

# **Australian Pacific Coal Limited**

**ABN 49 089 206 986**

**Interim Report - 31 December 2019**

**Australian Pacific Coal Limited**  
**Directors' report**  
**31 December 2019**

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 half-year ended 31 December 2019.

**Directors**

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

Mr John J Robinson (Resigned 16 November 2019)  
The Hon. Shane Stone  
Mr Bruce Munro  
Ms Ainslie Maclean (Appointed 18 November 2019)

**Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$6,013,713 (31 December 2018: \$7,912,188).

*Dartbrook Mine - Underground modification*

The Modification 7 (MOD 7) environmental assessment, along with other supporting documentation, was submitted and accepted for adequacy in June 2018. Public exhibition of the application closed in July 2018.

The NSW Department of Planning and Environment finalised its report in January 2019 and provided its recommendation to the Independent Planning Commission (IPC) that the modification is approvable.

On 13 August 2019, the Company announced that it had received approval from the Independent Planning Commission (IPC) in relation to some elements of its application to modify the consent for the Dartbrook Coal Mine (DA 231-7- 2000, MOD 7). The approval represents a milestone for Dartbrook, although a key element of MOD 7 was not approved, being the application for an additional five years of mine life.

The Company subsequently resolved to lodge an appeal against the determination made by the NSW Independent Planning Commission (IPC), acting as the delegate for the Minister of Planning, Infrastructure and Environment (MPIE), with respect to the Modification 7 Submission.

The appeal seeks to have the decision amended, within the current NSW guidelines for coal mining projects, to permit restart of the mining operations and to provide a reasonable time frame for the mining to facilitate the necessary capital costs which will be incurred.

The Company continues to consider whether, in addition to appealing against the Mod 7 determination, a further modification application (Mod 8) will be lodged to seek further flexibility in relation to the manner in which the Dartbrook Underground Coal Mine can be restarted and operated.

In parallel with the Mod 7 appeal AQC continues to investigate options for a mining restart and is currently assessing contractor proposals to do this.

*Dartbrook Mine - Strategic Development Partner*

On 6 August 2018, the Company announced that it had executed binding transaction documents with a subsidiary of Stella Natural Resources (SNR) to form the Dartbrook Joint Venture (DJV) subject to satisfaction of conditions precedent.

On 2 July 2019, the Company advised that certain conditions under the Share Sale Agreement (SSA) with SNR were not satisfied by SNR (by the cut-off date for satisfaction of those conditions) and the SSA was terminated by AQC effective 4 July 2019.

*Other tenements*

The Company also continued to undertake desktop evaluation activities on its tenements located in Queensland, Australia. These activities have been limited given the focus of the Company on the development of the Dartbrook Mine.

**Australian Pacific Coal Limited**  
**Directors' report**  
**31 December 2019**

**Corporate and Funding**

At balance date the Company held \$0.9 million in cash reserves.

During the financial half-year, further funding was provided by Trepang Services Pty Ltd (Trepang) in the form of an unsecured loan accruing capitalised interest at 10% per annum. At balance date a total of \$5.4 million had been provided by Trepang as an unsecured loan for general working capital.

The Board is continuing to actively assess its options as to the next steps for the Dartbrook Mine and continue to have the ongoing support of its cornerstone investor Trepang.

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

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Rounding of amounts**

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

**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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Bruce Munro  
Director

13 March 2020  
Brisbane

**AUSTRALIAN PACIFIC COAL LIMITED  
ABN 49 089 206 986  
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF  
AUSTRALIAN PACIFIC COAL LIMITED**

**SYDNEY**

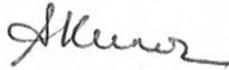
Level 40  
2 Park Street  
Sydney NSW 2000  
Australia  
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I In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Australian Pacific Coal Limited. As the lead audit partner for the review of the financial report of Australian Pacific Coal Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



Hall Chadwick  
Level 40, 2 Park Street  
Sydney NSW 2000



**SANDEEP KUMAR**  
Partner  
Date: 13 March 2020

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## **Australian Pacific Coal Limited**

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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 half-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 15  
344 Queen 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 13 March 2020.

