



ASX RELEASE (ASX: AQC)

Australian Pacific Coal

Quarterly Activities Report for the period ended 30 June 2021

Dartbrook Mine

Modification 7 Appeal

As previously disclosed, the Board of Australian Pacific Coal Limited (ASX: AQC) resolved to lodge an appeal against the determination made on 9 August, 2019, by the NSW Independent Planning Commission (IPC), acting as the delegate for the Minister of Planning, Infrastructure and Environment (MPIE), with respect to AQC's Modification 7 Submission.

AQC previously announced that it had reached agreement with the NSW Minister for Planning and Public Spaces in the Land and Environment Court proceedings the Company had commenced about the determination of its application to modify the development consent for the Dartbrook Coal Mine. As announced such agreement only becomes effective, and the development consent is only modified, once the Land and Environment Court disposed of the proceedings in accordance with the agreement.

As previously reported, subsequent to reaching agreement AQC received notice of a proposed application by the Hunter Thoroughbred Breeders Association (HTBA) to join the proceedings. Judgment on the HTBA's application was delivered on 20 November 2020 and the HTBA were joined to the proceedings on a limited basis.

AQC subsequently sought leave to appeal the decision of the Land and Environment Court to join the HTBA to the proceedings. The application for leave to appeal has now been decided by the NSW Court of Appeal. The Court of Appeal has granted leave, allowed the appeal, and removed the HTBA as a party to the Land and Environment Court proceedings. It has also ordered the HTBA to pay AQC's costs of the appeal.

Following the Court of Appeal's decision, AQC entered into a revised agreement with the Minister for Planning and Public Spaces under s34(3) of the Land and Environment Court Act 1979 (LEC Act) about the 5 year extension of mining operations under the development consent for the Dartbrook Coal Mine. The revised agreement does not change the conditions proposed under the previous s34 agreement but addresses a potential jurisdictional issue arising from the Court of Appeal's judgment.

The HTBA, although now not a party to the litigation, have made a further application the Land and Environment Court to participate in the Land and Environment Court proceedings under s38(3) of the LEC Act (to assist the Court in determining the proceedings) or as an amicus curiae (friend of the Court).

Although AQC opposed HTBA's application the Land and Environment Court has permitted HTBA to a short submission on specified jurisdictional issues associated with the Court's power to impose conditions on the determination of the Mod 7 application. The submission is limited to 10 pages. AQC will see a resumption of the s34 conference as soon as possible where it will be asking the Court to dispose of the proceedings in accordance with the revised s34 agreement. If the Court disposes of the proceedings on that basis it will have the effect of extending the operation of the development consent for the Dartbrook mine by 5 years.

Corporate

Offer for Proposed Sale of Property

On 14 May 2021 AQC announced that it had received from its major shareholder and creditor Trepang Services Pty Ltd (Trepang), an offer for Trepang and entities associated with it to purchase certain real properties and water rights owned by the Company (through its wholly owned subsidiaries AQC Dartbrook Management Pty Ltd and AQC Dartbrook Pty Ltd) that underly its Dartbrook coal mine, and associated water rights.

The offer has been made by Trepang on the basis that proceeds will be used to repay debt that the Company owes to Trepang and its associates (as directed by Trepang).

As shareholders are aware, early this year the Board of AQC advised that a strategic review would be undertaken of the Company's operations and in particular the major asset of the Dartbrook underground thermal coal mine. This asset has been non-operational since 2006.

Fluctuating commodity prices, changing community, corporate and government views on the sector have created enormous challenges broadly and to our Company's drive to realise shareholders' investment in the underground coal operation.

Recently the NSW State Government announced that several possible open cut opportunities within the Hunter Valley will not be approved if sought including that at Dartbrook.

As has also been recently announced the company has been successful in its recent appeal to prevent the Hunter Thoroughbred Horse Breeders Association to join proceedings relating to the MOD 7 application. We continue to liaise with the NSW Government to move ahead in relation to underground coal mining opportunities.

The Board has engaged widely with varying coal operators, financiers, stakeholders and advisors to seek advice that can inform and provide clarity on viable options for consideration. The Board is advanced in its discussions on a range of resource and related enterprise opportunities that it feels provide potential for the Company to pursue. Critical to this must be the reduction of its debt and liabilities.

The proposed land sale to Trepang and continued discussions with our cornerstone shareholder Trepang and its related parties on debt is the priority of the Board to enable us to deal with future opportunities for the Company.

