

ASX RELEASE (ASX: AQC)

Quarterly Activities Report for the period ended 30 September 2023

Highlights

- No recordable injuries or incidents during the period and no reportable environmental incidents.
- Following the successful dewatering of the Hunter Tunnel, and establishment of a reliable dewatering system, underground operations have focused on preparation and re-supporting the roof and sides of the roadway with use of shotcrete and other reinforcing techniques.
- Installation of a portion of the inter-seam drift conveyor has commenced.
- Preparations underway for Coal Handling & Preparation Plant (CHPP) refurbishment project.
- The Company held \$6.0 million of available cash at the end of the September 2023 quarter.
- Received a \$3.0 million loan from major shareholder, Trepong, for working capital purposes (requires shareholder approval).
- Successfully completed a \$12 million equity raising via a Placement and Accelerated Non-Renounceable Entitlement Offer (ANREO) to provide additional working capital and fund ongoing works at Dartbrook while financing negotiations are finalised.
- Appointed highly experienced mine manager, David Sykes, as General Manager - Dartbrook to oversee the Mine's transition from remediation to restart and full production.

Comments from Executive Director and CEO (Interim), Ms Ayten Saridas

"The team at Dartbrook, with limited resources, have performed above all expectations. Without exception, every visitor to site has been impressed by the condition of the mine and its potential to become a world class asset. With all major critical path milestones achieved, Dartbrook is very close to being ready to resume production, subject to funding. The appointment of a General Manager for Dartbrook reflects our confidence that mining operations will restart in the coming months.

"The potential of Dartbrook to generate positive returns in the short term is underlined by our ability to attract a number of new potential funding partners over the quarter. The enhanced competition provides AQC and our JV partner an opportunity to secure the best overall outcome for the mine, shareholders and debt providers."

Dartbrook Mine Restart

Safety and welfare remained the primary focus at Dartbrook, there were no recordable injuries, incidents or environmental incidents during the period.

With dewatering complete, the focus of remediation works turned to re-supporting the roof and ribs of the Hunter Tunnel. This work involved the use of shotcrete and other reinforcing techniques. The Pumping system has been optimised in the tunnel to ensure naturally occurring seepage is effectively managed and pumped out from the tunnel.

Final optimisation and design of the tunnel conveyor system has been completed. Works have commenced in preparation for the installation of the Decline conveyor system in the inter-seam drift.

Work has continued in preparation for the staged re-commissioning of the CHPP with stage 1 in line with the commencement of underground production.

Scoping and identification of long lead and critical items of equipment is complete to enable early procurement once restart capex funding is secured.

The Dartbrook mine has ROM coal reserves of 470 million tonnes and saleable coal reserves of 370 million tonnes. Operations are expected to ramp up towards a steady state production of approximately 2.7 million tonnes ROM coal per annum by 2027¹. AQC owns the coal handling and processing plant and has good access to critical infrastructure. Rail and port capacity remains readily available and negotiations for access are well advanced.

The Dartbrook mine produces a high-quality coal that is typical of Hunter Valley NEWC specification. JV partner and mine manager, Tetra Resources, has recently updated the Mine Plan which indicates that selective mining should be capable of delivering improved yields relative to historical outcomes from longwall operations. The project has the potential to produce some semi-soft metallurgical (i.e. coking) coal into the market, which is essential in the manufacture of steel.²

Restart Capex Funding

The total restart cost for the Dartbrook mine is approximately \$120 million, of which the Company has funded approximately \$24 million as at 30 September 2023 on a fully reimbursable basis.

The funds provided to date by AQC to the Dartbrook JV have enabled the project to be substantially de-risked with all major milestones, such as dewatering the Hunter Tunnel, achieved according to schedule. Restart operations continued during Q1 FY24 with minimal slippages to the schedule.

Due to its imminent production and free cash flow potential, Dartbrook has attracted significant interest from a range of potential lenders. AQC has considerably widened the outreach for potential debt providers and attracted multiple international parties to ensure funding is secured on competitive terms.

AQC is in negotiations with a number of parties for the provision of debt funding for restart capex and working capital. Several parties are in the advanced stages of the process and have commenced or completed due diligence and inspected the Dartbrook mine. Without exception, these parties have been impressed by the condition of the mine, surface plant and infrastructure and acknowledge the potential for Dartbrook to restart production in the near term.

In August 2023, the Company received a non-binding Letter of Intent to provide debt funding of up to US\$50 million (approximately A\$75 million) from a leading global commodities trader. Negotiations with this party are continuing. AQC and its advisers are also engaging with other parties capable of providing one-stop debt funding solutions encompassing restart capex, working capital, debt repayment and trade facilitation. These funding solutions may be linked to Dartbrook coal offtake rights.

Corporate and Financial

At the end of the September quarter the Company held \$6.0 million in cash reserves. Funds during the quarter were primarily used in relation to the care & maintenance holding costs (\$1.05 million), staff costs (\$0.26 million), funding to advance the Dartbrook Joint Venture (\$8.5 million), and corporate administration and transaction costs (\$0.45 million).