**Australian Pacific Coal Limited**  
**Consolidated statement of financial performance**  
**31 December 2019**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	3	2,868,233	62,326
<b>Expenses</b>			
Employee benefits expense		(448,241)	(689,891)
Depreciation and amortisation expense		(581,442)	(642,649)
Exploration and evaluation expense		(37,875)	(22,151)
Fair value movement of financial assets		(57,143)	274,735
Administration and consulting expenses		(4,224,745)	(3,900,973)
Finance costs		<u>(3,532,500)</u>	<u>(2,993,585)</u>
Loss before income tax expense	4	(6,013,713)	(7,912,188)
<b>Other comprehensive income</b>			
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year		<u>(6,013,713)</u>	<u>(7,912,188)</u>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit attributable to the owners of Australian Pacific Coal Limited</b>			
Basic earnings per share		(11.91)	(15.93)
Diluted earnings per share		(11.91)	(15.93)

**Australian Pacific Coal Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2019**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	815,797	395,626
Trade and other receivables		67,523	181,511
Other		330,528	760,561
<b>Total current assets</b>		<u>1,213,848</u>	<u>1,337,698</u>
<b>Non-current assets</b>			
Property, plant and equipment	6	43,316,570	43,811,646
Intangibles		5,620,000	5,620,000
Exploration and evaluation		8,682,588	8,461,943
Financial assets		895,248	2,717,391
Other	7	9,102,536	9,275,025
<b>Total non-current assets</b>		<u>67,616,942</u>	<u>69,886,005</u>
<b>Total assets</b>		<u>68,830,790</u>	<u>71,223,703</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		4,800,618	2,688,629
Borrowings	8	70,561,769	14,581,960
Lease Liability		41,280	30,814
Provisions		-	22,591
<b>Total current liabilities</b>		<u>75,403,667</u>	<u>17,323,994</u>
<b>Non-current liabilities</b>			
Borrowings	9	-	54,430,067
Lease Liability		-	28,806
Provisions		19,550,000	19,550,000
<b>Total non-current liabilities</b>		<u>19,550,000</u>	<u>74,008,873</u>
<b>Total liabilities</b>		<u>94,953,667</u>	<u>91,332,867</u>
<b>Net assets</b>		<u>(26,122,877)</u>	<u>(20,109,164)</u>
<b>Equity</b>			
Issued capital	10	60,487,791	60,487,791
Retained profits/(Accumulated Losses)		<u>(86,610,668)</u>	<u>(80,596,955)</u>
<b>Total equity</b>		<u>(26,122,877)</u>	<u>(20,109,164)</u>

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

**Australian Pacific Coal Limited**  
**Consolidated Statement of changes in equity**  
**For the half-year ended 31 December 2019**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Retained Profits/(loss) \$</b>	<b>Total equity \$</b>
Balance at 1 July 2018	59,487,791	-	(67,366,249)	(7,878,458)
Profit/(Loss) after income tax expense for the half-year	-	-	(7,912,188)	(7,912,188)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(7,912,188)	(7,912,188)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1,000,000	-	-	1,000,000
Contributions of equity, transfers from reserves	-	-	-	-
Balance at 31 December 2018	<u>60,487,791</u>	<u>-</u>	<u>(75,278,437)</u>	<u>(14,790,646)</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Retained Profits/(loss) \$</b>	<b>Total equity \$</b>
Balance at 1 July 2019	60,487,791	-	(80,596,955)	(20,109,164)
Loss after income tax expense for the half-year	-	-	(6,013,713)	(6,013,713)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(6,013,713)	(6,013,713)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	-	-	-	-
Contributions of equity, transfers from reserves	-	-	-	-
Balance at 31 December 2019	<u>60,487,791</u>	<u>-</u>	<u>(86,610,668)</u>	<u>(26,122,877)</u>

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

**Australian Pacific Coal Limited**  
**Consolidated Statement of cash flows**  
**For the half-year ended 31 December 2019**

