

# ANNUAL REPORT | 2016

// AUSTRALIAN PACIFIC COAL



**Australian Pacific Coal**

ABN : 49 089 206 986 ASX CODE: AQC



# Australian Pacific Coal

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# CHIEF EXECUTIVE OFFICER'S REPORT

*Focused on acquiring, developing and value adding thermal and metallurgical coal prospects.*

I am pleased to report that the Company has achieved a number of significant milestones over the financial year. The company is on track to complete its acquisition of 100% of the Dartbrook Joint Venture ('Dartbrook')

On 30<sup>th</sup> October 2015 shareholders approved a \$13.2 million capital raising, re-invigorating the Company. On 24<sup>th</sup> December 2015 the Company entered into a binding agreement to acquire Anglo American Plc's 83.33% interest in the Dartbrook Joint Venture ('Dartbrook'). Subsequently, on 18<sup>th</sup> May 2016, Marubeni Coal Pty Ltd exercised their right to 'tag' and sell their 16.67% interest in the Dartbrook Joint Venture to AQC. At completion of the acquisition, AQC will own 100% of Dartbrook. Completion is expected to occur by January 2017.

The Company has paid deposits of \$500,000 to Anglo and \$100,000 to Marubeni. A further \$24.5 million has been placed into an escrow account to enable completion of the acquisition upon the remaining conditions precedent being waived or satisfied. The Company has secured the funding necessary to purchase Marubeni Coal Pty Ltd's 16.67% interest in the Dartbrook Joint Venture. Finalisation of the outstanding funding necessary for the completion of the Dartbrook acquisition is well advanced.

On 24<sup>th</sup> May 2016 the company announced a total Coal Resource Estimate at Dartbrook of 1.2 billion tonnes. The Coal Resource Estimate comprises 466 million tonnes of Measured Resources, 449 million tonnes of Indicated Resources and 294 million tonnes of Inferred Resources to a maximum depth of 350m.

While the Company's primary focus has been on the Dartbrook acquisition it has also focused on the review of its existing exploration tenements and potential for further development of the assets or their potential sale.

I would like to take this opportunity to thank you – our shareholders – for your ongoing support over the past 12 months and look forward to a prosperous future for the Company. I would also like to acknowledge the dedication and efforts of the Board members and management throughout the year, and thank all our staff and contractors for their diligent efforts.



John Robinson  
Chief Executive Officer  
31 October 2016

## Compliance Statement

### *Dartbrook Coal Resource Estimate:*

The information is extracted from the report entitled '*Australian Pacific Coal Commissioned Coal Resource Estimate at Dartbrook of 1.2 billion tonnes*' created on 24 May 2016 and is available to view on [www.aqcltd.com](http://www.aqcltd.com).

The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

# INFORMATION ON AUSTRALIAN PACIFIC COAL

Australian Pacific Coal Limited ('AQC') is an ASX-listed junior coal explorer focused on acquiring developing and value adding thermal and metallurgical coal prospects.

AQC is in the process of finalising its acquisition of the Dartbrook coal mine in the Hunter Valley, NSW. The Company expects that the acquisition will be completed by January 2017.

AQC has a strategic holding of coal exploration tenements located in Queensland's Bowen, Galilee, Surat and Clarence-Moreton basins. The continuing philosophy of AQC's management has been to secure strategic tenure by identifying available tenements close to operating mines or in areas with proven or potential in-ground resources in regions suitable for short term development. Having identified prospective areas for further exploration, the Company is now focused on exploiting the commercial value of these coal projects. Exploitation opportunities include farm-in, joint venture exploration and joint venture development.

AQC owns a substantial industrial minerals project in central western Queensland. The project forms part of AQC's former industrial minerals business and is no longer part of the Company's core business. Options are currently being assessed to divest the asset.

AQC is an Australian public company with approximately 1,800 shareholders. AQC listed on the Australian Stock Exchange in 1999. The Company has emerged as a strong participant in the junior mining and exploration sector.

AQC's long term strategic focus is based on seeking out and identifying potentially lucrative resource investment opportunities. In addition to its Dartbrook acquisition, the Company will continue to take advantage of low entry cost resource investment opportunities that it identifies. Investing in these potentially lucrative resource plays is an important part of the Board's strategy to grow the Company.

## BOARD OF DIRECTORS

**Mr Peter Ziegler** *BCom (Hons), LLB (Hons), MFM (Queensland), FCPA, ACA, FTIA, CTA*

Non-executive Chairman, Chairman of the Audit Committee

Mr Ziegler is an experienced company director, Solicitor and Chartered Accountant. He was Partner at the major international accounting firm Ernst & Young, specialising in taxation and corporate structuring. Mr Ziegler is a principal of Ziegler Asset Partners, an asset management company specialising in investments in listed and unlisted equities and special opportunities. Mr. Ziegler graduated with Honours degrees in Commerce and Law (1982 and 1983, respectively), together with a Master of Financial Management (1983), from the University of Queensland.

Director since 29th of November 2005

**Mr John Robinson** *B. Acc, MAICD*

Mr John Robinson is a former Private Equity professional and has led numerous private equity acquisitions in the property and retail sectors. Mr. Robinson has also extensive experience with the support services that the mining and oil and gas sectors require in their Australian operations. He is Member of the Australian Institute of Company Directors. Mr John Robinson Jnr gained a Bachelor of Accounting from the Charles Darwin University.

Director since 30th of October 2015



# INFORMATION ON AUSTRALIAN PACIFIC COAL

## BOARD OF DIRECTORS continued

### Mr Paul Byrne

Executive Director

Mr Byrne joined the Company as an Executive Director, following the acquisition of the Ipoh group of companies. Mr Byrne was a founder of the Ipoh group and initiated environmental remediation projects in conjunction with CSIRO, University of South Australia and the Queensland Department of Primary Industries. He has been involved in the resources sector since 1985 in exploration and mining. He has extensive experience in project generation.

Director since 29 November 2005.

**The Hon. Shane Stone** AC QC, PGDK, B.A (ANU), LL.B (Melbourne), Grad Dip Ed Admin (Adelaide), Dip Teaching (Sturt), TPTC (Vic), FACE, FAIM, FAICD, F Fin

Non-executive Director

Mr Stone has a strong commercial and legal background and considerable experience in dealing with Commonwealth and State governments. Mr Stone has at various times acted as an independent director to various public and private companies. Currently Deputy Chairman UK listed Impellam plc, Chairman of ASX listed Regalpoint Resources Limited and Chairman of Mayfair Limited (Anne Street Partners and QNV Constructions). Former Chief Minister of the Northern Territory and Federal President of the Liberal Party of Australia. Formerly a barrister he is a graduate of Australian National University, Sturt, Adelaide and Melbourne Universities. He is a Fellow of the Australian Institute of Management, Australian College of Education and Australian Institute of Company Directors. He was made a Companion of the Order of Australia in 2006. He has also been conferred national awards from Indonesia and Malaysia. Director since 1 August 2016.

## KEY COMPANY DATA (as at 30 September 2016)

<b>Listing:</b>	Australian Securities Exchange (ASX:AQC) – Listed in 1999
<b>Shares on Issue:</b>	4,330,934,264 AQC ORD (approximately 1,800 shareholders)
<b>Options:</b>	87,500,000 unlisted options expiring 31 March 2016 exercise price \$0.008.
<b>Market Capitalisation:</b>	\$92.28 million
<b>Cash at bank:</b>	\$27,593,279

### Quarterly Share Price Activity:

	High	Low	Last
September 2016	\$0.031	\$0.017	\$0.022
June 2016	\$0.020	\$0.009	\$0.017
March 2016	\$0.026	\$0.011	\$0.011
December 2015	\$0.028	\$0.005	\$0.020

# DARTBROOK COAL MINE

Australian Pacific Coal is in the final stages of its acquisition of the Dartbrook mine from Anglo American Plc. The mine is located in the renowned coal region of the Hunter Valley, NSW, approximately 4km west of Aberdeen and 10km north-west of Muswellbrook. The Dartbrook site has access to world-class infrastructure, a skilled workforce and the support industries utilised by major mining companies in the region to serve key customers in Asia. The Dartbrook Project provides a rare opportunity into the tightly held Tier 1 thermal coal assets of the Hunter Valley.



# REVIEW OF OPERATIONS

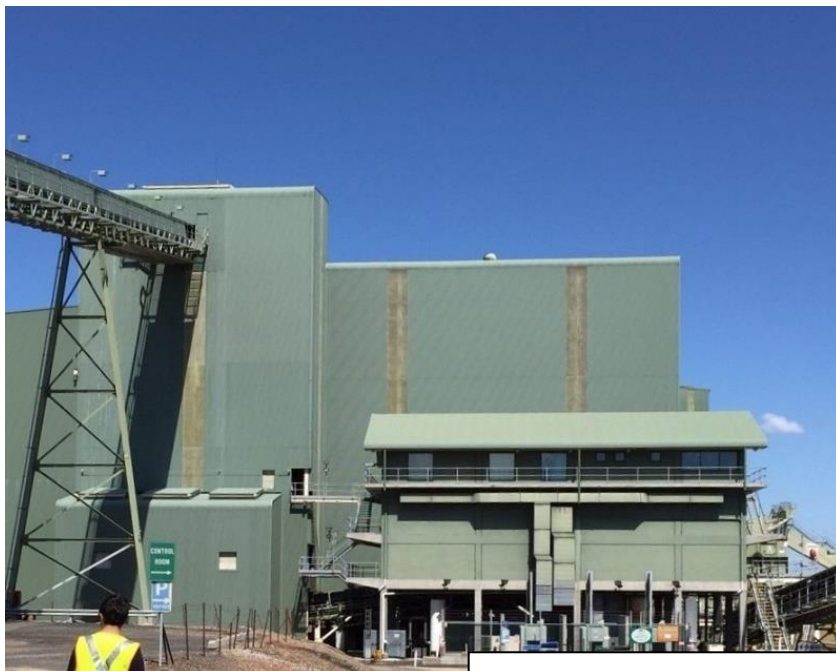
During the year the Company has maintained a strong focus on finalising the acquisition of the Dartbrook mine and restarting production of the underground mine. The Dartbrook mine is currently on care and maintenance and is known to have historically produced a high quality thermal coal. The coal mine assets, including a coal handling and processing plant ('CHPP'), have been well maintained and are in good condition. Also, existing on-site is a train loan out ('TLO') and rail loop connecting to the Hunter Valley Coal Rail Network allowing ready coal transportation to Newcastle, the largest coal export operation in the world.

Dartbrook has existing CHPP and TLO infrastructure to enable underground mining operations to recommence for up to 7mtpa run of mine ('ROM'). The initial circa \$20m capex investment to recommence underground operations (expenditure primarily on conveyors) will allow up to 4.7 mtpa capacity. It is expected the first ROM coal to be produced within 6 months of acquisition completion with full production within 12 months.

The Dartbrook deposit is a shallow lying, high quality, deposit consisting of multiple thick and laterally extensive seams. The deposit is subject to relatively minor, well-mapped faults and minor folding.

In 2015 MineCraft Consulting on behalf of Anglo American Metallurgical Coal (AAMC), identified future opportunities for underground mining in 3 seams – Kayuga, Piecefield and Wynn. The preferred option of AQC is a bord and pillar mine start-up in the Kayuga and/or Piecefield seams, potentially transitioning in the medium term to a larger mine. The target coal seams are expected to produce a thermal coal product comparing favourably with the Newcastle Thermal Benchmark.

The short to medium term objective will be to undertake feasibility studies and initiate the required approval process to expand the Dartbrook project to an open cut mining operation. This open cut mine development has high potential to be a lowest cost quartile producer given known coal quality from previous underground operations, a competitive services sector and highly skilled labour within the region. The application will seek regulatory approvals for the development of an 8-10 mtpa open cut mining operation at Dartbrook commencing with 5 mtpa. It is anticipated the approval will be obtained in year 3 of operations. The open cut operations will target a minimum 50-year mine life.



**Dartbrook Coal Washing Plant**

# COAL EXPLORATION

In Queensland, Australian Pacific Coal hold interest in 6 EPC's and one MDL in the Bowen Basin, 2 EPC's in the Surat Basin and one EPC in the Galilee Basin. The Mount Hillalong (EPC 1824), Dingo (EPC 1859), South Clermont (EPC 2011) and Cooroorah (MDL 453) projects have been identified as the company's most advanced. AQC has joint venture agreements on three tenements with Blackwood Resources (a 100% owned subsidiary of Cuesta Coal Ltd).

Most of the coal tenements are in the Bowen Basin, a major source of supply of some of the world's best metallurgical, PCI and thermal coal. The Company also has coal tenements in the Surat, Galilee and Clarence-Moreton Basins. These basins contain large reserves of thermal coal and currently produce coal for export and domestic use. The Company's coal tenements are close to rail and road infrastructure and some are down-dip or along strike of operating coal mines or known coal resources.

The tenements have been largely grouped into project areas which target similar coal seams within a close geographical proximity. AQC has an exploration priority on coking coal, and scoped underground targets with a resource potential greater than 50 million tonnes and open cut targets with a resource potential greater than 5 million tonnes.

### Granted Tenements 100% AQC

### Exploration & Joint Venture Agreements

- MDL 453 – Cooroorah
- EPC 1859 – Dingo
- EPC 1645 – Mount Hess
- EPC 1773 – Kemmis Creek
- EPC 1824 – Mount Hillalong
- EPC 1867 – Mount Hess West
- EPC 2011 – South Clermont

- Blackwood Resources Pty Ltd (*Note 1.*)
- EPC 1955 – Bungaban Creek
  - EPC 1957 – Laguna Creek
  - EPC 1987 – Quondong

1. *Australian Pacific Coal Limited's 100% owned subsidiary Mining Investments One Pty Ltd holds a 10% interest in each of the Blackwood Resources Pty Ltd JV tenements*

## Blackwater (AQC 100%)

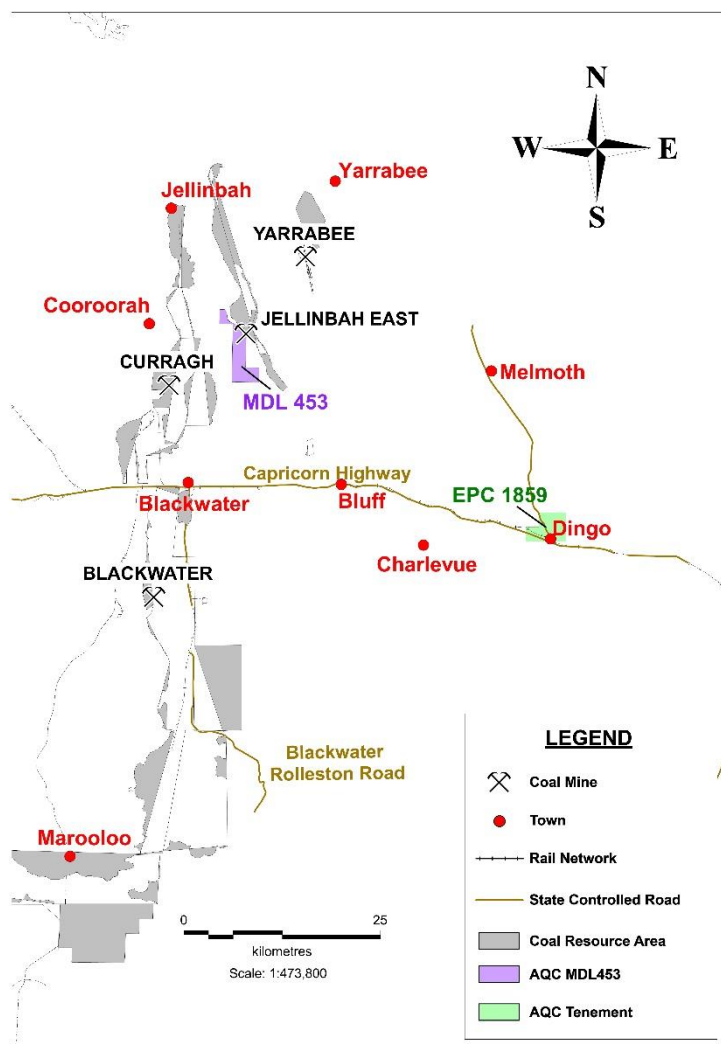
### Cooroorah (MDL 453)

- Two separate focus areas, on either side of the Jellinbah Fault zone.
- The Target coal seams are expected to produce a PCI product with a possible semi-soft coking fraction.
- Indicated Resource of 70Mt and Inferred Resource of 55Mt.
- Identified coal resource is at a moderate to deep mining depth (180 -520m), but still seen as appropriate for underground mining methods.
- Located near rail network and developed infrastructure.