¹ Indicative forecast, subject to change.

² The quality characteristics and the percentage of the overall volume of product coal that may have coking coal properties suitable for end-users are yet to be fully determined.

The Company's accompanying Appendix 5B (Quarterly Cashflow Report) includes an amount in item 6.1 of \$0.15 million which constitutes executive and non-executive directors' fees during the quarter.

In July 2023, AQC agreed binding terms with its major shareholder, Trepang, for a loan of \$3 million for additional working capital while negotiations with potential lenders for the balance of the restart capex funding are finalised. Since the announcement, the terms of the loan have been modified whereby the small parcel of land where the CHPP is situated will no longer be sold to Trepang and leased back to AQC. Instead, AQC has issued a call option to Trepang for the purchase of the parcel of land exercisable only when mining operations at Dartbrook are concluded. The exercise price of the option is \$800,000. As security for the loan, the Company has agreed to provide a mortgage over the parcel of land until the loan is repaid. Both the granting of the security interest and the call-option are subject to shareholder approval under ASX Listing Rule 10.

At the end of August 2023, AQC launched a \$12 million equity raising via a Placement and Accelerated Non-Renounceable Entitlement Offer (ANREO). The Placement and Institutional Component of the ANREO were completed successfully with subscriptions for approximately \$10 million committed in aggregate. The Retail Component of the ANREO closed fully subscribed on 2 October and raised an additional \$2 million. Proceeds from the Placement and ANREO will be used to provide additional working capital and fund ongoing works at the Dartbrook mine while the Company finalises financing negotiations for the Dartbrook restart.

During the quarter, David Sykes was appointed General Manager of Dartbrook Mine. David is a highly experienced mine manager who has held senior leadership roles at major coal and mineral mining operations in Australia and internationally. David is very familiar with the Dartbrook mine, having been part of the mine development and operation under the ownership of Anglo-American.

This announcement has been authorised for release by the AQC Board.

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The Company provides the following additional information in accordance with ASX Listing Rule 5.3.3.

Mining tenements held at the end of the quarter and their location.

Name	Number	Status	Expiry Date	Interest Held
Dartbrook Project, Hunter Valley NSW				
AUTH 256	AUTH 256	Granted	16/12/2025	100%
EL 4574	EL 4574	Granted	13/08/2024	100%
EL 4575	EL 4575	Granted	13/08/2027	100%
EL 5525	EL 5525	Granted	22/09/2027	100%
CL 386	CL 386	Granted	19/12/2033	100%
ML 1381	ML 1381	Granted	19/12/2033	100%
ML 1456	ML 1456	Granted	27/09/2043	100%
ML 1497	ML 1497	Granted	5/12/2043	100%
Matuan Downs Bentonite Project, Alpha				
Mantuan	ML 70360	Granted		100%

Mining tenements acquired during the quarter and their location.

Not applicable.

Mining tenements disposed of during the quarter and their location.

Not applicable.

Beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter.

The Company's 100% owned subsidiary Mining Investments One Pty Ltd holds a 10% interest in each of the following Blackwood Resources Pty Ltd JV tenements.

Name	Number	Status	Interest Held
Blackwood Joint Venture, Miles QLD			
Bungaban Creek	EPC 1955	Granted	10%
Quondong	EPC 1987	Granted	10%

Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter

Not applicable.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

AUSTRALIAN PACIFIC COAL LIMITED

ABN

49 089 206 986

Quarter ended ("current quarter")

30 SEPTEMBER 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(261)	(261)
(e) administration and corporate costs	(251)	(251)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (mine care and maintenance)	(1,043)	(1,043)
1.8 Other (Cost reimbursements)	-	-
1.8 Other (Transaction costs)	(198)	(198)
1.9 Net cash from / (used in) operating activities	(1,753)	(1,753)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities (Expenses on behalf of the Dartbrook Joint Venture)	(8,523)	(8,523)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(8,523)	(8,523)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	9,958	9,958
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(683)	(683)
3.5 Proceeds from borrowings	3,000	3,000
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Retail component of ANREO received ahead of share issue)	325	325
3.10 Net cash from / (used in) financing activities	12,600	12,600

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,707	3,707
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,753)	(1,753)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8,523)	(8,523)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	12,600	12,600
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,031	6,031

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,006	3,682
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (funds held in escrow)	25	25
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,031	3,707

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	152
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	3,000	3,000
7.2 Credit standby arrangements	25	0
7.3 Other (please specify)	-	-
7.4 Total financing facilities	25	0
7.5 Unused financing facilities available at quarter end		Nil
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
7.1 The loan will attract interest at a rate of 10% per annum		
7.2 NAB Business Visa. Interest 15.50%. Unsecured		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,753)
8.2 Payments for exploration & evaluation classified as investing activities (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,753)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	6,031
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	6,031
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.44
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Not applicable	
2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Not applicable	
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: Not applicable	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2023

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.