	<b>Note</b>	<b>Consolidated</b>	<b>Consolidated</b>
		<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		177,276	27,131
Payments to suppliers and employees (inclusive of GST)		<u>(2,686,021)</u>	<u>(4,704,844)</u>
		(2,508,745)	(4,677,713)
Interest received		<u>2,909</u>	<u>35,195</u>
Net cash used in operating activities		<u>(2,505,836)</u>	<u>(4,642,518)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(19,328)	(7,973)
Payments for exploration and evaluation		(220,645)	(1,675,653)
Proceeds /(payment) of security deposits		-	(5,000)
Proceeds from sale of investments		<u>1,588,500</u>	<u>-</u>
Net cash used in investing activities		<u>1,348,527</u>	<u>(1,688,626)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	1,000,000
Proceeds from borrowings		1,900,000	4,289,000
Repayment of borrowings and lease liability		<u>(495,009)</u>	<u>(635,489)</u>
Net cash used in financing activities		<u>1,404,991</u>	<u>4,653,511</u>
Net increase/(decrease) in cash and cash equivalents		681,068	(1,677,633)
Cash and cash equivalents at the beginning of the financial half-year		<u>247,682</u>	<u>2,662,033</u>
Cash and cash equivalents at the end of the financial half-year	5	<u>928,750</u>	<u>984,400</u>

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

**Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

*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 of the annual report for the year ended 30 June 2019.

*Going Concern*

The company has incurred a net loss of \$6,013,713 and a deficiency in operating cash flows of \$2,505,836 for the half year ended 31 December 2019. As at 31 December 2019 the company had a deficiency of net current assets of \$26,122,877.

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, borrowings and joint venture from related and non related parties to support existing projects including development of the 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 or joint venture arrangements 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 a going concern.

**New or amended Accounting Standards and Interpretations adopted**

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

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

The group has adopted AASB 16 Leases and there has been no impact from the adoption of this standard other than classification of liabilities within the financial report.

**Australian Pacific Coal Limited**  
**Notes to the financial statements**  
**31 December 2019**

**Note 2. Operating segments**

*Identification of reportable operating segments*

The consolidated entity is currently organised into one operating segments based on resource category: exploration and evaluation. 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 and develop prospective resource areas, secure tenure over the relevant tenements and manage the exploration and evaluation process.

Corporate                              The corporate segment supports all exploration and evaluation activities.

*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.

*Operating segment information*

	<b>Net loss from continuing operations before tax</b>		<b>Total Assets</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Exploration & Evaluation	3,218,771	3,403,913	68,107,854	68,759,000
Corporate	2,794,942	4,508,276	723,067	1,362,420
	<u>6,013,713</u>	<u>7,912,189</u>	<u>68,830,790</u>	<u>70,121,420</u>

**Note 3. Revenue**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$</b>	<b>\$</b>
<b>Other revenue</b>		
Interest	2,909	4,382
Rent from investment properties	133,739	57,944
Terminated agreement – SNR Mineral Assets Pty Ltd	2,688,048	-
Other revenue	43,537	-
	<u>2,868,233</u>	<u>62,326</u>
Revenue	<u>2,868,233</u>	<u>62,326</u>

**Australian Pacific Coal Limited**  
**Notes to the financial statements**  
**31 December 2019**

**Note 4. Expenses**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>3,532,500</u>	<u>2,993,585</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>-</u>	<u>158,585</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>21,916</u>	<u>34,974</u>

**Note 5. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>\$</b>	<b>\$</b>
<i>Current:</i>		
Cash at bank and on hand	<u>815,797</u>	<u>395,626</u>
	<u>815,797</u>	<u>395,626</u>

Reconciliation to cash and cash equivalents at the end of the financial period

	<b>Note</b>	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
Balance as per above		815,797	395,626
Deposit as security for equipment facility	7	<u>112,953</u>	<u>285,442</u>
Balance as per statement of cash flows		<u>928,750</u>	<u>681,068</u>