### Dingo (EPC 1859)

- The tenement contains coal seams from the Permian age Rangal Coal Measures.
- Coal quality suggests a low volatile high yielding PCI product is possible, with a possible secondary thermal fraction.
- Potential Coal Target estimated between 19-33 Mt.
- Located on rail network.

AQC is currently reviewing its opportunities for the Blackwater project, either to further expand the resource or to divest.



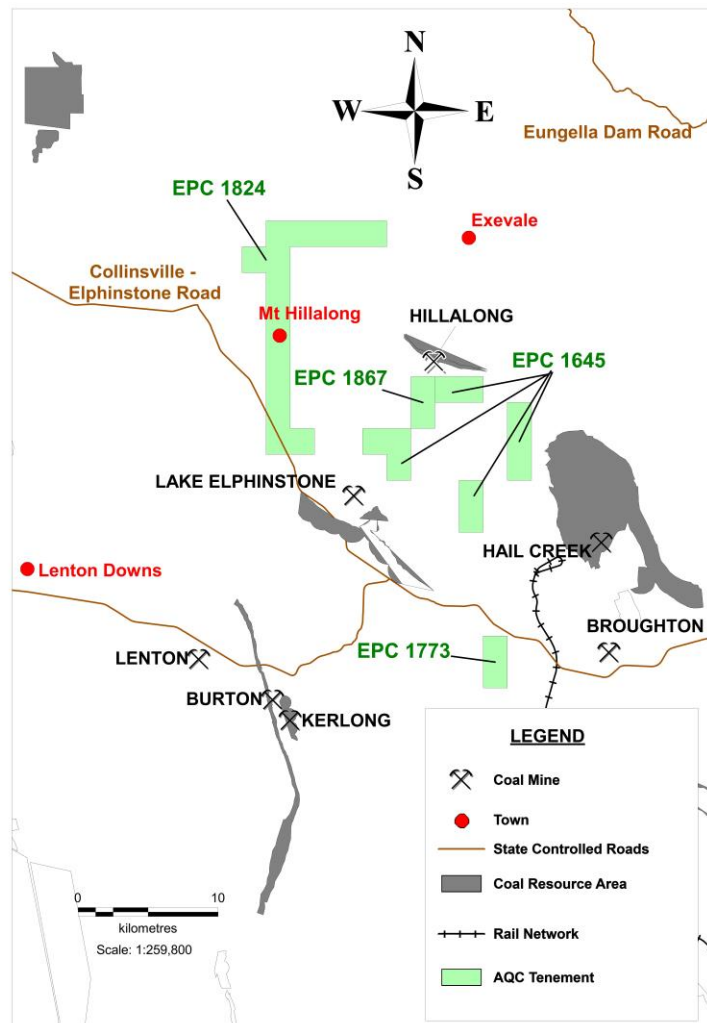
EPC	Name	Status	Area (km <sup>2</sup> )	Location	Target Coal	Coal Type	Depth	Potential
MDL 453	Cooroorah	Granted	22	16km N of Blackwater	Rangal and Burngrove	Coking, PCI & Thermal	Burngrove to 120m, Rangal 250 to 500m	
EPC 1859	Dingo	Granted	22	Around Dingo 50km E of Blackwater	Rangal and Burngrove	Thermal & PCI	120 metres	Open cut potential, 4 seams 12m thickness

## Mt Hillalong (AQC 100%)

The Mount Hillalong project consists of 4 EPC's - EPC1645, EPC1773, EPC1824 and EPC 1867).

The Mount Hillalong project targets the Rangal and Fort Cooper coal measures in the northern Bowen Basin. This project offers prospectivity for proving underground resources of metallurgical coal in the Rangals and open cut coal in the Fort Coopers. The project has limited previous exploration. However, isolated drill hole intercepts within the tenements and geophysical surveys have allowed the definition of good drilling targets as the basis for further exploration by the Company.

The Hail Creek railway is 18 km to the southeast and provides access to Mackay's export coal loading terminals.



EPC	Name	Status	Area (km <sup>2</sup> )	Location	Target Coal	Coal Type	Depth	Potential
EPC 1645	Mount Hess	Granted	70	20km SE of Glenden				Test drilling required
EPC 1773	Kemmis Creek	Granted	10	32km SE of Glenden	Fort Cooper	Coking & Thermal	to 120m	4 holes with coal intercepts 25 to 150m depths. Open cut potential
EPC 1824	Mount Hillalong	Granted	48	6km E of Glenden	Rangal	Metallurgical & Thermal	300 to 500m	90Mt exploration target defined by seismic and nearby drilling
EPC 1867	Mount Hess West	Granted	13	16km SE of Glenden				



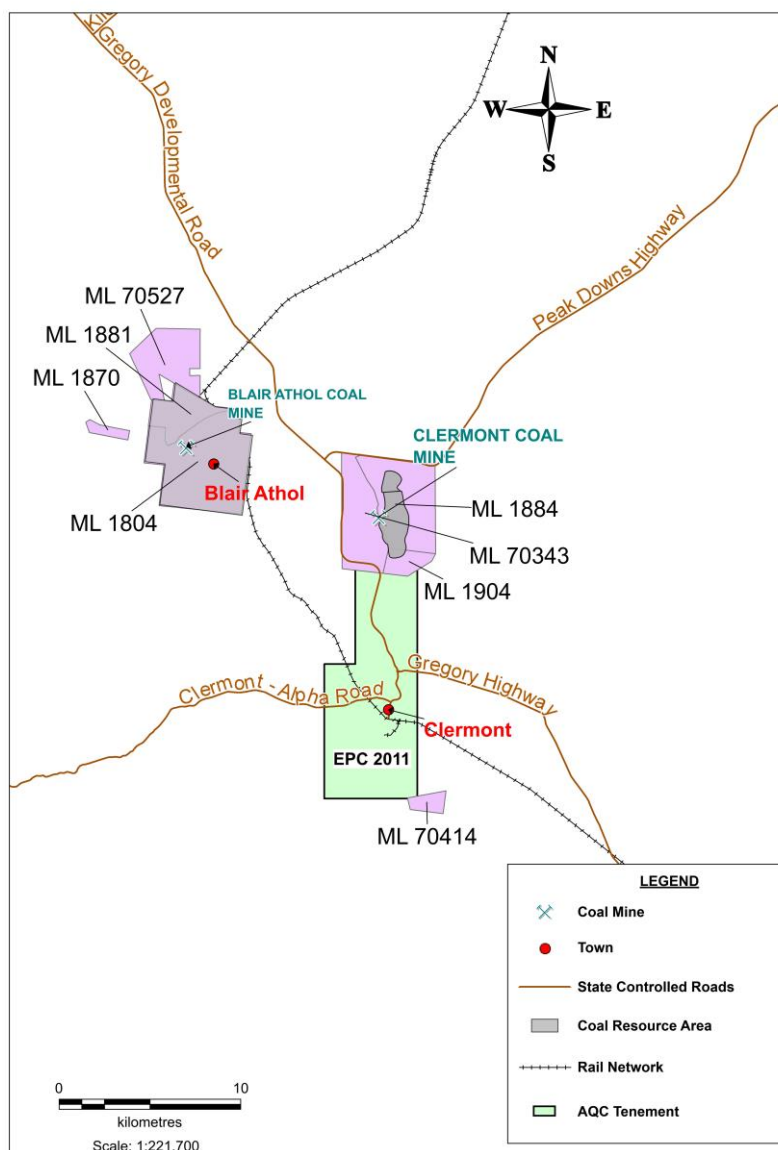
# REVIEW OF OPERATIONS

## South Clermont (AQC 100%)

The South Clermont project comprises one granted EPC (EPC 2011) over an area to the south of Blair Athol coal mine, one of the Bowen Basin's largest open cut coal operations. The application area targets extensions to the Blair Athol basin looking for further shallow thermal coal truncated from the main deposit.

- No advanced (field) activities have been completed to date.
- Reprocessed gravity surveys have shown gravity lows in the north and eastern flank of the tenement, which could indicate the presence of Permian coal seams.

Historical drilling within and surrounding the tenement totals 100 holes, but the coal seams intersected have been considered to be of limited prospectivity.



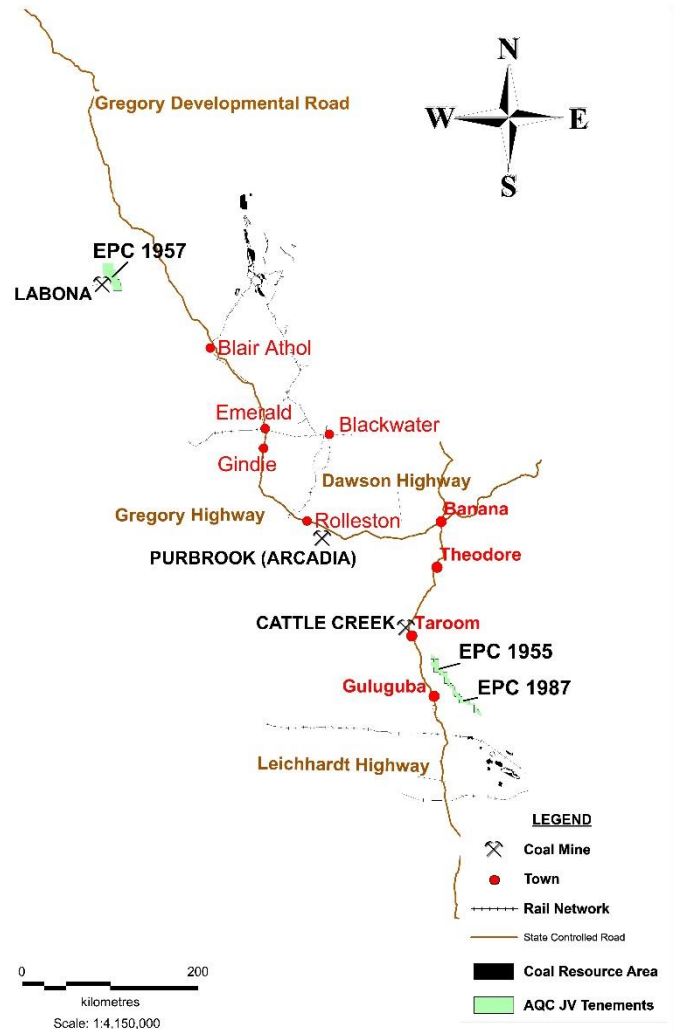
EPC	Name	Status	Area (km <sup>2</sup> )	Location	Target Coal	Coal Type	Depth	Potential
EPC 2011	South Clermont	Granted	57	Adjacent to Clermont	Blair Athol coal measures	Thermal	<200m	Geological target, requires discovery hole



# Blackwood JV (AQC 10% free carried interest)

The Blackwood Resources Joint Venture consists of three EPCs in joint venture with the unlisted coal explorer, Blackwood Resources Pty Ltd. This joint venture was created in April 2010, leaving AQC with a 10% free carried interest up to feasibility study stage. Under the terms of the joint venture, Blackwood is required to expend at least the minimum exploration commitment with the aim to prove up a coal resource and complete a feasibility study for the projects. Blackwood can withdraw at any time and offer the projects back to AQC at no cost.

The EPCs cover large areas over the Clarence-Moreton, Surat and Galilee Basin that are prospective for shallow thermal coal. Any enquiry regarding the tenements should be directed to Blackwood Resources as manager of the projects



EPC	Name	Status	Area (km2)	Location	Target Coal	Coal Type	Depth	Potential
EPC 1955	Bungaban Creek	Granted	383	100km N of Miles	Walloon coal measures	Thermal	15 to 70m	2 drilled holes intersecting 6.2m of coal to 61m
EPC 1957	Laguna Creek	Pending	382	150km NW Clermont	Galilee Basin	Thermal	<200m	Drilling required
EPC 1987	Quondong	Pending	354	50km N of Miles	Taroom coal measures	Thermal	<100m	Drilling required

# REVIEW OF OPERATIONS

## Industrial Minerals (AQC 100%)

AQC owns an industrial minerals project in central western Queensland. The project forms part of AQC's former industrial minerals business and is no longer part of the Company's core business. Options are currently being assessed to divest this asset.

### Mantuan Downs Bentonite

AQC's Mantuan Downs calcium bentonite resource is located west of Springsure in Central Queensland.

The Mantuan Downs deposit comprises two main bentonite horizons that are essentially flat lying. The Upper Bentonite Zone is the best developed, with an average cation exchange capacity (CEC) quality of 102 meq/100g. Near the centre of the deposit, the upper bentonite zone is 4-4.5m thick. The lower bentonite zone similarly comprises good quality bentonite with an average CEC quality of around 90 meq/100g. This zone is continuous throughout the deposit and is at least 2-4m thick.

The company has developed a number of products based on bentonite for industrial, livestock, agricultural, soil improvement and composting applications. The project is currently on care and maintenance as new marketing opportunities are being evaluated.

EPC	Name	Status	Area (km2)	Location	Commodity	Depth	Mining & processing
ML 70360	Mantuan	Granted	3	78km S of Alpha	Bentonite	1-2m overburden, 0.5m weathered, 3m bentonite	Shallow open cut, on site screening and bagging operation

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**Australian Pacific Coal**

ABN : 49 089 206 986 ASX CODE: AQC

**Australian Pacific Coal Limited**  
**Corporate directory**  
**30 June 2016**

Directors	Peter Ziegler (Chairman) John J Robinson (Managing Director and Chief Executive Officer) Paul Byrne Shane Stone
Company secretary	Kevin Mischewski
Registered office	Level 7 10 Felix Street Brisbane QLD 4000 Phone: +61 7 3221 0679
Principal place of business	Level 7 10 Felix Street Brisbane QLD 4000 Phone: + 61 7 3221 0679
Share register	Link Market Services Level 15 324 Queen Street Brisbane QLD 4000 Phone: 1300 554 474 or +61 2 8280 7111 <a href="http://www.linkmarketservices.com.au">www.linkmarketservices.com.au</a>
Auditor	Sothertons LLP, Chartered Accountants Level 6 468 St Kilda Road Melbourne VIC 3004
Solicitors	HopgoodGanim Lawyers Level 8 Waterfront Place 1 Eagle Street Brisbane QLD 4000
Bankers	National Australia Bank 100 Creek Street Brisbane QLD 4000
Stock exchange listing	Australian Pacific Coal Limited shares are listed on the Australian Securities Exchange (ASX code: AQC)
Website	<a href="http://www.aqcltd.com.au">www.aqcltd.com.au</a>

## **Australian Pacific Coal Limited**

### **Directors' report**

**30 June 2016**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Australian Pacific Coal Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

### **Directors**

The following persons were directors of Australian Pacific Coal Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Peter Ziegler

John Robinson (appointed 30 October 2015)

Paul Byrne

Shane Stone (appointed 1 August 2016)

Nathan Tinker (appointed 30 October 2015, resigned 9 February 2016)

Paul Ingram (resigned 30 October 2015)

Paul Ryan (resigned 30 October 2015)

### **Principal activities**

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Progressing financing and due diligence matters required to enable completion of the acquisition of Dartbrook coal mine.
- Evaluation of coal exploration tenements held in the Bowen, Surat and Galilee basins in Queensland, Australia.
- Identifying exploration opportunities on selected coal tenements including exploration by way of joint venture agreement.
- Planning of exploration programs covering selected coal tenements.
- Seeking opportunities for divestment or joint venture development of existing projects.
- Reviewing other resource investment opportunities.

