on the Official List.

Opening Date means the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Option means an unlisted option to acquire a Share.

Record Date means 5:00pm (WST) on the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Registry means the Company's share registry, Boardroom Pty Limited.

Rights means the right to an Entitlement.

Rights Issue Offer Document means this document.

Section means a section of this Rights Issue Offer Document.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means a holder of Shares.

Shortfall or **Shortfall Shares** means those New Shares for which valid Applications have not been received by the Closing Date.

Shortfall Offer is as defined in Section 1.8.

Underwriting Agreement is as defined in Section 4.1.

WST means Australian Western Standard Time.