The terms of the proposed sale for consideration by shareholders are set out in a Notice of Meeting of the Company's shareholders held at 10:00am (Brisbane time) on Friday, 30 July 2021.

The Non-Interested Directors (being David Conry and Tony Lalor) have given detailed consideration to the Proposed Sale as outlined in the Notice of Meeting. The Non-Interested Directors consider that the Proposed Sale is in the best interests of the Company and recommended the Proposed Sale to Shareholders.

Other Corporate

At quarter end the Company held \$0.52 million in cash reserves. Funds during the quarter were primarily used to progress the modification appeal (\$0.15 million), care & maintenance holding costs (\$0.69million) and corporate administration (\$0.40 million). The Board continues to evaluate the short-term cash flow requirements of the Company.

The Company's accompanying Appendix 5B (Quarterly Cashflow Report) includes an amount in item 6.1 of \$125k which constitutes executive and non-executive directors' fees paid during the quarter.

This announcement has been authorised for release by the Board.

All enquiries:

Company Secretary

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

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

Name	Number	Status	Interest Held
Dartbrook Project, Hunter Valley NSW			
AUTH 256	AUTH 256	Renewal Pending *	100%
EL 4574	EL 4574	Renewal Pending *	100%
EL 4575	EL 4575	Renewal Pending *	100%
EL 5525	EL 5525	Renewal Pending *	100%
CL 386	CL 386	Granted	100%
ML 1381	ML 1381	Renewal Pending *	100%
ML 1456	ML 1456	Renewal Pending *	100%
ML 1497	ML 1497	Granted	100%
Mount Hillalong Project, Glenden QLD			
Mount Hess	EPC 1645	Granted	100%
Mount Hess West	EPC 1867	Granted	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

During the quarter the Company relinquished EPC 1859 (Coorarah Project, Blackwater).

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 2021

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	61	355
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(156)	(713)
(c) production	-	-
(d) staff costs	(140)	(587)
(e) administration and corporate costs	(283)	(888)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (mine care and maintenance)	(696)	(3,781)
1.8 Other (GST refunds received)	99	478
1.8 Other (Transaction costs)	(139)	(139)
1.9 Net cash from / (used in) operating activities	(1,254)	(5,275)

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	-	(51)
(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	-	3,200
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	3,149

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5 Proceeds from borrowings	1,437	5,137
3.6 Repayment of borrowings	-	(3,202)
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	1,437	1,935

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	183	(191)
4.1	Cash and cash equivalents at beginning of period	337	711
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,254)	(5,275)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	3,149
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,437	1,935
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	520	520

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	495	312
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (funds held in escrow)	25	25
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	520	337

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	125
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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

6.1 Non-Executive Directors Fees

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	13
7.3 Other (please specify)	58,359	58,359
7.4 Total financing facilities	58,384	58,372

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

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

7.1 Not applicable.
 7.2 NAB Business Visa. Interest 15.50%. Unsecured
 7.3 Mr N Paspaley Convertible Loan Deed. Interest 10.0%. Secured. \$10,000,000 fully drawn
 7.3 Mr J Robinson Convertible Loan Deed. Interest 10.0%. Secured. \$10,000,000 fully drawn
 7.3 Trepong Services Pty Ltd Secured Loan Deed. Interest 10.0%. Secured. \$7,000,000 fully drawn
 7.3 Trepong Services Pty Ltd Convertible Loan Deed. Interest 10.0%. Secured. \$15,000,000 fully drawn
 7.3 Trepong Services Pty Ltd Unsecured Loan. Interest 10.0%. \$8,658,571
 7.3 Trepong Services Pty Ltd Vendor Secured Loan. Interest 10.0%. \$7,700,000 fully drawn

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,254)
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)	(1,254)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	520
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	520
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.41
<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:

- 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:

The Company continues to assess its expenditure with the objective of reducing its operating costs where practical. Whilst this is expected to reduce the ongoing level of operating cash outflows as compared to that reported in this quarterly report, the Company expects that it will continue to have net operating cash flows.

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

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:

As outlined at item 7, the Company's cornerstone investor and funder Trepang has continued to provide ongoing working capital by way of unsecured loans so that the Company can meet its net operating cash flows. The Company continues to have the ongoing support of Trepang and intends to seek additional unsecured loan funding from Trepang.

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:

The Company expects that it will be able to continue its operations and to meet its business objectives based on the Company's intention to seek additional funding and or reduce its expenditure as outlined in item 2 above.

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: 30 July 2021

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.