### **Dividends**

No dividends of the Company or any entity of the Consolidated Entity have been paid or declared or recommended since the end of the preceding year. The Directors do not recommend the payment of any dividend for the year ended 30 June 2017.

### **Review of operations**

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$5,991,001 (30 June 2015: \$1,922,562).

As at 30 June 2016, the consolidated entity had net assets of \$11,115,272 (30 June 2015 \$1,129,526)

**Australian Pacific Coal Limited**  
**Directors' report**  
**30 June 2016**

*Dartbrook Acquisition*

On 24 December 2015, the company entered into a binding agreement to acquire an 83.33% interest in the Dartbrook Joint Venture ("Dartbrook") through the purchase of all of the shares on issue in Anglo Coal (Dartbrook) Pty Ltd, a subsidiary of Anglo American Plc. Subsequently, on 18 May 2016, Marubeni Coal Pty Ltd formally notified the company of its decision to exercise its tag-along right for the sale of its 16.67% interest in the Dartbrook Joint Venture to the company.

Total consideration for the acquisition includes:

- a A\$30 million cash payment; and
- a royalty over the consolidated entity's share of coal from Dartbrook at a rate of A\$3.00 per tonne of coal sold or otherwise disposed of and A\$0.30 per tonne of any third party coal processed through the Dartbrook infrastructure, but capped at A\$30 million (and subject to escalation in accordance with CPI).

In addition, the consolidated entity will be replacing approximately A\$9.245 million in financial assurances in respect of the Dartbrook mining tenements.

As at the date of this report, completion of the acquisition is subject to certain conditions precedent, including:

- Marubeni releasing Anglo from any further liability in respect of the Dartbrook Joint Venture, which it has agreed to do on completion of the sale of its interest;
- receipt of standard regulatory consents relating to tenement change of control conditions;
- the company providing reasonable evidence of its ability to replace the financial assurances of approximately A\$9.245 million referred to above. The company has agreed to pay a break fee of \$500,000 if it is unable to satisfy this condition (subject to all other conditions having been satisfied); and
- in respect of the Marubeni acquisition, Foreign Investment Review Board approval, if applicable.

The company has paid deposits of \$500,000 to Anglo and \$100,000 to Marubeni. A further \$24,500,000 has been paid into an escrow account to enable completion of the acquisition upon the remaining conditions precedent being waived or satisfied.

The company announced on 27 April 2016 that cornerstone investor Trepang Services Pty Ltd has undertaken to provide the necessary purchase consideration of \$5 million by way of a secured, interest bearing, loan to the company for the Marubeni acquisition. The loan has a three-year term and an interest rate of 10% per annum. The provision of the loan is subject to the execution of a general security deed over all property of the Company and the receipt of all required waivers to the grant of the security as required by the ASX Listing Rules.

During the half-year the company has also focused on the review of its existing exploration tenements and potential future drilling programs to assess the likelihood of further development of the assets or their potential sale.

**Australian Pacific Coal Limited**  
**Directors' report**  
**30 June 2016**

**Significant changes in the state of affairs**

The following significant changes in the state of affairs of the consolidated entity occurred during the financial year:

*Changes in capital structure - Non-renounceable rights issue:*

During the half-year the company undertook a non-renounceable rights issue to eligible shareholders, on the basis of 1 new fully paid ordinary share for every 1 share held at an issue price of \$0.004 per share (Rights Issue or Offer). The Rights Issue closed on 19 October 2015.

The company issued a total of 263,443,395 fully paid ordinary shares under the rights issue raising gross proceeds of \$1,053,773.58. This issue was in respect of entitlements, applications for additional shares by eligible shareholders and the placement of shortfall shares.

*Changes in capital structure - Cornerstone investors Bentley Resources Pte Ltd and Trepang Services Pty Ltd:*

On 30 October 2015 Australian Pacific Coal Limited, following Shareholder approval at the company's Extraordinary General Meeting, completed each of the Share Subscription Agreements between the company and two cornerstone investors, Bentley Resources Pte Ltd and Trepang Services Pty Ltd.

The company issued and allotted 1,650,000,000 fully paid ordinary shares at an issue price of \$0.004 per share (Subscription Shares) to each of Bentley (and its nominees) and Trepang to raise a total of \$13,200,000 pursuant to the Share Subscription Agreements and Converting Loan Deeds entered into with each party.

*Changes in capital structure - Settlement of outstanding liabilities to directors:*

Resolutions put to the company shareholders at the Extraordinary General Meeting of the company held on 30 October 2015 also contemplated the issue of shares to directors of the company for deferred fees and expenses and outstanding director fees. Following approval of these resolutions by shareholders, the company issued and allotted the following:

- 125,460,000 ordinary shares to Peter Ziegler in lieu of deferred fees and expenses;
- 122,490,000 ordinary shares to Paul Byrne in lieu of deferred fees and expenses, (collectively the Deferred Fees Shares); and
- 45,375,000 ordinary shares to Peter Ziegler in lieu of outstanding director fees;
- 27,225,000 ordinary shares to Paul Byrne in lieu of outstanding director fees;
- 24,750,000 ordinary shares to Paul Ingram in lieu of outstanding director fees; and
- 24,750,000 ordinary shares to Paul Ryan in lieu of outstanding director fees.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

**Matters subsequent to the end of the financial year**

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

The consolidated entity intends to continue its exploration, development and production activities on its existing projects and to acquire further suitable projects for exploration and development as opportunities arise.

**Environmental regulation**

The consolidated entity is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities. The directors are not aware of any environmental law that is not being complied with.

The consolidated entity is subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.

The Energy Efficiency Opportunities Act 2006 requires the consolidated entity to assess its energy usages, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the consolidated entity intends to take as a result. Due to this Act, the consolidated entity has registered with the Department of Resources, Energy and Tourism as a participant entity and reports the results from its assessments.



**Australian Pacific Coal Limited**  
**Directors' report**  
**30 June 2016**

The National Greenhouse and Energy Reporting Act 2007 require the consolidated entity to report its annual greenhouse gas emissions and energy use. The consolidated entity has implemented systems and processes for the collection and calculation of this data.

Further information on the reporting and results of both the above Acts can be found on the consolidated entity's website.

**Information on directors**

Name: Mr Peter Ziegler  
Title: Non-executive Chairman  
Qualifications: B. Com (Hons), LL.B (Hons); MFM (Qld), FCPA, FTIA, CTA, ACA  
Experience and expertise: Mr Ziegler is an experienced company director. He was a partner of one of the major international accounting firms, specialising in taxation and corporate structuring. He is also a solicitor of the Supreme Court of Victoria. Mr Ziegler is currently the principal of Ziegler Asset Partners, an asset management firm specialising in investments in listed and unlisted equities and special opportunities. Mr. Ziegler joined the Board of Australian Pacific Coal Limited on 29 November 2005 and was elected Chairman on 29 November 2012.

Other current directorships: Nil  
Former directorships (last 3 years): Nil  
Special responsibilities: Chairman of the Audit Committee  
Interests in shares: 189,903,334  
Interests in options: None  
Contractual rights to shares: None

Name: Mr John Robinson  
Title: Managing Director and Chief Executive Officer  
Qualifications: B. Acc  
Experience and expertise: Mr Robinson gained a Bachelor of Accounting from the Charles Darwin University and has led numerous private equity acquisitions in the property and retail sectors. He also has extensive experience with the support services that the mining and oil and gas sector require at Australian operations. Director since 30 October 2015 and was promoted to Managing Director in July 2016.

Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: 1,667,000,000  
Interests in options: None  
Contractual rights to shares: None

Name: Mr Paul Byrne  
Title: Executive Director  
Experience and expertise: Mr Byrne has also been involved in the resources sector since 1985 in exploration and mining and has been a director of several Australian public listed companies. He has initiated environmental remediation projects in conjunction with CSIRO, University of South Australia and the Queensland Department of Primary industries. Mr Byrne joined the Board of Australian Pacific Coal Limited as Managing Director on 29 November 2005.

Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: 194,206,471  
Interests in options: None  
Contractual rights to shares: None

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Name: Mr. Shane Stone  
Title: Non-executive Director  
Experience and expertise: AC QC, PGDK, B.A (ANU), LLB (Melbourne), Grad Dip Ed Admin (Adelaide), Dip Teaching (Sturt), TPTC (Vic), FACE, FAIM, FAICD, F Fin  
Mr Stone has a strong commercial and legal background and considerable experience in dealing with Commonwealth and State governments. Mr Stone has at various times acted as an independent director to various public and private companies. Currently Deputy Chairman UK listed Impellam plc, Chairman of ASX listed Regalpoint Resources Limited and Chairman of Mayfair Limited (Anne Street Partners and QNV Constructions). Former Chief Minister of the Northern Territory and Federal President of the Liberal Party of Australia. Formerly a barrister he is a graduate of the Australian National University, Sturt, Adelaide and Melbourne Universities. He is a Fellow of the Australian Institute of Management, Australian College of Education and Australian Institute of Company Directors. He was made a Companion of the Order of Australia in 2006. He has also been conferred national awards from Indonesia and Malaysia. Director since 1 August 2016.

Other current directorships: Chairman of Regalpoint Resources Limited (since 27 January 2010)  
Executive Chairman of the APAC Group  
Deputy Chairman and Independent Non-executive Director of Impellam Plc (UK) (since 19 September 2011)

Former directorships (last 3 years): Chairman of Energex Limited (from 31 May 2012 to 20 March 2015)

Special responsibilities: None  
Interests in shares: 6,500,000 ordinary shares  
Interests in options: None  
Contractual rights to shares: None

Name: Mr Nathan Tinkler (resigned on 9 February 2016)  
Title: Former Executive Director  
Experience and expertise: Mr Tinkler has experience in the development of mining assets. He founded Aston Resources Limited and was significantly involved in the development of Whitehaven Coal Limited and the Middlemount Project.

Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: Not applicable as no longer a director  
Interests in options: Not applicable as no longer a director  
Contractual rights to shares: Not applicable as no longer a director

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Name: Paul Ingram (resigned on 30 October 2015)  
Title: Non-executive Director  
Experience and expertise: Mr Ingram is a geologist with over thirty-five years of experience in mineral exploration and mine development. Mr Ingram has been involved in several start-up public companies, mostly focussed in the Asian region. He has extensive experience in corporate M&A and has been focussed on coal projects in Asia and Australia for the past eight years. Mr Ingram has an extensive network of professional contacts combined with close ties to the Chinese resource industry. Mr. Ingram joined the Board of Australian Pacific Coal Limited as a Non-executive Director on 17 March 2011.

Other current directorships: A-Cap Resources Limited (since 1 June 2009)  
Impact Minerals Limited (since 20 July 2009)

Former directorships (last 3 years): Consolidated Global Investments Limited (27 September 2006 to 1 September 2015)

Special responsibilities: None

Interests in shares: Not applicable as no longer a director

Interests in options: Not applicable as no longer a director

Contractual rights to shares: Not applicable as no longer a director

Name: Paul Ryan (resigned on 30 October 2015)  
Title: Non-executive Director  
Experience and expertise: Mr Ryan is a businessman with over twenty years' experience as owner and manager of large scale privately held companies. He has been involved in operations management at the Manimbah gold mine, contract mining, and transport and logistics operations. Mr Ryan joined the Board of Australian Pacific Coal Limited as a Non-executive Director on 29 November 2012.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: None

Interests in shares: Not applicable as no longer a director

Interests in options: Not applicable as no longer a director

Contractual rights to shares: Not applicable as no longer a director

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Company secretary**

Mr Kevin Mischewski B Bus (Acc), CA has held the role of Company Secretary since 30 June 2008 (excluding the period from 30 October 2015 to 22 June 2016), Joint Company Secretary 29 February 2008 to 30 June 2008. Mr. Mischewski is a Chartered Accountant and Registered Tax Agent with extensive commercial experience in senior financial and management accounting roles. Previous positions include Chief Financial Officer, Company Secretary and Finance Director for large private manufacturing companies. He has extensive experience with listed public company reporting and compliance requirements.

Mr Shane Cranswick held the role of Company Secretary from 30 October 2015 to 22 June 2016.

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**Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mr. Peter Ziegler	21	21	2	2
Mr John J Robinson	15	15	1	1
Mr Paul Byrne	20	21	-	-
Mr Paul Ingram	6	6	-	-
Mr Paul Ryan	5	6	-	-
Mr Nathan Tinkler	5	5	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

**Remuneration report (audited)**

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key financial and non-financial drivers of value
- attracting and retaining high calibre executives

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Additionally, the reward framework seeks to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

*Non-executive director's remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the General Meeting held on 30 October 2015, where the shareholders approved a maximum annual aggregate remuneration of \$500,000.

*Executive remuneration*

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these components comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Board and subject to individual contracts is based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI incentives are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The Board is currently reviewing the company's long-term equity-linked performance incentives.

*Consolidated entity performance and link to remuneration*

Remuneration for certain individuals is directly linked to the performance of, and outcomes achieved for, the consolidated entity together with bonus and incentive payments at the discretion of the Board.

The Board is of the opinion that continued improved results will be attributable in part to the adoption of performance based compensation with this form of compensation likely to lead to increasing shareholder wealth in the coming years.

*Voting and comments made at the company's 2015 Annual General Meeting ('AGM')*

At the 2015 AGM, shareholders voted unanimously to support the adoption of the remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

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**Details of remuneration**

*Amounts of remuneration*

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Australian Pacific Coal Limited:

- Peter Ziegler – Non-executive Chairman
- John Robinson – Non-executive Director (from 30 October 2015), Executive Director (from 9 March 2016), Chief Executive Officer (from 13 April 2016), Managing Director (from 7 July 2016)
- Paul Byrne – Executive Director
- Nathan Tinkler – Managing Director and Chief Executive Officer (from 30 October 2015 to 9 February 2016)
- Paul Ingram – Non-executive Director (to 30 October 2015)
- Paul Ryan – Non-executive Director (to 30 October 2015)

And the following persons:

- Kevin Mischewski - Company Secretary and Chief Financial Officer
- Shane Cranswick – Company Secretary and Chief Financial Officer (from 30 October 2015 to 22 June 2016)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
<b>2016</b>	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Peter Ziegler (Chairman)	260,011	-	-	-	-	-	-	260,011
Paul Ingram	12,000	-	-	-	-	-	-	12,000
Paul Ryan	12,000	-	-	-	-	-	-	12,000
<i>Executive Directors:</i>								
John J Robinson	122,748	-	-	11,661	-	-	-	134,409
Paul Byrne	216,009	-	-	-	-	-	-	216,009
Nathan Tinkler	140,619	200,000	-	-	-	-	-	340,619
<i>Other Key Management Personnel:</i>								
Kevin Mischewski	213,440	-	-	11,400	-	-	-	224,840
Shane Cranswick	331,752	100,000	-	18,644	-	-	492,700	943,096
	<u>1,308,579</u>	<u>300,000</u>	<u>-</u>	<u>41,705</u>	<u>-</u>	<u>-</u>	<u>492,700</u>	<u>2,142,984</u>

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	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
<b>2015</b>	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Peter Ziegler (Chairman)	268,800	-	-	-	-	-	-	268,800
Paul Ingram	36,000	-	-	-	-	-	-	36,000
Paul Ryan	36,000	-	-	-	-	-	-	36,000
<i>Executive Directors:</i>								
Paul Byrne	242,400	-	-	-	-	-	-	242,400
<i>Other Key Management Personnel:</i>								
Kevin Mischewski	214,300	-	-	-	-	-	-	214,300
	<u>797,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>797,500</u>

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2016	2015	2016	2015	2016	2015
<i>Non-Executive Directors:</i>						
Peter Ziegler	100%	100%	-	-	-	-
Paul Ingram	100%	100%	-	-	-	-
Paul Ryan	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
John J Robinson	100%	100%	-	-	-	-
Paul Byrne	100%	100%	-	-	-	-
Nathan Tinkler	100%	-	-	-	-	-
<i>Other Key Management Personnel:</i>						
Kevin Mischewski	100%	100%	-	-	-	-
Shane Cranswick	100%	-	-	-	-	-

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2016	2015	2016	2015
<i>Executive Directors:</i>				
Nathan Tinkler	100%	-	-	-
<i>Other Key Management Personnel:</i>				
Shane Cranswick	100%	-	-	-



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**Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

*Current agreements:*

Name: Peter Ziegler  
Title: Non-executive Chairman  
Agreement commenced: 30 October 2015  
Term of agreement: Ongoing appointment, subject to termination rights noted below.  
Details: Consultancy Agreement with Peter Ziegler & Co Pty Ltd an entity associated with Mr Ziegler. Consultancy fees for the year ending 30 June 2017 of \$250,000 to be indexed for inflation on the 1 January of each year commencing on 1 January 2017, and to be reviewed by the Board in light of any increases in the market for similar positions held. To the extent that the company agrees that the consultant is to provide any additional professional or executive services outside of Mr Ziegler's role as non-executive Chairman, these services will be remunerated on terms reasonably agreed from time to time. Mr Ziegler or his nominee is eligible to receive any forms of equity type compensation as reasonably determined by the Board from time to time. Death & disability insurance will be provided and the consultant will be reimbursed for out of pocket expenses as well as costs pertaining to relevant trade shows, seminars, professional memberships, and Continuing Professional Development together with incidental AQC related business expenditure. The consultant may give 3 months' notice of termination. The company may terminate the arrangements without cause by giving 12 months' written notice or by making payment in lieu of such notice. Such payment shall not be more than the maximum amount permitted by the Corporations Act on termination in such circumstances, unless shareholder approval is obtained pursuant to the Corporations Act.

