



17 October 2016

ACACIA TO ACQUIRE RIVERSDALE ANTHRACITE COLLIERY FROM RIO TINTO

Highlights

- **Acacia has entered a binding agreement to acquire a 74% interest in the Riversdale Anthracite Colliery (RAC) metallurgical coal project**
- **The RAC is a premier, undeveloped, near-term anthracite coal project in South Africa with a granted Mining Right in place**
- **In-country management team with deep knowledge of RAC established for rapid development**
- **Acacia announces placement to sophisticated and professional investors and underwritten non-renounceable entitlements offer to raise approximately \$2 million**

Acacia Coal Limited (ASX:AJC) (**Acacia** or the **Company**) is pleased to announce it has entered a binding Agreement with vendors of Coalvent Limited (**Coalvent**) to acquire a 74% interest in the Riversdale Anthracite Colliery (**RAC**), a premier anthracite project in South Africa, together with a capital raising to raise approximately \$2 million.

Drilling and feasibility studies completed previously have demonstrated the RAC as a high grade, low impurity anthracite asset that is ideally positioned to service a South African anthracite market facing significant shortages in low impurity product, as well as product into the seaborne market for export. Acacia will prioritise efforts to refresh and update the bankable feasibility study completed in 2010 and work to update the RAC's 2004 JORC Resource so that development may proceed.

The RAC is currently held by Riversdale Holdings Proprietary Limited (a member of the Rio Tinto group of companies). Coalvent has agreed to acquire the project from Rio Tinto and then vend it into Acacia as outlined in this announcement. Coalvent has also been successful in bringing together significant intellectual property associated with the RAC, which will greatly assist Acacia's efforts to progress development.

Under the Agreement, Coalvent's highly experienced management team, which includes mining executives Hugh Callaghan, Robert Scott, Peet Snyders and Filippo Faralla – all of whom have extensive experience in South Africa and the RAC project, together with a track record in the development and sale of mineral resources – will join Acacia, with Mr Callaghan and Mr Scott to join Acacia's board as Managing Director and Finance Director respectively.

Agreement to acquire Riversdale Anthracite Colliery

Coalvent, through its subsidiary Vryheid Anthracite Collieries (Pty) Ltd (**VAC**), has entered into an agreement with Rio Tinto Management Services SA Proprietary Limited and Riversdale Holdings Proprietary Limited (each members of the Rio Tinto Ltd group of companies) (together, **Rio Tinto**) whereby VAC is entitled to acquire a 74% interest in the RAC from Rio Tinto (**VAC Agreement**).

Acacia has entered into an agreement with the founders of Coalvent (**Vendors**), pursuant to which Acacia will, subject to satisfaction of certain conditions, acquire all of the shares of Coalvent, the parent company of VAC (**Sale Agreement**).

Under the terms of the Sale Agreement:

- Acacia will acquire all of the shares of Coalvent and thereby gain the right to acquire 74% of RAC, with the remaining 26% of RAC to be acquired by VAC's incoming Black Economic Empowerment (**BEE**) partner, African Onca Pty Limited (**African Onca**);
- the acquisition shall be conditional on:
 - Acacia being satisfied with the results of its confirmatory due diligence, which shall take place over the next six months;
 - Acacia shareholder approvals necessary to implement the transaction;
 - all necessary regulatory approvals, including ASX approval of the proposed performance share terms;
 - completion of the Capital Raising detailed in this announcement;
 - the South African Minister for Mines giving consent under Section 11 of the Mineral & Petroleum Resources Development Act 28 of 2002 (South Africa) (**Section 11 Consent**);
 - the VAC Agreement between Rio Tinto and VAC not being terminated;
 - Acacia being satisfied with the terms of the shareholders or joint venture agreement between VAC and African Onca; and
 - other conditions precedent considered standard for agreements of this type;
- Acacia is to advance ZAR 3.48 million (equivalent to approximately A\$340,000 using a 10.3:1 exchange rate) to Coalvent, which must be used to fund an initial deposit to Rio Tinto under the VAC Agreement. This advanced payment will be returned to Acacia in the event the conditions precedent to the transaction are not satisfied or waived (except Acacia shareholder approval or completion of the Capital Raising);

