



Australian Pacific Coal

ASX RELEASE (ASX: AQC)

Quarterly Activities Report for the period ended 30 June 2023

Highlights

- Dewatering of the Hunter Tunnel completed with approximately 70 megalitres of water removed
- Ventilation circuit re-established and operations to re-support the roof and ribs making good progress
- Redesign of the tunnel conveyor system complete and preparations underway to install new conveyor structure in the inter-seam drift
- Refurbishment of the Coal Handling & Processing Plant (CHPP) and above ground infrastructure continues with no major issues identified
- Dartbrook Joint Venture Agreement restructured in May 2023 resulting in AQC's direct working interest in the project increasing from 50% to 80% and its net economic interest increasing from 50% to 70%
- The Company had no debt and \$3.7 million of available cash at the end of the June 2023 quarter
- Subsequent to the end of the period, \$3 million in additional working capital was received via loan and a sale and lease back agreement with major shareholder Trepang in July 2023

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

"Together with our Joint Venture partners, Australian Pacific Coal made excellent progress in de-risking the Dartbrook project over the June quarter. Successfully dewatering the Hunter Tunnel was a major achievement and represents a major milestone towards re-opening the mine. The above ground infrastructure is in good condition and operationally we are on track for restarting underground mining operations in Q4 2023 subject to funding.

"We are in advanced negotiations with multiple parties to source the \$100 million - \$120 million of capex and working capital funding required to restart the mine. This has been a complex process, made more difficult with a backdrop of high inflation, but we have the support of our major shareholder, Trepang, and remain confident of finalising a restart funding package in the current quarter."

Dartbrook Mine Restart

The Dartbrook mine has ROM coal reserves of 470 million tonnes and saleable coal reserves of 370 million tonnes. Operations are expected to ramp up towards a steady state production of approximately 3 million tonnes ROM coal per annum in 2026¹. AQC owns the coal handling and processing plant that is critical infrastructure and negotiations for rail and port access are progressing well. The Dartbrook mine produces a high-quality coal that is typical of Hunter Valley specification. The Operator has recently updated the mine plan which indicates that the Dartbrook mine should be capable of delivering improved yields relative to historical outcomes, and that there exists the potential to produce some semi-soft metallurgical (i.e. coking) coal into the market, which is essential in the manufacture of steel.²

¹ Indicative forecast, subject to change.

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

During the June 2023 quarter, the Dartbrook Joint Venture through the Mine Operator Tetra Resources made excellent progress towards de-risking and recommissioning the Dartbrook Mine. The mine remains on track to recommence production in Q4 2023.

The Health and Safety of all personnel remains our highest priority and there were no recordable injuries or incidents during the period.

Remediation and refurbishment work at Dartbrook continued according to schedule and major critical path milestones were achieved. Importantly, dewatering of the Hunter Tunnel, which passes under the New England Highway linking the underground mining operations with the CHPP, was completed with approximately 70 megalitres of water removed to date. This represents an increase of 23% over the initial estimated volume of 57 megalitres and is a significant step in de-risking the project. Subsequently, the ventilation circuit was successfully re-established which has enabled ongoing work to re-support the roof and ribs of the Hunter Tunnel.

The re-design of the tunnel conveyor system is now complete and preparation work is underway to install the new conveyor structure in the inter-seam drift. An assessment of above ground infrastructure was also completed and a refurbishment plan developed. The CHPP is in good condition and will be ready to start when underground production delivers coal to the CHPP facility.

The Mine Operator, Tetra Resources, has continued to optimise the Mine Plan to improve yields and coal quality product and to provide additional flexibility with regard to timing of equipment procurement and staffing. In addition, a leading mine consultant was engaged to assist with reviewing all historical borehole data logs specifically to review interburden ash levels and continue to work on the ply-by-ply analysis.

Dartbrook Joint Venture

The Company agreed new terms and executed a restructured Joint Venture Agreement (JVA) for the Operation of Dartbrook Mine on 1 May 2023. The binding term sheet announced in September 2022 was renegotiated and the new JVA has increased AQC's direct working interest in the project from 50% to 80% and its net economic interest increased from 50% to 70%.