Name: John Robinson  
Title: Managing Director and Chief Executive Officer  
Agreement commenced: 30 October 2015  
Term of agreement: Ongoing appointment, subject to termination rights noted below.  
Details: Base salary for the year ending 30 June 2017 of \$250,000 including superannuation to be indexed for inflation on the 1 January of each year commencing on 1 January 2017, and to be reviewed by the Board in light of any increases in the market for similar positions held. Mr Robinson or his nominee is eligible to receive any forms of equity type compensation as reasonably determined by the Board from time to time. Death & disability insurance will be provided and the consultant will be reimbursed for out of pocket expenses as well as costs pertaining to relevant trade shows, seminars, professional memberships, and Continuing Professional Development together with incidental AQC related business expenditure. The officer may give 3 months' notice of termination. The company may terminate the arrangements without cause by giving 12 months' written notice or by making payment in lieu of such notice. Such payment shall not be more than the maximum amount permitted by the Corporations Act on termination in such circumstances, unless shareholder approval is obtained pursuant to the Corporations Act.

Name: Paul Byrne  
Title: Executive Director  
Agreement commenced: 30 October 2015  
Term of agreement: Ongoing appointment, subject to termination rights noted below.  
Details: Consultancy Agreement with Moray Holdings (Qld) Pty Ltd an entity associated with Mr Byrne. Consultancy fees for the year ending 30 June 2017 of \$200,000 to be indexed for inflation on the 1 January of each year commencing on 1 January 2017, and to be reviewed by the Board in light of any increases in the market for similar positions held. Mr Byrne or his nominee is eligible to receive any forms of equity type compensation as reasonably determined by the Board from time to time. Death & disability insurance will be provided and the consultant will be reimbursed for out of pocket expenses as

well as costs pertaining to relevant trade shows, seminars, professional memberships, and Continuing Professional Development together with incidental AQC related business expenditure. The consultant may give 3 months' notice of termination. The company may terminate the arrangements without cause by giving 9 months' written notice or by making payment in lieu of such notice. Such payment shall not be more than the maximum amount permitted by the Corporations Act on termination in such circumstances, unless shareholder approval is obtained pursuant to the Corporations Act.

Name: Kevin Mischewski  
Title: Company Secretary and Chief Executive Officer  
Agreement commenced: 30 October 2015  
Term of agreement: Ongoing appointment, subject to termination rights noted below.  
Details: Base salary for the year ending 30 June 2017 of \$180,000 plus superannuation to be indexed for inflation on the 1 January of each year commencing on 1 January 2017, and to be reviewed by the Board in light of any increases in the market for similar positions held. Mr Mischewski or his nominee is eligible to receive any forms of equity type compensation as reasonably determined by the Board from time to time. Death & disability insurance will be provided and the employee will be reimbursed for out of pocket expenses as well as costs pertaining to relevant trade shows, seminars, professional memberships, and Continuing Professional Development together with incidental AQC related business expenditure. Mr Mischewski may give 3 months' notice of termination. The company may terminate the arrangements without cause by giving 9 months' written notice or by making payment in lieu of such notice. Such payment shall not be more than the maximum amount permitted by the Corporations Act on termination in such circumstances, unless shareholder approval is obtained pursuant to the Corporations Act.

*Terminated agreements:*

Name: Nathan Tinkler  
Title: Managing Director and Chief Executive Officer  
Agreement commenced: 30 October 2015  
Term of agreement: The agreement was terminated on 9 February 2016 on Mr Tinkler's resignation as a director of the company.  
Details: Consultancy Agreement with Bentley Resources Australia Pty Ltd an entity associated with Mr Tinkler, pursuant to which Mr Tinkler is to be provided to act as Chief Executive Officer and Managing Director. Consultancy fees for the year ending 30 June 2017 of \$500,000 to be indexed for inflation on the 1 January of each year commencing on 1 January 2017, and to be reviewed by the Board in light of any increases in the market for similar positions held. Mr Tinkler was paid a sign on bonus of \$200,000. To the extent that the company agrees that the consultant is to provide any additional professional or executive services outside of Mr Tinkler's role as Managing Director and Chief Executive Officer, these services will be remunerated on terms reasonably agreed from time to time. Mr Tinkler or his nominee is eligible to receive any forms of equity type compensation as reasonably determined by the Board from time to time. Death & disability insurance will be provided and the consultant will be reimbursed for out of pocket expenses as well as costs pertaining to relevant trade shows, seminars, professional memberships, and Continuing Professional Development together with incidental AQC related business expenditure. The consultant may give 3 months' notice of termination. The company may terminate the arrangements without cause by giving 12 months' written notice or by making payment in lieu of such notice. Such payment shall not be more than the maximum amount permitted by the Corporations Act on termination in such circumstances, unless shareholder approval is obtained pursuant to the Corporations Act.

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Name: Shane Cranswick  
Title: Company Secretary and Chief Financial Officer  
Agreement commenced: 30 October 2015  
Term of agreement: The agreement was terminated on 22 June 2016.  
Details: Base salary for the year ending 30 June 2016 of \$250,000 plus superannuation to be indexed for inflation on the 1 January of each year commencing on 1 January 2017, and to be reviewed by the Board in light of any increases in the market for similar positions held. Mr Cranswick was paid a sign on bonus of \$100,000. Mr Cranswick or his nominee was eligible to receive any forms of equity type compensation as reasonably determined by the Board from time to time. Death & disability insurance was to be provided and the employee will be reimbursed for out of pocket expenses as well as costs pertaining to relevant trade shows, seminars, professional memberships, and Continuing Professional Development together with incidental AQC related business expenditure. On termination of the agreement Mr Cranswick received 9 month's payment in lieu of notice, limited to the maximum amount permitted by the Corporations Act on termination in such circumstances, unless shareholder approval is obtained pursuant to the Corporations Act.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

*Options*

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
3 November 2016	3 November 2016	31 March 2017	\$0.008	0.4927 cents

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Number of options granted during the year 2016	Number of options granted during the year 2015	Number of options vested during the year 2016	Number of options vested during the year 2015
Shane Cranswick	100,000,000	-	100,000,000	-

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Shane Cranswick	492,700	-	-	52.24%

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***Additional disclosures relating to key management personnel***

***Shareholding***

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Peter Ziegler	3,284,167	-	186,619,167	-	189,903,334
John Robinson	-	-	1,677,000,000	-	1,677,000,000
Paul Byrne	22,667,304	-	172,539,167	1,000,000	194,206,471
Nathan Tinkler *	-	-	1,677,000,000	1,677,000,000	-
Paul Ingram *	1,150,000	-	-	1,150,000	-
Paul Ryan *	-	-	-	-	-
Kevin Mischewski	300,000	-	-	-	300,000
Shane Cranswick *	-	-	-	-	-
	<u>27,401,471</u>	<u>-</u>	<u>3,713,158,334</u>	<u>1,679,150,000</u>	<u>2,061,409,805</u>

\* Disposals/other represents disposals of shares during the period and the shares held at resignation date.

***Option holding***

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Shane Cranswick	-	100,000,000	-	-	100,000,000
	<u>-</u>	<u>100,000,000</u>	<u>-</u>	<u>-</u>	<u>100,000,000</u>

***Other transactions with key management personnel and their related parties***

There were no other transactions with key management personnel and their related parties during the financial year other than those transactions disclosed within this annual financial report.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

Unissued ordinary shares of Australian Pacific Coal Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
3 November 2015	31 March 2017	\$0.008	100,000,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

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**Shares issued on the exercise of options**

The following ordinary shares of Australian Pacific Coal Limited were issued during the year ended 30 June 2016 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
3 November 2015	\$0.008	12,500,000

**Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Officers of the company who are former partners of Sothertons L.L.P. Chartered Accountants**

There are no officers of the company who are former partners of Sothertons L.L.P. Chartered Accountants.

**Rounding of amounts**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar.

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**Auditor's independence declaration**

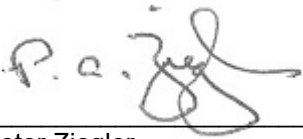
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

**Auditor**

Sothertons L.L.P. Chartered Accountants continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'P. Ziegler', is written over a horizontal line.

Peter Ziegler  
Chairman

30 September 2016  
Brisbane

D. A. Lissauer B.Com., FCPA, Affiliate ICAA

R. P. Lissauer B.Ec., M.Tax, CA, FTIA

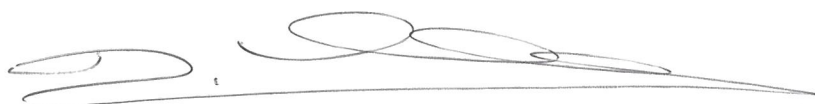
M. R. Lipson B.Bus., B.Ed., Al.Arb.A, CA

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT**

As lead auditor for the audit of Australian Pacific Coal Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Pacific Coal Limited and the entities it controlled during the year.



D Lissauer  
Audit Partner  
Sothertons L.L.P.

Brisbane  
30 September 2016



## Australian Pacific Coal Limited

### Contents

30 June 2016

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#### General information

The financial statements cover Australian Pacific Coal Limited as a consolidated entity consisting of Australian Pacific Coal Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Australian Pacific Coal Limited's functional and presentation currency.

Australian Pacific Coal Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

##### Registered office

Level 7  
10 Felix Street  
Brisbane QLD 4000

##### Principal place of business

Level 7  
10 Felix Street  
Brisbane QLD 4000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2016. The directors have the power to amend and reissue the financial statements.

**Australian Pacific Coal Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2016**

	Note	Consolidated 2016 \$	2015 \$
<b>Revenue from continuing operations</b>	4	129,828	6,730
Sale of interest in tenements		-	15,000
Other income	5	-	120,705
<b>Expenses</b>			
Cost of goods sold	6	(1,699)	-
Employee benefits expense		(1,449,277)	(215,201)
Depreciation and amortisation expense	6	(30,769)	(30,659)
Impairment of trade and other receivables		76,575	(109,170)
Impairment of exploration and evaluation		-	650
Impairment of other financial assets		-	(74,000)
Exploration and evaluation expense		(59,723)	(49,848)
Capitalised exploration expensed on sale of tenement		-	(30,700)
Capitalised exploration expensed on surrender of tenement		(539,050)	(424,335)
Business combinations expense		(615,174)	-
Administration and consulting expenses		(2,654,375)	(1,128,452)
Finance costs	6	(847,340)	(3,282)
<b>Profit before income tax expense from continuing operations</b>		(5,991,001)	(1,922,562)
Income tax expense	7	-	-
<b>Profit after income tax expense from continuing operations</b>		(5,991,001)	(1,922,562)
<b>Profit after income tax expense from discontinued operations</b>		-	-
<b>Profit after income tax expense for the year</b>		(5,991,001)	(1,922,562)
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<u>(5,991,001)</u>	<u>(1,922,562)</u>
Profit for the year is attributable to:			
Owners of Australian Pacific Coal		<u>(5,991,001)</u>	<u>(1,922,562)</u>
Total comprehensive income for the year is attributable to:			
Owners of Australian Pacific Coal		<u>(5,991,001)</u>	<u>(1,922,562)</u>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit from continuing operations attributable to the owners of Australian Pacific Coal Limited</b>			
Basic earnings per share	33	(0.20)	(0.83)
Diluted earnings per share	33	(0.20)	(0.83)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Australian Pacific Coal Limited**  
**Statement of financial position**  
**As at 30 June 2016**

	Note	Consolidated 2016 \$	2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	28,821,692	101,201
Trade and other receivables	9	48,615	17,389
Other	10	1,226,832	28,180
Total current assets		<u>30,097,139</u>	<u>146,770</u>
<b>Non-current assets</b>			
Cash and cash equivalents	8	285,442	-
Receivables	11	103,105	70,773
Property, plant and equipment	13	346,994	137,169
Exploration and evaluation	14	1,970,793	2,440,667
Other	16	52,083	67,083
Total non-current assets		<u>2,758,417</u>	<u>2,715,692</u>
<b>Total assets</b>		<u>32,855,556</u>	<u>2,862,462</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	1,350,976	1,672,936
Borrowings	18	20,295,965	60,000
Total current liabilities		<u>21,646,941</u>	<u>1,732,936</u>
<b>Non-current liabilities</b>			
Borrowings	19	93,343	-
Total non-current liabilities		<u>93,343</u>	<u>-</u>
<b>Total liabilities</b>		<u>21,740,284</u>	<u>1,732,936</u>
<b>Net assets</b>		<u>11,115,272</u>	<u>1,129,526</u>
<b>Equity</b>			
Issued capital	20	53,179,591	37,695,544
Reserves	21	492,700	-
Retained profits		<u>(42,557,019)</u>	<u>(36,566,018)</u>
<b>Total equity</b>		<u>11,115,272</u>	<u>1,129,526</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Australian Pacific Coal Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2016**

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Retained profits</b> <b>\$</b>	<b>Non-controlling interest</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2014	36,957,568	-	(34,643,456)	-	2,314,112
Profit after income tax expense for the year	-	-	(1,922,562)	-	(1,922,562)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(1,922,562)	-	(1,922,562)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 20)	737,976	-	-	-	737,976
Balance at 30 June 2015	<u>37,695,544</u>	<u>-</u>	<u>(36,566,018)</u>	<u>-</u>	<u>1,129,526</u>
<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Retained profits</b> <b>\$</b>	<b>Non-controlling interest</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2015	37,695,544	-	(36,566,018)	-	1,129,526
Profit after income tax expense for the year	-	-	(5,991,001)	-	(5,991,001)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(5,991,001)	-	(5,991,001)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 20)	15,484,047	-	-	-	15,484,047
Share-based payments (note 21)	-	492,700	-	-	492,700
Balance at 30 June 2016	<u>53,179,591</u>	<u>492,700</u>	<u>(42,557,019)</u>	<u>-</u>	<u>11,115,272</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Australian Pacific Coal Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2016**

	<b>Note</b>	<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		4,250	4,800
Payments to suppliers and employees (inclusive of GST)		(5,113,008)	(908,616)
		(5,108,758)	(903,816)
Interest received		125,964	6,730
Borrowing costs		(540)	-
Net cash from operating activities	32	<u>(4,983,334)</u>	<u>(897,086)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(240,594)	(7,230)
Payments for exploration and evaluation		(69,176)	(88,633)
Proceeds from sale of property, plant and equipment		-	142,273
Proceeds from sale of exploration tenements		-	15,000
Proceeds from release of security deposits		15,000	17,500
Net cash used in investing activities		<u>(294,770)</u>	<u>78,910</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		14,440,059	398,415
Proceeds from borrowings		20,959,926	125,000
Share issue transaction costs		(525,927)	(55,264)
Repayment of borrowings		(590,021)	-
Net cash used in financing activities		<u>34,284,037</u>	<u>468,151</u>
Net increase/(decrease) in cash and cash equivalents		20,005,933	(350,025)
Cash and cash equivalents at the beginning of the financial year		<u>101,201</u>	<u>451,226</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>29,107,134</u></u>	<u><u>101,201</u></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

## **Note 1. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### *Going Concern*

This financial report has been prepared on a going concern basis as the Directors consider that the company and the consolidated entity will be able to realise its assets and settle its liabilities in the normal course of business and at amounts stated in the financial report. The continuation of the company and the consolidated entity as a going concern is dependent on their ability to achieve the following objectives:

- Capital raising to support existing projects including the acquisition of Dartbrook coal mine.
- Development and exploitation of its coal tenements.  
Budgeted expenditure will allow the Company to meet tenement commitments on tenements which are not planned to be relinquished. If tenement commitments are not met then the Company will seek a variation of required expenditure from the relevant authority which, it is expected, will be granted.
- Realisation of surplus assets.

