

30 October 2018

ACTIVITIES REPORT FOR QUARTER ENDED 30 SEPTEMBER 2018

ACTIVITIES RELATED TO ENERGY PROJECTS:

Coal Projects

No new field activities have been undertaken at the Blackall Coal Project in the quarter.

The company is investigating a concept for on-site utilisation of mined coal to produce gas. If thought potentially feasible, planning for exploration activities in the field in 2019 will incorporate appropriate sampling for this purpose.

The company continues to monitor progress in the potential development of the coal industry in the Galilee Basin that may lead to the improvement of rail infrastructure closer to its Blackall Coal Project in Central Queensland.

Surat Gas

On 7 March 2018 AustChina Holdings Limited (ASX: AUH) announced that it had signed an Option Deed for the sale of AustChina's 100 % owned subsidiary Surat Gas Pty Ltd (ASX announcement: "AustChina Signs Option Deed for the Sale of Surat Gas Pty Ltd").

Following further negotiations, a final price of \$5.1 million was agreed and final settlement was announced on 28 September 2018 (ASX Announcement: "Sale of Surat Gas Pty Ltd – Completed and Investment in Copper Project").

On settlement of the Surat Gas Pty Ltd sale the company received a further \$1.0 million cash payment and agreed to apply the remaining balance of the purchase price to:

- (1) acquire 5% of the issued capital of Sector Projects Pty Ltd (**Sector**), a Queensland exploration company related to the Purchaser, for \$1.0 million; and
- (2) Acquire a \$1.0m Convertible Note. The Note is for a term of 1 year at 8% interest and is secured by a Tenement Mortgage over 2 tenements controlled by Sector (through a wholly owned subsidiary). Conversion of the Note at the current valuation would result in a 10% holding in Sector for the Company.

Farm-in and Farm-out Arrangements

Beneficial percentage interests held in farm-in or farm-out agreements at end of the quarter – no change from the previous quarter.

Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter – no change from the previous quarter.

Tenement Portfolio Update

No new tenements were acquired during the quarter. As a result of the sale of Surat Gas Pty Ltd, AustChina no longer has interests in three ATPs previously held.

Sector has over the last three years undertaken three ground-based geophysical surveys and a 6-hole diamond drill programme, with more drilling planned in the 2019 exploration season. Sector's strategy is to build on previous interpretations and results of work in the area.

AustChina sees long term potential in the copper sector, to which Sector provides entry through its exploration activities.

AustChina's 25.72%-owned Utilitas Group Pty Ltd (Utilitas) was cashflow positive Q1 FY2019. The Company continues to progress the first two regional bioHub projects, Casino Northern NSW and Bundaberg Qld, through financial close with project financiers. Utilitas also welcomed four new shareholders this Quarter at 60c per share.

During the quarter ended 30 September 2018, the Company repaid \$1,000,000 of unsecured loans to Treasure Wheel Global Limited (Treasure Wheel), a company associated with Mr Anthony Chan, Chairman of Coalbank. A further repayment of \$461,000 was made to Treasure Wheel after the end of the quarter on 5 October 2018 completing repayment of all outstanding unsecured loans to AustChina.

Yours faithfully,

Anthony Chan – Chairman

Further information:

Andrew Fogg – Chief Executive Officer

Bruce Patrick – Chief Operating Officer