The key terms of the restructured and simplified JVA are as follows:

- AQC retained the majority direct working interest which increased from 50% to 80%.
- Tetra remained a direct JV participant with a 20% working interest and remained the mine Manager and Operator.
- Subject to shareholder and ASX approval, Trepang will no longer have a direct working interest in the JV. Instead, Trepang will provide land and water access to Dartbrook through a long-term lease equivalent to a 10% economic interest, with a minimum payment of \$5 million per annum, which will be an operating cost of the JV.
- M Resources will receive a 10% indirect economic interest in the JV through AQC (therefore reducing AQC's effective economic interest from 80% to 70%).
- M Resources will be retained to provide ongoing Technical Services advice to AQC and receive an advisory fee and retainer for its services.

Restart Capex Funding

Dartbrook underground mine requires \$100 million to \$120 million in restart capex funding and working capital in order for mining operations to recommence. As at 30 June 2023, AQC had provided a loan of ~\$15 million to the Dartbrook Joint Venture (JV) to ensure restart operations remain on track while third party funding is negotiated. The loan will be repaid when third party funding is secured. The Dartbrook project has garnered significant international investor interest and AQC is working closely with its advisory and investment banking team to progress these financing solutions in the near term. Currently, a number of parties are at various stages of undertaking

confirmatory due diligence and discussions around the term and structure of a capital solution are well advanced. A substantial portion of the third-party funding may be linked to Dartbrook coal offtake rights.

Corporate and Financial

At quarter end the Company held \$3.7 million in cash reserves. Funds during the quarter were primarily used in relation to the care & maintenance holding costs (\$0.8 million), staff costs (\$0.25 million), funding to advance the Dartbrook Joint Venture (\$8.0 million), and corporate administration and transaction costs (\$0.6 million).

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

Subsequent to the end of the quarter, in July 2023 AQC agreed binding terms with its major shareholder, Trepang Services, for a loan of \$3 million for additional working capital while negotiations with potential lenders for the balance of the restart capex funding are finalised. The funds will ensure the continuation of remediation work at Dartbrook. The \$3 million loan is made up of a loan of \$2.2 million and the sale and lease back of the AQC-owned parcel of land occupied by the CHPP to Trepang for \$800,000. The lease will be for an initial period of 10 years with the option to extend should mining leases and development approvals be extended. The \$2.2 million balance of the loan plus interest will be repaid within 12 months or when third party funding is secured. AQC also has the option to secure an additional \$2 million from Trepang at a future date if required. As Trepang is a related party, the above transaction is subject to shareholder approval which will be proposed at the next AGM anticipated in November 2023.

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

All enquiries:

Corporate

Murray Aitken

Australian Pacific Coal Limited

M. +61 (0)408 932 158

E. maitken@aqcltd.com

Investors

Matt Sullivan

Meridian Investor Relations

M. +61 (0)412 157 276

Media

Paul Ryan

Citadel-MAGNUS

M. +61 (0) 409 296 511

E. pryan@citadelmagnus.com

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

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

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

* The Company has lodged renewal applications for certain Dartbrook Project Authorities, EL's and ML's as noted above.

Mining tenements acquired during the quarter and their location

Not applicable.

Mining tenements disposed of during the quarter and their location

Not applicable.

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

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

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

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

Not applicable.

Appendix 5B

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

Name of entity

AUSTRALIAN PACIFIC COAL LIMITED

ABN

49 089 206 986

Quarter ended ("current quarter")

30 JUNE 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	(72)
(c) production	-	-
(d) staff costs	(253)	(1,410)
(e) administration and corporate costs	(602)	(1,997)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	38	40
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (mine care and maintenance)	(816)	(2,177)
1.8 Other (Cost reimbursements)	-	1,576
1.8 Other (Transaction costs)	(46)	(755)
1.9 Net cash from / (used in) operating activities	(1,679)	(4,794)

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities (Expenses on behalf of the Dartbrook Joint Venture)	(7,998)	(14,895)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(7,998)	(14,895)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	100,071
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(6,530)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(70,500)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	23,041

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	13,384	355
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,679)	(4,794)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,998)	(14,895)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	23,041
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,707	3,707

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,682	5,347
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (funds held in escrow)	25	8,037
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,707	13,384

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1	150
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

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

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	25	0
7.3 Other (please specify)	-	-
7.4 Total financing facilities	25	0

7.5 **Unused financing facilities available at quarter end** Nil

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

7.2 NAB Business Visa. Interest 15.50%. Unsecured

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,679)
8.2 Payments for exploration & evaluation classified as investing activities (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,679)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	3,707
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	3,707
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	2.21
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable

Compliance statement

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

Date: 31 July 2023

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

Notes

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