Should the anticipated capital raisings not generate the expected cash flows, the company may not be able to pay its debts as and when they become due and payable and it may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Pacific Coal Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Australian Pacific Coal Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

**Note 1. Significant accounting policies (continued)**

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**Foreign currency translation**

The financial statements are presented in Australian dollars, which is Australian Pacific Coal Limited's functional and presentation currency.

*Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Sale of goods*

Revenue from the sale of goods is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

*Rendering of services*

Rendering of services revenue is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to the stage of completion for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**Note 1. Significant accounting policies (continued)**

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Australian Pacific Coal Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

**Discontinued operations**

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.



**Note 1. Significant accounting policies (continued)**

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

**Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

**Inventories**

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Cost is determined on the following basis:

- (a) Bentonite on hand is valued on an average total production cost method
- (b) Ore stockpiles are valued at the average cost of mining and stockpiling the ore, including haulage
- (c) A proportion of related depreciation and amortisation charge is included in the cost of inventory

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

**Note 1. Significant accounting policies (continued)**

**Joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

**Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

*Impairment of financial assets*

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

**Property, plant and equipment**

Land and buildings are shown at historical cost. On any revaluation, accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

**Note 1. Significant accounting policies (continued)**

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	25 years
Leasehold improvements	5 years
Plant and equipment	2 ½ - 10 years
Plant and equipment under lease	5 - 8 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

**Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

**Exploration and evaluation assets**

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

**Mining assets**

Capitalised mining development costs include expenditures incurred to develop new ore bodies to define further mineralisation in existing ore bodies, to expand the capacity of a mine and to maintain production. Mining development also includes costs transferred from exploration and evaluation phase once production commences in the area of interest.

Amortisation of mining development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration.

**Note 1. Significant accounting policies (continued)**

**Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

**Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**Provisions**

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

**Employee benefits**

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

**Note 1. Significant accounting policies (continued)**

*Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

**Note 1. Significant accounting policies (continued)**

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

**Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

**Note 1. Significant accounting policies (continued)**

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Australian Pacific Coal Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**Rounding of amounts**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar,

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

**Note 1. Significant accounting policies (continued)**

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

*AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.



## **Note 2. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### *Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

### *Provision for impairment of inventories*

The provision for impairment of inventories assessment requires a degree of estimation and judgement. Costs incurred in or benefits of the productive process are accumulated as stockpiles, minerals in process and product inventory. Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing metal prices, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

### *Fair value measurement hierarchy*

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

### *Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### *Goodwill and other indefinite life intangible assets*

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

**Note 2. Critical accounting judgements, estimates and assumptions (continued)**

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

*Rehabilitation provision*

Where material, a provision may be made for the present value of anticipated costs for future rehabilitation of land explored or mined. The consolidated entity's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The consolidated entity recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

*Exploration and evaluation costs*

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

**Note 3. Operating segments**

*Identification of reportable operating segments*

The consolidated entity is currently organised into two operating segments based on resource category: exploration and evaluation, and bentonite mining. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ("CODM")) in assessing performance and determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews segment receipts and expenditure for each operating segment at each board meeting. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

*Types of products and services*

The principal products and services of each of these operating segments are as follows:

Exploration and evaluation	The exploration and evaluation segment seeks to identify prospective resource areas, secure tenure over the relevant tenements and manage the exploration and evaluation process.
Bentonite mining	The bentonite mining segment mines bentonite for sale.

*Intersegment transactions*

Intersegment transactions are made at market rates. Intersegment transactions are eliminated on consolidation.

*Intersegment receivables, payables and loans*

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

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**Note 3. Operating segments (continued)**

*Operating segment information*

<b>Consolidated – 2016</b>	Exploration and evaluation \$	Bentonite mining \$	Unallocated \$	Total \$
<b>Revenue</b>				
Sales to external customers	-	3,864	-	3,864
Interest revenue	2	-	125,963	125,965
<b>Total sales revenue</b>	<b>2</b>	<b>3,864</b>	<b>125,963</b>	<b>129,829</b>
Other revenue	-	-	-	-
<b>Total revenue</b>	<b>2</b>	<b>3,864</b>	<b>125,963</b>	<b>129,829</b>
<b>Segment net profit from continuing operations before tax</b>	<b>567,516</b>	<b>45,015</b>	<b>5,378,470</b>	<b>5,991,001</b>
<b>Net profit from continuing operations before tax</b>				<b>5,991,001</b>
Amounts included in segment result and reviewed by the board:				
- depreciation and amortisation				30,769
- impairment of loans receivable				(76,575)
- exploration and evaluation				59,723
- capitalised exploration expensed on surrender of tenement				539,050
<b>Assets</b>				
Segment assets				
<i>Included in segment assets are:</i>				
Cash and cash equivalents	-	-	29,107,134	29,107,134
Property, plant and equipment	-	119,697	227,297	346,994
Capitalised exploration and evaluation	1,970,793	-	-	1,970,793
Other assets	33,849	18,233	1,378,553	1,430,635
<b>Total assets</b>	<b>2,004,642</b>	<b>137,930</b>	<b>30,712,984</b>	<b>32,855,556</b>
<i>Total assets includes:</i>				
Investments in associates	-	-	-	-
Acquisition of non-current assets	-	-	220,961	220,961
<b>Liabilities</b>				
Segment liabilities	14,242	3,280	21,722,762	21,740,284
<b>Total liabilities</b>				<b>21,740,284</b>

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**Note 3. Operating segments (continued)**

*Operating segment information*

<b>Consolidated – 2015</b>	Exploration and evaluation \$	Bentonite mining \$	Unallocated \$	Total \$
<b>Revenue</b>				
Sales to external customers	15,000	-	-	15,000
Interest revenue	8	1	6,721	6,730
Total sales revenue	<u>15,008</u>	<u>1</u>	<u>6,721</u>	<u>21,730</u>
Other revenue	-	120,705	-	120,705
<b>Total revenue</b>	<u>15,008</u>	<u>120,706</u>	<u>6,721</u>	<u>142,435</u>
<b>Segment net profit from continuing operations before tax</b>	<u>(538,985)</u>	<u>69,681</u>	<u>(1,453,258)</u>	<u>(1,922,562)</u>
<b>Net profit from continuing operations before tax</b>				<u><b>(1,922,562)</b></u>
Amounts included in segment result and reviewed by the board:				
- depreciation and amortisation	-	17,628	13,031	30,659
- impairment of exploration and evaluation	1,350	(2,000)	-	(650)
- impairment of loans receivable	-	-	109,170	109,170
- impairment of investments	74,000	-	-	74,000
- exploration and evaluation	17,434	32,414	-	49,848
- capitalised exploration expensed on surrender of tenement	424,335	-	-	424,335
<b>Assets</b>				
Segment assets				
<i>Included in segment assets are:</i>				
Cash and cash equivalents	-	-	101,201	102,201
Property, plant and equipment	-	130,833	6,336	137,169
Capitalised exploration and evaluation	2,440,667	-	-	2,440,667
Other assets	51,340	18,377	113,708	183,425
<b>Total assets</b>	<u>2,492,007</u>	<u>149,210</u>	<u>221,245</u>	<u>2,862,462</u>
<i>Total assets includes:</i>				
Investments in associates	-	-	-	-
Acquisition of non-current assets	153,135	-	6,950	160,085
<b>Liabilities</b>				
Segment liabilities	<u>210,511</u>	<u>3,298</u>	<u>1,519,127</u>	<u>1,732,936</u>
<b>Total liabilities</b>				<u>1,732,936</u>

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**Note 4. Revenue**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Sale of bentonite	3,864	-
	<u>3,864</u>	<u>-</u>
<i>Other revenue</i>		
Interest	125,964	6,730
	<u>125,964</u>	<u>6,730</u>
Revenue from continuing operations	<u><u>129,828</u></u>	<u><u>6,730</u></u>

**Note 5. Other income**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Net gain on disposal of property, plant and equipment	-	120,705
Other income	<u>-</u>	<u>120,705</u>

**Note 6. Expenses**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Profit before income tax from continuing operations includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of sales	1,699	-
<i>Depreciation</i>		
Land and buildings	5,957	5,957
Leasehold improvements	-	6,066
Plant and equipment	24,812	18,636
	<u>30,769</u>	<u>30,659</u>
Total depreciation		
<i>Finance costs</i>		
Interest and finance charges paid/payable	847,340	3,282
Finance costs expensed	<u>847,340</u>	<u>3,282</u>

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**Note 6. Expenses (continued)**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	595,747	133,967
<i>Superannuation expense</i>		
Defined contribution superannuation expense	54,317	4,170
<i>Share-based payments expense</i>		
Share-based payments expense	492,700	-

**Note 7. Income tax expense**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense from continuing operations	(5,991,001)	(1,922,562)
Profit before income tax expense from discontinued operations	-	-
	(5,991,001)	(1,922,562)
Tax at the statutory tax rate of 30%	(1,797,301)	(576,769)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	9,231	9,198
Other non-allowable items	352,017	129,073
Write downs to recoverable amounts	(22,973)	55,146
Other allowable items	21,414	(61,303)
	(1,437,612)	(444,655)
Tax losses and temporary differences not brought into account	1,437,612	444,655
Income tax expense	-	-

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**Note 8. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Current:</i>		
Cash at bank and on hand	4,321,692	51,201
Cash on deposit	24,500,000	50,000
	<u>28,821,692</u>	<u>101,201</u>
<i>Non-current:</i>		
Cash on deposit	285,442	-
	<u>285,442</u>	<u>-</u>
	<u>29,107,134</u>	<u>101,201</u>

The non-current cash on deposit amount represents restricted term deposit facilities provided as security for finance and bank guarantee facilities that company's bankers have provided to the consolidated entity.

*Reconciliation to cash and cash equivalents at the end of the financial year*

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	29,107,134	101,201
Balance as per statement of cash flows	<u>29,107,134</u>	<u>101,201</u>

**Note 9. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	-	-
Other receivables	63,015	17,389
Less: Provision for impairment of receivables	(14,400)	-
	<u>48,615</u>	<u>17,389</u>

*Impairment of receivables*

The consolidated entity has recognised a loss of \$14,400 (2015: \$Nil) in profit or loss in respect of impairment of current receivables for the year ended 30 June 2016.

The ageing of the impaired receivables provided for above are as follows:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
0 to 3 months overdue	14,400	-
3 to 6 months overdue	-	-
Over 6 months overdue	-	-
	<u>14,400</u>	<u>-</u>

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**Note 9. Current assets - trade and other receivables (continued)**

Movements in the provision for impairment of receivables are as follows:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Opening balance	-	-
Additional provisions recognised	14,400	-
	<u>14,400</u>	<u>-</u>
Closing balance	<u>14,400</u>	<u>-</u>

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$Nil as at 30 June 2016 (\$Nil as at 30 June 2015).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

**Note 10. Current assets - other**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Prepayments	626,832	28,180
Security deposits	600,000	-
	<u>1,226,832</u>	<u>28,180</u>

**Note 11. Non-current assets - receivables**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Amounts receivable from related parties		
- loans to directors	287,348	551,848
- loans to directors – provision for impairment	(247,143)	(545,118)
- loans to key management personnel	28,950	28,950
- loans to key management personnel – provision for impairment	(23,850)	(28,350)
Other receivables	587,850	381,993
Other receivables – provision for impairment	(530,050)	(318,550)
	<u>103,105</u>	<u>70,773</u>

*Impairment of receivables*

The consolidated entity has recognised a gain of \$90,975 (2015: \$109,170 loss) in profit or loss in respect of impairment of non-current receivables for the year ended 30 June 2016. Non-current receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual receivable is impaired. These impairment amounts have been included in the income statements.



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**Note 11. Non-current assets - receivables (continued)**

The ageing of the impaired receivables provided for above are as follows:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
0 to 3 months overdue	801,043	892,018
3 to 6 months overdue	-	-
Over 6 months overdue	-	-
	<u>801,043</u>	<u>892,018</u>

Movements in the provision for impairment of receivables are as follows:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Opening balance	892,018	782,848
Additional provisions recognised	(90,975)	109,170
Closing balance	<u>801,043</u>	<u>892,018</u>

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$Nil as at 30 June 2016 (\$58,643 as at 30 June 2015).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
0 to 3 months overdue	-	58,643
3 to 6 months overdue	-	-
Over 6 months overdue	-	-
	<u>-</u>	<u>58,643</u>

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**Note 12. Non-current assets - available-for-sale financial assets**

	<b>Consolidated</b>	<b>2015</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Unlisted ordinary shares	-	-
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	-	74,000
Less: Impairment	-	(74,000)
Closing fair value	-	-

Refer to note 23 for further information on fair value measurement.

**Note 13. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	<b>2015</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Land and buildings - at cost	148,924	148,924
Less: Accumulated depreciation	(42,205)	(36,248)
	106,719	112,676
Leasehold improvements - at cost	46,224	19,803
Less: Accumulated depreciation	(19,803)	(19,803)
	26,421	-
Plant and equipment - at cost	455,214	247,856
Less: Accumulated depreciation	(241,360)	(223,363)
	213,854	24,493
	346,994	137,169

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Land and buildings \$	Leasehold improvements \$	Plant and Equipment \$	Total \$
Balance at 1 July 2014	118,633	666	66,149	185,448
Additions	-	5,400	1,550	6,950
Disposals	-	-	(24,570)	(24,570)
Depreciation expense	(5,957)	(6,066)	(18,636)	(30,659)
Balance at 30 June 2015	112,676	-	24,493	137,169
Additions	-	26,421	214,173	240,594
Depreciation expense	(5,957)	-	(24,812)	(30,769)
Balance at 30 June 2016	106,719	26,421	213,854	346,994

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**Note 14. Non-current assets - exploration and evaluation**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation - at cost	<u>1,970,793</u>	<u>2,440,667</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Exploration and evaluation \$	Total \$
Balance at 1 July 2014	2,741,917	2,741,917
Additions	153,135	153,135
Impairment	650	650
Disposals	(30,700)	(30,700)
Tenements surrendered	<u>(424,335)</u>	<u>(424,335)</u>
Balance at 30 June 2015	2,440,667	2,440,667
Additions	69,176	69,176
Tenements surrendered	<u>(539,050)</u>	<u>(539,050)</u>
Balance at 30 June 2016	<u>1,970,793</u>	<u>1,970,793</u>

**Note 15. Non-current assets - deferred tax**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss	277,892	79,501
Tax losses: operating losses	10,747,456	9,309,837
Tax losses: capital losses	1,173,396	1,173,396
Deferred tax assets not brought to account	<u>12,198,744</u>	<u>10,562,734</u>
Deferred tax assets	<u>-</u>	<u>-</u>

The benefit of deferred tax assets will only be realised if the conditions for deductibility set out in note 1 occur.