- on completion of the Acquisition:
 - **(Vendor Shares):** Acacia will issue to the Vendors:
 - 250 million ordinary fully paid shares in the Company;
 - 250 million performance shares, converting into fully paid ordinary shares in the Company upon the earlier to occur of: (1) the Company commencing development following being granted the necessary operational water licenses and completing a bankable feasibility study that supports economic mining activity at the RAC (i.e. a positive decision to mine); and (ii) the Company selling all or part of the 74% interest in the RAC for cash consideration of at least \$50 million; and
 - 350 million performance shares, converting into fully paid ordinary shares in the Company upon the earlier to occur of: (i) the Company achieving commercial production, defined as three consecutive months of sales totalling 40,000 tonnes of product per month from the RAC on arm's length terms; and (ii) the Company selling all or part of the 74% interest in the RAC for cash consideration of at least \$70 million;
 - **(Introduction Fee):** the Company will issue approximately 16.67 million shares for no cash consideration to parties that introduced the transaction, which will be subject to a voluntary escrow period of six months or such other period as imposed by the ASX. The parties receiving the Introduction Fee are not related parties to the Vendors or Acacia;
 - **(Board Changes):** Mr Hugh Callaghan shall be appointed Managing Director of Acacia and Mr Robert Scott shall be appointed Finance Director, and Acacia shall appoint an in-country management team on agreed terms; and
 - **(RIO Payment):** Acacia will pay a total of ZAR 10 million (equivalent to approximately A\$970,000 using a 10.3:1 exchange rate) to Rio Tinto and its BEE Partner, Khulani Resources, to acquire the RAC;
- upon the earlier of VAC having secured the necessary water licenses relevant to RAC and 19 months after receiving the Section 11 Consent, Acacia will pay Rio Tinto and Khulani Resources a second payment of ZAR 24 million (equivalent to approximately A\$2.33 million using a 10.3:1 exchange rate); and
- Acacia will fund African Onca's proportion of all payments made to Rio Tinto and Khulani (estimated to be approximately ZAR 7.8 million, equivalent to approximately A\$750,000 using a 10.3:1 exchange rate) by way of a loan on standard commercial terms.

Executive Chairman Mr Adam Santa Maria said regarding the proposed acquisition:

“Acacia has spent the better part of the last year considering projects across the world that could deliver ongoing and significant value to its shareholders within a reasonable timeframe. The Company is delighted to have been able to secure a high quality and near term production asset capable of rapid development by an experienced management team whose product looks set to fit perfectly into the local Anthracite market, as well as the potential to deliver additional product for export.

Anthracite is a clean, smokeless coal with low volatiles, high fixed carbon content and has high value in a number of industrial applications, primarily as a reductant in the metallurgical extraction process.

The South African minerals sector has a major and significant global market share of the Chrome, Manganese and Minerals Sands industries as well as a sizeable steel industry. As South Africa does not have any significant and economic domestic deposits of low impurity metallurgical grade coal (coking or PCI), anthracite has developed as the dominant reductant in the South African pyro metallurgical extractive industry where demand for high quality low impurity Anthracite demand is increasing as existing mines near end of life. Acacia expects the local demand for quality anthracite to underpin significant returns in respect of the RAC.”

Capital Raising

Acacia is undertaking a capital raising to raise approximately \$2 million, comprising:

- a placement to sophisticated and professional investors offering 135 million new shares at \$0.003 per new share, raising \$405,000 (**Placement**); and
- an underwritten non-renounceable entitlements offer, offering 1 new share for every 2 shares on issue held on the Record Date at a price of \$0.003 per new share, raising approximately \$1.56 million (**Entitlements Issue**),

(together the **Capital Raising**).

The proceeds of the Capital Raising will be used for costs associated with the acquisition of RAC and, planned expenditure on the RAC, together with planned expenditure on Acacia’s Comet Ridge Coal Project and working capital.

Key dates of the Capital Raising are set out below:

No.	Event	Date
1.	Trading Halt	Pre-Market Thursday 13 October 2016
2.	Placement Commitments Announced and Company Returns to Trade	Monday 17 October 2016
3.	Offer Document Released	Friday 21 October 2016
4.	Placement Shares Issued	Monday 24 October 2016
5.	Entitlement Offer Record Date	Wednesday 26 October 2016
6.	Entitlement Offer Opens	Friday 28 October 2016
7.	Entitlement Offer Closes	Tuesday 8 November 2016
8.	Entitlement Offer Shares Issued	Tuesday 15 November 2016

The Placement is being managed, and the Entitlement Issue is underwritten by, Argonaut.

In light of the significant work required of directors in connection with the acquisition of the RAC and the level of cash remuneration paid by way of directors fees, the Company proposes (subject to shareholder approval) the issue of 40 million options in aggregate to the directors of Acacia. The exercise price will be a 100% premium to the issue price of shares issued under the Capital Raising and the options shall have a five year term.

For further information on the proposed transaction and Capital Raising, see the Company's Investor Update presentation dated 17 October 2016.

Investor Enquiries

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