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**Note 16. Non-current assets - other**

	<b>Consolidated</b>	<b>2015</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Security deposits	<u>52,083</u>	<u>67,083</u>

**Note 17. Current liabilities - trade and other payables**

	<b>Consolidated</b>	<b>2015</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Trade payables	523,579	291,536
Accrued interest – convertible securities	827,397	-
Other payables	-	1,381,400
	<u>1,350,976</u>	<u>1,672,936</u>

Refer to note 22 for further information on financial instruments.

**Note 18. Current liabilities - borrowings**

	<b>Consolidated</b>	<b>2015</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Bank loans	66,014	-
Convertible securities	20,000,000	60,000
Insurance premium funding	229,951	-
	<u>20,295,965</u>	<u>60,000</u>

On 1 February 2016 the consolidated entity issued two convertible securities, with a face value of \$10,000,000 each, for total proceeds of \$20,000,000. Interest is payable at a rate of 10.0% per annum based on the face value. The notes are convertible into ordinary shares of the parent entity, at any time at the option of the holder, or repayable on 1 February 2017, with an ability for the financier to request (and for the company to accept such request) to extend the maturity date by two further periods of 1 year (with the last possible maturity date being 1 February 2019). The number of ordinary shares to be issued is calculated as the conversion amount divided by the market price per share at the date of the issue of the convertible securities (\$0.015), but subject to adjustments for reconstructions of equity.

Total transactions costs were \$Nil at the date of issue and unamortised transaction costs of \$Nil (2015: \$Nil) have been offset against the convertible notes payable liability.

The convertible notes are currently unsecured with security terms to be put to shareholders for approval at a general meeting of the company.

Refer to note 19 for further information on assets pledged as security and financing arrangements.

Refer to note 22 for further information on financial instruments.

**Note 19. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Bank loans	93,343	-
	<u>93,343</u>	<u>-</u>

Trepang Services Pty Ltd has undertaken to provide \$5,000,000 by way of a secured, interest bearing, loan to the consolidated entity for the purpose of providing the funding necessary to purchase Marubeni Coal Pty Ltd's 16.67% interest in the Dartbrook Joint Venture. The loan has a three-year term and an interest rate of 10% per annum. The provision of the Loan is subject to the execution of a general security deed over all property of the Company and the receipt of all required waivers to the grant of the security as required by the ASX Listing Rules. As at the date of this report the loan had not been drawn.

Refer to note 22 for further information on financial instruments.

*Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Bank loans	159,357	-
Insurance premium funding	229,951	-
	<u>389,308</u>	<u>-</u>

*Assets pledged as security*

The bank loans are secured by a restricted short term deposit held by the bank.

The insurance premium funding is secured by the underlying insurance policy.

*Financing arrangements*

Access was available at the reporting date to the following lines of credit:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Total facilities		
Bank loans	205,000	-
Loan – Trepang Services Pty Ltd	5,000,000	-
	<u>5,205,000</u>	<u>-</u>
Used at the reporting date		
Bank loans	159,357	-
	<u>159,357</u>	<u>-</u>
Unused at the reporting date		
Bank loans	45,643	-
Loan – Trepang Services Pty Ltd	5,000,000	-
	<u>5,045,643</u>	<u>-</u>

The provision of the Loan – Trepang Services Pty Ltd is subject to the execution of a general security deed over all property of the Company and the receipt of all required waivers to the grant of the security as required by the ASX Listing Rules. As at the date of this report the loan had not been drawn.

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**Note 20. Equity - issued capital**

	<b>2016</b>	<b>Consolidated</b>	<b>2016</b>	<b>2015</b>
	<b>Shares</b>	<b>2015</b>	<b>\$</b>	<b>\$</b>
		<b>Shares</b>		
Ordinary shares - fully paid	4,318,434,264	300,940,869	53,179,591	37,695,544

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>No of shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	30/06/2014	920,897,748		36,957,568
Issue of shares for cash	22/07/2014	33,333,333	\$0.003	100,000
Issue of shares for cash	21/08/2014	16,666,667	\$0.003	50,000
Issue of shares for services	18/09/2014	10,214,285	\$0.0049	50,050
Issue of shares for Share Purchase Plan	09/10/2014	58,879,650	\$0.0032	188,415
Issue of shares on conversion of convertible security	10/10/2014	25,000,000	\$0.002	50,000
Total pre-consolidation shares on issue		<u>1,064,991,683</u>		
Total post-consolidation shares on issue		212,998,537		
Issue of shares for cash	05/12/2014	10,000,000	\$0.006	60,000
Issue of shares for services	19/12/2014	3,931,102	\$0.0127	49,925
Issue of shares on conversion of convertible security	21/01/2015	10,000,000	\$0.004	40,000
Issue of shares on conversion of convertible security	20/02/2015	16,666,667	\$0.003	50,000
Issue of shares for services	13/03/2015	7,411,229	\$0.0038	28,450
Issue of shares on conversion of convertible security	11/05/2015	16,666,667	\$0.003	50,000
Issue of shares on conversion of convertible security	20/05/2015	16,666,667	\$0.003	50,000
Issue of shares for services	18/06/2015	6,600,000	\$0.004	26,400
Share issue transaction costs, net of tax				(55,264)
Total for the year				<u>737,976</u>
Balance	01/07/2015	300,940,869		37,695,544
Issue of shares for cash	22/07/2015	54,000,000	\$0.004	216,000
Issue of shares on conversion of convertible security	03/08/2015	30,000,000	\$0.002	60,000
Issue of shares for cash	23/10/2015	206,014,645	\$0.004	824,059
Issue of shares for cash	30/10/2015	3,300,000,000	\$0.004	13,200,000
Issue of shares for services	30/10/2015	370,050,000	\$0.004	1,480,200
Issue of shares for cash	08/12/2015	50,000,000	\$0.004	200,000
Issue of shares for services	08/12/2015	7,428,750	\$0.004	29,715
Share issue transaction costs, net of tax				(525,927)
Total for the year				<u>15,484,047</u>
Balance	30/06/2016	<u>4,318,434,264</u>		<u>53,179,591</u>

At the Company's Annual General Meeting held on 24 November 2014 shareholders approved a one for five share consolidation of all ordinary shares issued. The numbers of ordinary shares issued and equity securities ("Shares") shown from 24 November 2014 are stated on a post-consolidation basis.

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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**Note 20. Equity - issued capital (continued)**

*Share buy-back*

There is no current on-market share buy-back.

*Capital risk management*

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

**Note 21. Equity - reserves**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Share based payments reserve	492,700	-
	<u>492,700</u>	<u>-</u>

*Share based payments reserve*

The reserve is used to recognise increments and decrements in the fair value of share based payments.

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	Share based payments \$	Total \$
Balance at 1 July 2014	-	-
Balance at 30 June 2015	-	-
Options issued	492,700	492,700
Balance at 30 June 2016	<u>492,700</u>	<u>492,700</u>

**Note 22. Financial instruments**

**Financial risk management objectives**

The consolidated entity's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

*Price risk*

The consolidated entity is not currently exposed to price risk.

*Interest rate risk*

The consolidated entity's main interest rate risk arises from short-term bank deposits. Deposits held at variable rates expose the consolidated entity to interest rate risk. Deposits held at fixed rates expose the consolidated entity to fair value risk. The policy is to maintain 100% of short-term deposits in variable rate bank deposits.

An official increase/decrease in interest rates 100 (2015: 100) basis points would have an adverse/favourable effect on profit before tax of \$54,398 (2015: \$3,365) per annum.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 14 to 30 days from the invoice date. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has no significant concentration of credit risk with any single counterparty or group of counterparties.

**Liquidity risk**

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

**Financing arrangements**

Unused borrowing facilities at the reporting date:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Bank loans	45,643	-
Loan – Trepang Services Pty Ltd	5,000,000	-
	<u>5,045,643</u>	<u>-</u>

The bank loan facility may be drawn at any time and has an average maturity of 2 ½ years (2015: Not applicable), subject to the terms of the loan.



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**Note 22. Financial instruments (continued)**

The Loan from Trepang Services Pty Ltd is available to the consolidated entity for the purpose of providing the funding necessary to purchase Marubeni Coal Pty Ltd's 16.67% interest in the Dartbrook Joint Venture, subject to the execution of a general security deed over all property of the Company and the receipt of all required waivers to the grant of the security as required by the ASX Listing Rules. As at the date of this report the loan had not been drawn.

*Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

<b>Consolidated - 2016</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	523,579	-	-	-	523,579
<i>Interest-bearing - fixed rate</i>						
Bank loans	5.04%	72,534	72,534	24,178	-	169,246
Other loans	5.69%	232,142	-	-	-	232,142
Convertible notes payable	10.00%	20,827,397	-	-	-	20,827,397
<b>Total non-derivatives</b>		<b>21,655,652</b>	<b>72,534</b>	<b>24,178</b>	<b>-</b>	<b>21,752,364</b>

<b>Consolidated - 2015</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	291,536	-	-	-	291,536
Other payables	-	1,381,400	-	-	-	1,381,400
Borrowings	-	60,000	-	-	-	60,000
<b>Total non-derivatives</b>		<b>1,482,581</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,482,581</b>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

***Fair value of financial instruments***

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Australian Pacific Coal Limited**  
**Notes to the financial statements**  
**30 June 2016**

**Note 23. Fair value measurement**

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

<b>Consolidated - 2016</b>	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Non-current assets - receivables	103,105	-	-	103,105
Ordinary shares available-for-sale	-	-	-	-
Total assets	<u>103,105</u>	<u>-</u>	<u>-</u>	<u>103,105</u>

<b>Consolidated - 2015</b>	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Non-current assets - receivables	70,773	-	-	70,773
Ordinary shares available-for-sale	-	-	-	-
Total assets	<u>70,773</u>	<u>-</u>	<u>-</u>	<u>70,773</u>

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*

The directors have determined that the fair values of the existing available-for-sale financial assets carried at cost and at recoverable amount cannot be reliably measured. The directors have made an estimate of the fair value at the end of the reporting period based on the reported financial results of the underlying investment. There is no active market for these investments, and there is no present intention to dispose of these investments.

These available-for-sale financial assets are represented by the company's holding of 1,000,000 ordinary shares in Scott Creek Coal Limited. The shares were acquired on as part settlement for the sale of tenement EPC1548 on 2 April 2013 at an acquisition cost of \$100,000. The directors have estimated the fair value of the shares as \$Nil (2015: \$Nil)

**Note 24. Key management personnel disclosures (continued)**

**Note 24. Key management personnel disclosures**

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,608,579	797,500
Post-employment benefits	41,705	-
Long-term benefits	-	-
Share-based payments	492,700	-
	<u>2,142,984</u>	<u>797,500</u>

**Note 25. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Sothertons L.L.P Chartered Accountants, the auditor of the company:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services – Sothertons L.L.P. Chartered Accountants</i>		
Audit or review of the financial statements	<u>67,000</u>	<u>60,995</u>
<i>Other services – Sothertons L.L.P. Chartered Accountants</i>		
Preparation of the tax return	<u>5,200</u>	<u>-</u>
	<u>73,200</u>	<u>60,995</u>

**Note 26. Contingent liabilities**

*Dartbrook Acquisition*

On 24 December 2015, the company entered into a binding agreement to acquire an 83.33% interest in the Dartbrook Joint Venture ("Dartbrook") through the purchase of all of the shares on issue in Anglo Coal (Dartbrook) Pty Ltd, a subsidiary of Anglo American Plc. Subsequently, on 18 May 2016, Marubeni Coal Pty Ltd formally notified the company of its decision to exercise its tag-along right for the sale of its 16.67% interest in the Dartbrook Joint Venture to the company.

Total consideration for the acquisition includes:

- a A\$30 million cash payment; and
- a royalty over the consolidated entity's share of coal from Dartbrook at a rate of A\$3.00 per tonne of coal sold or otherwise disposed of and A\$0.30 per tonne of any third party coal processed through the Dartbrook infrastructure, but capped at A\$30 million (and subject to escalation in accordance with CPI).

In addition, the consolidated entity will be replacing approximately A\$9.245 million in financial assurances in respect of the Dartbrook mining tenements.

As at the date of this report, completion of the acquisition is subject to certain conditions precedent, including:

- Marubeni releasing Anglo from any further liability in respect of the Dartbrook Joint Venture, which it has agreed to do on completion of the sale of its interest;
- receipt of standard regulatory consents relating to tenement change of control conditions;
- the company providing reasonable evidence of its ability to replace the financial assurances of approximately A\$9.245 million referred to above. The company has agreed to pay a break fee of \$500,000 if it is unable to satisfy this condition (subject to all other conditions having been satisfied); and
- in respect of the Marubeni acquisition, Foreign Investment Review Board approval, if applicable.

The company has paid deposits of \$500,000 to Anglo and \$100,000 to Marubeni. A further \$24,500,000 has been paid into an escrow account to enable completion of the acquisition upon the remaining conditions precedent being waived or satisfied.

The company announced on 27 April 2016 that cornerstone investor Trepang Services Pty Ltd has undertaken to provide the necessary purchase consideration of \$5 million by way of a secured, interest bearing, loan to the company for the Marubeni acquisition. The loan has a three-year term and an interest rate of 10% per annum. The provision of the loan is subject to the execution of a general security deed over all property of the Company and the receipt of all required waivers to the grant of the security as required by the ASX Listing Rules.

*Bank Guarantees*

The consolidated entity has given bank guarantees as at 30 June 2016 of \$80,442 (2015: \$50,000) to its landlord.

**Note 27. Commitments**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Exploration and evaluation expenditure commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	310,000	347,717
One to five years	1,923,000	1,231,807
More than five years	-	-
	<u>2,233,000</u>	<u>1,579,524</u>

The consolidated entity is required to meet minimum exploration and evaluation expenditure commitments in accordance with the terms of the tenement grant documents. Any shortfall in annual expenditure is planned to be made up in the following period with a view to avoiding any penalties that the government may impose. At this stage no penalties for under-expenditure have been or are expected to be incurred.

*Lease commitments - operating*

Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	233,707	6,168
One to five years	362,040	11,308
More than five years	-	-
	<u>595,747</u>	<u>17,476</u>

Operating lease commitments includes contracted amounts for offices premises and plant and equipment under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

**Note 28. Related party transactions**

*Parent entity*

Australian Pacific Coal Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 30.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Current payables:		
Trade payables for unpaid directors fees and consulting fees payable:		
• Peter Ziegler & Co Pty Ltd (director-related entity of Peter Ziegler)	-	641,540
• Moray Holdings (Qld) Pty Ltd (director-related entity of Paul Byrne)	-	565,860
• Paul Ingram	-	87,000
• Paul Ryan	-	87,000

**Note 28. Related party transactions (continued)**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Current convertible securities:		
• Mr. John Robinson (Snr)	10,000,000	-
• Mr. Nicholas Paspaley	10,000,000	-

The company has issued convertible securities to Messer's Robinson and Paspaley. The terms of the convertible securities are set out at note 18

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Non-current borrowings:		
• Trepang Services Pty Ltd	-	-

The company has entered into a Loan Agreement with Trepang Services Pty Ltd. The amount of the loan facility is \$5,000,000. As at the reporting date the loan facility had not been drawn. The terms of the loan are set out at note 19.

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Non-current loans receivable:		
• Mr. Peter Ziegler	121,500	121,500
• Mr. Paul Byrne	165,848	165,848
• Mr. Paul Ingram	264,500	264,500
• Mr. Kevin Mischewski	28,950	28,950

The company has previously issued ordinary shares to key management personnel in accordance with the Company's Officers, Executives, Consultants and Employee Share Plan. The terms of the plan enabled the company to fund the purchase by way of limited-recourse loans repayable from future dividends or out of proceeds when the allotted shares are sold. Collateral is held by way of security over the shares issued. The shares are subject to a trading lock preventing disposal of the shares prior to the respective holders making suitable arrangements for repayment of any outstanding amounts payable on the associated loans. Interest is not payable.

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates unless otherwise stated.

**Note 29. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax	<u>(5,385,120)</u>	<u>(1,354,837)</u>
Total comprehensive income	<u>(5,385,120)</u>	<u>(1,354,837)</u>

**Australian Pacific Coal Limited**  
**Notes to the financial statements**  
**30 June 2016**

**Note 29. Parent entity information (continued)**

*Statement of financial position*

	<b>Parent</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Total current assets	29,919,225	79,557
Total non-current assets	<u>1,207,640</u>	<u>438,906</u>
Total assets	<u>31,126,865</u>	<u>518,463</u>
Total current liabilities	21,606,027	1,682,595
Total non-current liabilities	<u>93,343</u>	<u>-</u>
Total liabilities	<u>21,699,370</u>	<u>1,682,595</u>
Equity		
Issued capital	53,179,591	37,695,544
Share based payment reserve	492,700	-
Retained profits	<u>(44,244,796)</u>	<u>(38,859,676)</u>
Total equity	<u>9,427,495</u>	<u>(1,164,132)</u>

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity has entered into a guarantee in connection with the consolidated entities purchase of the Dartbrook coal mine.

The parent entity has not entered into any other guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

**Australian Pacific Coal Limited**  
**Notes to the financial statements**  
**30 June 2016**

**Note 30. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2016 %	2015 %
AQC Investments 1 Pty Ltd	Australia	100.00%	100.00%
AQC Investments 2 Pty Ltd	Australia	100.00%	100.00%
Area Coal Pty Ltd	Australia	100.00%	100.00%
Mining Investments One Pty Ltd	Australia	100.00%	100.00%
Mining Investments Two Pty Ltd	Australia	100.00%	100.00%
Mining Investments Three Pty Ltd	Australia	100.00%	100.00%
Mining Investments Four Pty Ltd	Australia	100.00%	100.00%
Mining Investments Six Pty Ltd	Australia	100.00%	100.00%
Ipoh Pacific Resources Pty Ltd	Australia	100.00%	100.00%
Kokstad Mining Pty Ltd	Australia	100.00%	100.00%
Felix St Pty Ltd	Australia	100.00%	100.00%
IPR Operations Pty Ltd	Australia	100.00%	100.00%
Ipoh Pacific Pty Ltd	Australia	100.00%	100.00%
Inter-Medteq Pty Ltd	Australia	100.00%	100.00%

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary with non-controlling interests in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Principal activities	Parent		Non-controlling interest	
			Ownership interest 2016 %	Ownership interest 2015 %	Ownership interest 2016 %	Ownership interest 2015 %
Medteq Holdings Pty Ltd *	Australia	Dormant	50.00%	50.00%	50.00%	50.00%
Medteq Innovations Pty Ltd **	Australia	Dormant	50.00%	50.00%	50.00%	50.00%

\* The consolidated entity is required to make all of the financial and operating policy decisions of Medteq Holdings Pty Ltd. The non-controlling interests of Medteq Holdings Pty Ltd are not material to the consolidated entity.

\*\* The consolidated entity is required to make all of the financial and operating policy decisions of Medteq Innovations Pty Ltd. The non-controlling interests of Medteq Innovations Pty Ltd are not material to the consolidated entity.

**Note 31. Events after the reporting period**

*Share Subscription Agreement - AMCI Investments Pty Ltd*

The company has completed a binding Share Subscription Agreement whereby AMCI International AG's Australian subsidiary, AMCI Investments Pty Ltd, has agreed to subscribe for \$10 million of new AQC shares. These shares are to be issued at the higher of A\$0.0145 per share and 75% of the Volume Weighted Average Price calculated over the 15 trading days on which trades in the Company's shares were recorded immediately before the date of completion. Conditions precedent for completion of the share subscription are that the subscriber approves the mine plan formulated for the undertaking of the Dartbrook underground mine, not to be unreasonably withheld. The approval of the mine plan includes approval of the mining plan and executed mining contract. Completion is to occur by 22 November 2016 or such later date as the parties agree in writing.

*Exercise of Options*

On 11 August 2016 the company issued 12,500,000 ordinary shares on the exercise of 12,500,000 options at an exercise price of \$0.008 per share. Total cash consideration received for the share issue was \$100,000.



**Australian Pacific Coal Limited**  
**Notes to the financial statements**  
**30 June 2016**

**Note 32. Reconciliation of profit after income tax to net cash from operating activities**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax expense for the year	(5,991,001)	(1,922,562)
Adjustments for:		
Sale of interest in tenements	-	(15,000)
Depreciation and amortisation	30,769	30,659
Impairment of non-current assets	539,050	528,385
Net gain on disposal of non-current assets	-	(117,423)
Finance costs	19,403	-
Share-based payments	492,700	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(63,558)	143,490
Increase in prepayments	(1,198,652)	(313)
Increase/(decrease) in trade and other payables	1,187,955	455,678
Net cash from operating activities	<u>(4,983,334)</u>	<u>(897,086)</u>

**Note 33. Earnings per share**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for profit from continuing operations</i>		
Profit after income tax	(5,991,001)	(1,922,562)
Non-controlling interest	-	-
Profit after income tax attributable to the owners of Australian Pacific Coal Limited	<u>(5,991,001)</u>	<u>(1,922,562)</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.20)	(0.83)
Diluted earnings per share	(0.20)	(0.83)

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for profit</i>		
Profit after income tax	(5,991,001)	(1,922,562)
Non-controlling interest	-	-
Profit after income tax attributable to the owners of Australian Pacific Coal Limited	<u>(5,991,001)</u>	<u>(1,922,562)</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.20)	(0.83)
Diluted earnings per share	(0.20)	(0.83)

**Note 33. Earnings per share (continued)**

	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	2,999,057,725	231,673,229
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	-
Convertible notes	-	-
	<u>2,999,057,725</u>	<u>231,673,229</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,999,057,725</u>	<u>231,673,229</u>

\* At the Company's Annual General Meeting held on 24 November 2014 shareholders approved a one for five share consolidation of all ordinary shares issued. The numbers of ordinary shares issued and equity securities ("Shares") shown are stated on a post-consolidation basis. The number of Shares shown for any Shares issued prior to the share consolidation and the calculated earnings per share amounts have been adjusted to reflect the equivalent post consolidation number of Shares so issued.

Convertible notes are considered anti-dilutive as the consolidated entity is loss making. Convertible notes potentially dilute earnings per share in the future.

**Note 34. Share-based payments**

Resolutions put to the company shareholders at the Extraordinary General Meeting of the company held on 30 October 2015 contemplated the issue of shares to directors of the company for deferred fees and expenses and outstanding director fees. Following approval of those resolutions by shareholders the company issued and allotted the shares.

The company has issued fully paid ordinary shares to unrelated consultants as part payment for consultancy services provided.

The shares were issued as full payment at the market rate for services provided by the consultants.

Details of share based payments are set out in the following table:

<b>2016</b>				
Date of issue	Amount payable for services provided	Number of shares issued		Issue price (cents per share)
	\$			
30 October 2015	1,480,200	370,050,000		0.40
8 December 2015	29,715	7,428,750		0.40
<b>Total</b>	<b>1,509,915</b>	<b>377,478,750</b>		
<b>2015</b>				
Date of issue	Amount payable for services provided	Number of shares issued*		Issue price* (cents per share)
	\$			
18 September 2014	50,050	2,042,857	(10,214,285)	2.45 (0.49)
19 December 2014	49,925	3,931,102		1.27
13 March 2015	28,450	7,411,229		0.38
18 June 2015	26,400	6,600,000		0.40
<b>Total</b>	<b>154,825</b>	<b>28,156,616</b>		

**Note 34. Share-based payments (continued)**

\* At the Company's Annual General Meeting held on 24 November 2014 shareholders approved a one for five share consolidation of all ordinary shares issued. The numbers of shares issued are stated on a post-consolidation basis. The amounts shown in brackets for the number of shares issued and the issue price are the applicable pre-consolidation amounts.

The amounts payable for services provided measure directly the fair value for the services provided. The total amounts payable, net of any applicable GST, have been expensed when incurred and have no further effect on the company's profit or loss for the financial year.

On 3 November 2015, 100,000,000 options were issued to the Chief Financial Officer, Mr Shane Cranswick, of the consolidated entity. The options entitle the holder to the issue of one fully paid ordinary share in the capital of the company upon exercise at an exercise price of 0.8 cents per share. They were issued for nil consideration and were granted as an equity compensation component of the Executive Service Agreement as resolved by the board.

The company uses the Black-Scholes pricing model for pricing equity options to calculate the fair value for accounting purposes of the options at grant date. Market value of the company's shares is calculated as the Volume Weighted Average Price (VWAP) for the 30 days on which the company's shares were traded up to and including the date the options are granted.

For the options granted, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date (VWAP)	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
03/11/2015	31/03/2017	0.97 cents	0.80 cents	100.00%	0.00%	2.00%	0.4927 cents

There are no other unissued ordinary shares of Australian Pacific Coal Limited under option at the date of this report.

**Australian Pacific Coal Limited**  
**Directors' declaration**  
**30 June 2016**

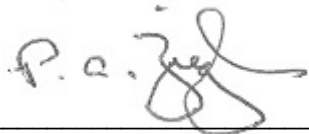
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Peter Ziegler  
Chairman

30 September 2016  
Brisbane

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Members of Australian Pacific Coal Limited**

#### **Report on the Financial Report**

We have audited the accompanying financial report of Australian Pacific Coal Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration for the Australian Pacific Coal Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### **Directors' Responsibility for the Financial Report**

The directors of the consolidated entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## Opinion

In our opinion,

- (a) the financial report of Australian Pacific Coal Limited is in accordance with the *Corporations Act 2001*, including
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Emphasis of Matter

Without modifying our opinion, we draw attention to the consolidated statement of profit or loss and other comprehensive income within the financial report, which indicates that the consolidated entity incurred a net loss of \$5,991,004 during the year ended 30 June 2016. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

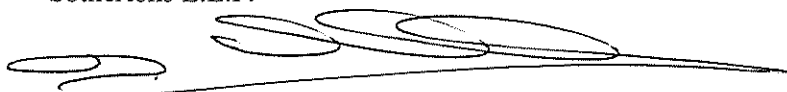
## Report on the Remuneration Report

We have audited the remuneration report included in pages 8 to 15 of the directors' report for the year ended 30 June 2016. The directors of the consolidated entity are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the remuneration report of Australian Pacific Coal Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Sothertons L.L.P.



D Lissauer  
Partner

Brisbane  
30 September 2016

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Australian Pacific Coal Limited (“the Company”) is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (“CGC”) Third Edition of the Corporate Governance Principles and Recommendations and published guidelines. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders.

The Board seeks, where appropriate to adopt without modification, the CGC recommendations. Where there has been any variation from the CGC recommendations, it is because the Board believes the Company is not as yet of size, nor are its financial affairs of such complexity, to justify some of these recommendations. The Board is of the view that with the exception of the departures to the CGC Corporate Governance Principles and Recommendations as are set out below, it otherwise complied with all of the CGC Corporate Governance Principles and Recommendations. The company’s ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement or Annual Report, is available on our website [www.aqcltd.com.au](http://www.aqcltd.com.au). This statement has been approved by the company’s Board of Director’s and is current as at 30 September 2016.

The following table summarises the Company’s compliance with the CGC recommendations and states whether the Company has complied with each recommendation.

Recommendation	Summary of the Company’s Compliance
<p><b>Principle 1 – Lay solid foundations for management and oversight</b></p> <p>Companies should establish and disclose respective roles and responsibilities for Board and management</p>	
<p>1.1: A listed entity should disclose:</p> <p>a) the respective roles and responsibilities of its board and management; and</p> <p>b) those matters expressly reserved to the board and those delegated to management.</p>	<p>The Board is ultimately accountable for the performance of the company and provides leadership and sets the strategic objectives of the company. It appoints all senior executives and assesses their performance on at least an annual basis. It is responsible for overseeing all corporate reporting systems, remuneration frameworks, governance issues, and stakeholder communications. Decisions reserved for the Board relate to those that have a fundamental impact on the company, such as material acquisitions and takeovers, dividends and buybacks, material profits upgrades and downgrades, and significant closures.</p> <p>Management is responsible for implementing Board strategy, day-to-day operational aspects, and ensuring that all risks and performance issues are brought the Boards attention. They must operate within the risk and authorisation parameters set by the Board.</p>
<p>1.2: A listed entity should:</p> <p>a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>The company undertakes relevant reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.</p>
<p>1.3: A listed entity should have a written agreement with each director and senior</p>	<p>The terms of the appointment of a non-executive</p>

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<p>executive setting out the terms of their appointment.</p>	<p>director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.</p>
<p>1.4: The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.</p>
<p>1.5: A listed entity should:</p> <ul style="list-style-type: none"> <li>a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</li> <li>b) disclose that policy or a summary of it; and</li> <li>c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:             <ul style="list-style-type: none"> <li>i. the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</li> <li>ii. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act</li> </ul> </li> </ul>	<p>The Company has not adopted a formal Diversity Policy as it has a small number of employees and has limited opportunity to adopt formalised policy guidelines. The Board is committed to developing diversity in its workplace to assist the Company to meet its goals and objectives by providing an environment whereby appointments, advancement and opportunities are considered on a fair and equitable basis. The Company is committed to promoting a corporate culture which embraces diversity when determining the composition of the Board, senior management and employees.</p> <p>The Company will ensure that recruitment and selection decisions are based on the principle of merit, skills and qualifications and regardless of age, gender, nationality, cultural background or any other factor not relevant to the position. Past skills and experience in the mining and exploration industries will be a key determinant in the selection process.</p> <p>No entity within the consolidated entity is a 'relevant employer' for the purposes of the Workplace Gender Equality Act 2012 and therefore no Gender Equality Indicators to be disclosed.</p>
<p>1.6: A listed entity should:</p> <ul style="list-style-type: none"> <li>a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and</li> <li>b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>	<p>The company does not currently have a formal process for evaluating the performance of the Board, its committees or individual directors. The Board conducts its own evaluation of the skills, performance and remuneration of existing Directors from time to time. Individual Directors may recommend changes to the composition of the Board.</p> <p>Until such time as the company expands to justify an expansion of Board members, the Board is of the current opinion that such performance evaluation is suitable for the company.</p>
<p>1.7: A listed entity should:</p> <ul style="list-style-type: none"> <li>a) have and disclose a process for periodically evaluating the performance of its senior executives; and</li> <li>b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>	<p>The Board reviews the performance of senior executives periodically.</p> <p>No performance evaluation was undertaken during the reporting period.</p>



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<b>Principle 2 – Structure the board to add value</b>					
<p>A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.</p>					
<p>2.1: The board of a listed entity should:</p> <p>a) have a nomination committee which:</p> <ul style="list-style-type: none"> <li>i. has at least three members, a majority of whom are independent directors; and</li> <li>ii. is chaired by an independent director, and disclose:</li> <li>iii. the charter of the committee;</li> <li>iv. the members of the committee; and</li> <li>v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> <p>b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>The Company does not have a nomination committee. The Board decides the selection of members of the Board and makes recommendations to shareholders for election of Directors. Each Board member is responsible for assessing the necessary competencies of the Board members to add value to the Company, reviewing Board succession plans and evaluating the Board's performance.</p>				
<p>2.2: A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The Board does not maintain a formal skills matrix that sets out the mix of skills and diversity that the Board aims to achieve in its membership. The current Board members represent individuals that have extensive industry experience as well as professionals that bring to the Board their specific skills in order for the company to achieve its strategic, operational and compliance objectives. Their suitability to the directorship has therefore been determined primarily on the basis of their ability to deliver outcomes in accordance with the company's short and longer term objectives and therefore deliver value to shareholders.</p> <p>All Board members are however expected to be able to demonstrate the following attributes:</p> <p><b>Board Member Attributes</b></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 30%; vertical-align: top;">Leadership</td> <td style="vertical-align: top;">Represents the company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts considered; leads others to action; proactive solution seeker.</td> </tr> <tr> <td style="vertical-align: top;">Ethics and</td> <td style="vertical-align: top;">Awareness of social, professional and legal</td> </tr> </table>	Leadership	Represents the company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts considered; leads others to action; proactive solution seeker.	Ethics and	Awareness of social, professional and legal
Leadership	Represents the company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts considered; leads others to action; proactive solution seeker.				
Ethics and	Awareness of social, professional and legal				

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	<p>integrity responsibilities at individual, company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.</p> <p>Communication Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives.</p> <p>Negotiation Negotiation skills which engender stakeholder support for implementing Board decisions.</p> <p>Corporate governance Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks</p>
<p>2.3: A listed entity should disclose:</p> <p>a) the names of the directors considered by the board to be independent directors;</p> <p>b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>c) the length of service of each director.</p>	<p>Details of the Board of directors, their appointment dated, length of service as independence status is as follows:</p> <p>Mr Peter Ziegler (Chairman): Appointed 29 November 2005, served 11 years, Independent Non-executive.</p> <p>Mr John Robinson (Managing Director): Appointed 30 October 2015, served 1 year, Not-independent Executive</p> <p>Mr Paul Byrne: Appointed 29 November 2005, served 11 years, Not-independent Executive.</p> <p>Mr Shane Stone: Appointed 1 August 2016, served 2 months, Independent Non-executive.</p>
<p>2.4: A majority of the board of a listed entity should be independent directors.</p>	<p>The board consists of four directors. Two of those directors, Mr Peter Ziegler (Chairman) and Mr Shane Stone are considered independent.</p>
<p>2.5: The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>The Chair, Mr Peter Ziegler, is considered independent. Mr John Robinson holds the position of CEO.</p>
<p>2.6: A listed entity should have a program for inducting new directors and provide appropriate</p>	<p>New directors undertake an induction program coordinated by the Company Secretary that briefs</p>

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<p>professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>and informs the director on all relevant aspects of the company's operations and background. Directors are encouraged to undertake director development programs to ensure that directors can enhance their skills and remain abreast of important developments.</p>
<p><b>Principle 3 – Act ethically and responsibly</b></p> <p>A listed entity should act ethically and responsibly</p>	
<p>3.1: A listed entity should:</p> <p>a) have a code of conduct for its directors, senior executives and employees; and</p> <p>b) disclose that code or a summary of it.</p>	<p>The Company Code of Conduct Policy and Ethics Policy endeavours to foster a culture requiring that directors and officers act with the utmost integrity, objectivity and in compliance with the spirit of the law and Company policies.</p>
<p><b>Principle 4 – Safeguard integrity in corporate reporting</b></p> <p>A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.</p>	
<p>4.1 - The board of a listed entity should:</p> <p>a) have an audit committee which:</p> <ol style="list-style-type: none"> <li>i. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>ii. is chaired by an independent director, who is not the chair of the board, and disclose:</li> <li>iii. the charter of the committee;</li> <li>iv. the relevant qualifications and experience of the members of the committee; and</li> <li>v. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The Board has established an Audit Committee.</p> <p>The Audit Committee consists of Mr Peter Ziegler (Chairman) and Mr Kevin Mischewski (Company Secretary).</p> <p>Details of the qualifications and experience of the members of the Committee is detailed in the "Information on directors" section of the Directors' report.</p> <p>The Chairman Mr Peter Ziegler represents the board as independent director, is financially literate and has the relevant qualifications and experience.</p> <p>The company considers that due to the size, nature and level of complexity of the Company, sourcing directors in strict compliance with Principle 4.1 would defeat the purpose of a board audit committee for focusing on issues relevant to the company's financial reporting.</p> <p>Ultimate responsibility for the integrity of the company's financial reporting rests with the board and the current composition of the Audit Committee ensures that the Board has processes in place to raise issues that are ordinarily considered by the Audit Committee.</p> <p>The number of Committee meetings held and attended by each member is disclosed in the "Meetings of directors" section of the Directors'</p>

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	report.
4.2: The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	For the financial year ended 30 June 2016 and the half-year ended 31 December 2015, the company's CEO and CFO provided the Board with the required declarations.
4.3: A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The audit engagement partner attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.
<p><b>Principle 5 – Make timely and balanced disclosure</b></p> <p>A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.</p>	
<p>5.1: A listed entity should</p> <p>a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>b) disclose that policy or a summary of it.</p>	<p>The Company has written policies and procedures in place to ensure compliance with ASX listing rule disclosure requirements and accountability at a senior executive level for that compliance. The directors and senior management are made aware of their disclosure requirements and obligations prior to their engagement and regularly at Board and Management meetings.</p> <p>Where any such person is of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately in the first instance. The Company Secretary is required to consult with the CEO in relation to matters brought to his or her attention for potential announcement. Generally, the CEO is ultimately responsible for decisions relating to the making of market announcements. The Board is required to authorise announcements of significance to the company. No member of the company shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.</p>

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<b>Principle 6 – Respect the rights of security holders</b>	
<p>A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.</p>	
<p>6.1: A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>The company maintains information in relation to governance documents, directors and senior executives, annual report, ASX announcements and contact details on the company's website.</p> <p>The Company is committed to:</p> <ul style="list-style-type: none"> <li>• Communicating effectively with its shareholders and ensuring that it is easy for shareholders to communicate with the Company;</li> <li>• Complying with its continuous disclosure obligations applicable to the ASX listing rules and other regulators; and</li> <li>• Ensuring that the shareholders and other stakeholders are provided with timely and full information about the Company's activities.</li> </ul>
<p>6.2: A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>The company does not have a formal investor relations program. The Board and Company Secretary engage with investors at the AGM and respond to shareholder enquiry on an ad hoc basis. Material communications are dispatched to investors either via email, surface mail, and/or via market announcement.</p>
<p>6.3: A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders</p>	<p>To facilitate and to encourage participation at meetings of shareholders, the Company ensures that information is communicated to its shareholders through:</p> <ul style="list-style-type: none"> <li>• Posting information on the Company's web site at <a href="http://www.aqcltd.com">www.aqcltd.com</a></li> <li>• The distribution of Notice of Meetings and other information directly to shareholders through letters, email and other forms of communications;</li> <li>• Ensuring that auditors are invited to the Annual General Meeting to consider questions regarding the conduct of the audit and the preparation and content of the auditor report; and</li> <li>• Allowing shareholders the opportunity at meetings to discuss resolutions.</li> </ul>
<p>6.4: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>The company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically,</p>

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	<p>thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Link Market Services Limited at <a href="https://www.linkmarketservices.com.au/corporate/InvestorServices/Investor-Services.html">https://www.linkmarketservices.com.au/corporate/InvestorServices/Investor-Services.html</a>.</p>
<p><b>Principle 7 – Recognise and manage risk</b></p> <p>A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.</p>	
<p>7.1: The board of a listed entity should:</p> <p>a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> <li>i. has at least three members, a majority of whom are independent directors; and</li> <li>ii. is chaired by an independent director, and disclose:</li> <li>iii. the charter of the committee;</li> <li>iv. the members of the committee; and</li> <li>v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>b) if it does not have a risk committee or committees that satisfy a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework</p>	<p>The company does not maintain a Risk Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board therefore performs the function of such a committee which includes setting of corporate governance policy and exercising due care and skill in assessing risk, developing strategies to mitigate such risk, monitoring the risk and the company's effectiveness in managing it. The company maintains internal controls which assist in managing enterprise risk, and these are reviewed as part of the scope of the external audit, with the auditor providing the Board with commentary on their effectiveness and the need for any additional controls. The Managing Director and CEO are responsible for monitoring operational risk, ensuring all relevant insurances are in place, and ensuring that all regulatory and compliance obligations of the company are satisfied.</p>
<p>7.2: The board or a committee of the board should:</p> <p>a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>b) disclose, in relation to each reporting period, whether such a review has taken place</p>	<p>The Board is responsible for reviewing the Company's policy on risk management and risk oversight. The Audit Committee also separately assesses management of the Company's risks and makes recommendations to the Board.</p> <p>The Audit Committee conducted a review of the Company's risk management framework during the reporting period.</p>
<p>7.3: A listed entity should disclose:</p> <p>a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The company does not have a dedicated internal audit function. The responsibility for risk management and internal controls lies with both the Managing Director and CFO who continually monitor the company's internal and external risk environment. Necessary action is taken to protect the integrity of the company's books and records including by way of design and implementation of internal controls, and to ensure operational efficiencies, mitigation of risks, and safeguard of company assets.</p>

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<p>7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Refer to the company's Annual Report for disclosures relating to the company's material business risks (including any material exposure to economic, environmental or social sustainability risks). Refer to commentary at Recommendations 7.1 and 7.2 for information on the company's risk management framework.</p>
<p><b>Principle 8 – Remunerate fairly and responsibly</b></p>	
<p>A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interest with the creation of value for security holders.</p>	
<p>8.1: The board of a listed entity should:</p> <ul style="list-style-type: none"> <li>a) have a remuneration committee which: <ul style="list-style-type: none"> <li>i. has at least three members, a majority of whom are independent directors; and</li> <li>ii. is chaired by an independent director, and disclose: <ul style="list-style-type: none"> <li>iii. the charter of the committee;</li> <li>iv. the members of the committee; and</li> <li>v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> </ul> </li> <li>b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</li> </ul>	<p>The company does not maintain a Remuneration Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board therefore performs the function of such a committee which includes setting the company's remuneration structure, determining eligibilities to incentive schemes, assessing performance and remuneration of senior management and determining the remuneration and incentives of the Board, CEO and Company Secretary. The Board may obtain external advice from independent consultants in determining the Company's remuneration practices, including remuneration levels, where considered appropriate.</p>
<p>8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Non-executive directors' remuneration is generally fee based. The level of remuneration reflects the anticipated time commitments and responsibilities of the position.</p> <p>The Board considers the procedures, policies and key performance indicators used to measure the performance of key executives and directors. Any equity based executive remuneration may be made in accordance with thresholds approved by shareholders and developed over time.</p> <p>Full discussion of the Company's remuneration philosophy and framework and remuneration received by directors and executives in the current financial year is contained in the Remuneration Report section of the Directors' Report. Further details of the structure of the remuneration procedures can be found in the Remuneration Committee Charter.</p>
<p>8.3: A listed entity which has an equity-based</p>	<p>Where a director or other senior executive uses</p>

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<p>remuneration scheme should:</p> <ul style="list-style-type: none"><li>a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</li><li>b) disclose that policy or a summary of it</li></ul>	<p>derivatives or other hedging arrangements over vested securities of the company, this will be disclosed.</p>
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# ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. This information is current as at 30 September 2016.

## 1. Shareholding

a. <b>Distribution of Shareholders – Ordinary Securities</b>	<b>Number</b>	<b>Number</b>
Category (size of holding)	<b>of holders</b>	<b>of shares held</b>
1 – 1,000	278	76,059
1,001 – 5,000	261	723,036
5,001 – 10,000	162	1,230,870
10,001 – 100,000	700	29,602,036
100,001 – and over	492	4,299,302,263
Total	1,893	4,330,934,264

b. The number of shareholdings held in less than a marketable parcel of 22,727 shares (closing price \$0.022 on 30 September 2016) is 934 and they hold 5,949,162 shares.

c. The names of the substantial holders in the company as at 30 September 2016 are:

<b>Substantial Holder</b>	<b>Number of shares</b>
Trepang Services Pty Ltd	1,677,000,000
Nathan Tinkler	1,677,000,000

## d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares:

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Unlisted options:

- Options do not entitle the holders to vote in respect of the option, nor participate in dividends, when declared, until such time as the options are exercised and subsequently registered as ordinary shares.

## ASX ADDITIONAL INFORMATION

### e. 20 Largest Shareholders — Ordinary Shares

	<b>Name</b>	<b>Number of Ordinary Fully Paid Shares Held</b>	<b>% Held of Issued Ordinary Capital</b>
1.	Trepang Services Pty Ltd	1,677,000,000	38.72
2.	Leslie Norman Tinkler & Zelda Irene Tinkler	720,833,333	16.64
3.	Merrill Lynch (Australia) Nominees Pty Limited	372,348,076	8.60
4.	Halikos Pty Ltd	192,307,962	4.44
5.	JVG Aust Pty Ltd	189,442,038	4.37
6.	Wellton Holdings Pty Ltd	186,903,334	4.32
7.	Moray Holdings (Qld) Pty Ltd	158,051,668	3.65
8.	Mr Nicholas Paspaley	129,166,667	2.98
9.	Bentley Resources Pte Ltd	63,500,000	1.47
10.	Mibro (NT) Pty Ltd	43,000,000	0.99
11.	Mr Paul James Byrne	36,154,803	0.83
12.	Mr Boutros Saad & Mrs Mariam Saad	23,042,020	0.53
13.	Shemariah Pty Ltd	18,065,000	0.42
14.	JP Morgan Nominees (Australia) Pty Ltd	17,197,889	0.40
15.	Gordon Holdings (Qld) Pty Ltd	17,108,383	0.40
16.	Shemariah Pty Ltd <Kirkwood Family Super A/C>	17,000,000	0.39
17.	Hotel Interiors Pty Ltd	15,235,179	0.35
18.	Mr James Glen Foley & Mrs Karen Veronica Ruby Foley	13,463,500	0.31
19.	Moodycorp Pty Ltd	11,180,000	0.26
20.	MW & KM Arnold Superannuation Pty Ltd	10,359,916	0.24
		<hr/>	
		3,911,359,768	90.31
		<hr/>	

### f. Unlisted options

Exercise price \$0.008, Expiry 31 March 2017, Number of Holders 2.

<b>Name</b>	<b>Number of Options Held</b>
Black Swan Superannuation Pty Ltd <Black Swan Superfund A/C>	43,750,000
Black Swan Capital Pty Ltd <Black Swan Family A/C>	43,750,000
Total number of unlisted options on issue	<hr/> 87,500,000 <hr/>

## 2. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited (ASX Code: AQC).

# CORPORATE DIRECTORY

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## DIRECTORS

Peter Alexander Ziegler (Chairman)  
John James Robinson (Chief Executive Officer)  
Paul James Byrne  
Shane Leslie Stone

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## COMPANY SECRETARY

Kevin Mischewski

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## LAWYERS

HopgoodGanim Lawyers  
Level 8, Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000

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## AUDITORS

Sothertons L.L.P. Chartered Accountants  
Level 6, 468 St Kilda Road  
Melbourne VIC 3004

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## BANKERS

National Australia Bank Limited  
100 Creek Street  
Brisbane QLD 4000

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## SHARE REGISTRY

Link Market Services Limited  
Level 15, 324 Queen Street  
Brisbane QLD 4000

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+61 2 8280 7111  
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