**Note 6. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>\$</b>	<b>\$</b>
Land and buildings – at cost	38,202,079	38,202,079
Less: Accumulated depreciation	<u>(375,196)</u>	<u>(292,800)</u>
	<u>37,826,883</u>	<u>37,909,279</u>
Leasehold improvements – at cost	180,217	170,929
Less: Accumulated depreciation	<u>(171,014)</u>	<u>(170,929)</u>
	<u>9,203</u>	<u>-</u>
Plant and equipment – at cost	8,235,629	8,155,589
Less: Accumulated depreciation	<u>(2,755,145)</u>	<u>(2,253,222)</u>
	<u>5,480,484</u>	<u>5,902,367</u>
	<u>43,316,570</u>	<u>43,811,646</u>

Depreciation on the acquired property, plant and equipment at Dartbrook Mine is to be applied over the remaining life of the acquired mining leases, less any residual value.

**Note 7. Other non-current assets**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>\$</b>	<b>\$</b>
Security deposits	8,989,583	8,989,583
Cash on deposit for bank facilities	112,953	285,442
	<u>9,102,536</u>	<u>9,275,025</u>

**Note 8. Current liabilities – borrowings**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>\$</b>	<b>\$</b>
Convertible securities (a)	57,232,220	-
Insurance premium funding	229,549	693,912
Interest bearing liabilities (b)	7,700,000	7,700,000
Unsecured Loan – Trepang Services Pty Ltd (c)	5,400,000	3,500,000
Unsecured Loan – SNR Mineral Assets Pty Ltd (d)	-	2,688,048
	<u>70,561,769</u>	<u>14,581,960</u>

- a) The Convertible securities balance is comprised of following instruments:
- i. 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 the maturity date. The number of ordinary shares to be issued is calculated as the conversion amount divided by the conversion price (\$0.80), but subject to adjustments for reconstructions of equity. The revised terms of the notes were approved by shareholders on 29 November 2019.
  - ii. On 1 March 2017 the consolidated entity entered into the Trepang Convertible Loan Deed, to conditionally secure an additional \$15,000,000 in funding to assist in completing the acquisition of 100% of the Dartbrook Joint Venture. 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 the maturity date. The number of ordinary shares to be issued is calculated as the conversion amount divided by the conversion price (\$0.80), but subject to adjustments for reconstructions of equity. The revised terms of the notes were approved by shareholders on 29 November 2019.
  - iii. On 29 November 2018, shareholders of the Company approved the issuance of a new convertible note to Trepang Services Pty Ltd with a face value of \$7,000,000. 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 the maturity date. The number of ordinary shares to be issued is calculated as the conversion amount divided by the conversion price (\$0.80), but subject to adjustments for reconstructions of equity.
- b) On 29 May 2017, the consolidated entity announced it has agreed terms with Anglo American Metallurgical Coal Assets Pty Ltd for the provision of a loan for \$7,700,000, secured against certain assets of the consolidated entity for a term of three years with at a 10% interest rate. The loan was conditional upon, amongst other things, approval from shareholders of the consolidated entity at a general meeting relating to financial assistance provisions. The loan was deemed to be a current liability at balance date, given the default provisions in the loan agreement related to the extension of various funding provided by Trepang Services Pty Ltd.
- c) During the financial half-year, Trepang has provided further amounts by way of an Unsecured Loan to the consolidated entity for general working capital purposes. Interest is payable at a rate of 10.0% per annum based on the face value. At balance date, the amounts provided by Trepang for this value total \$5,400,000.
- d) During the financial half-year, the company announced that certain conditions under the Share Sale Agreement (SSA) with SNR Mineral Assets Pty Ltd were not satisfied and the SSA was terminated by the company.

**Australian Pacific Coal Limited**  
**Notes to the financial statements**  
**31 December 2019**

**Note 9. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>\$</b>	<b>\$</b>
Convertible Securities	-	54,430,067
	<u>-</u>	<u>54,430,067</u>

*Total secured liabilities*

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

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>\$</b>	<b>\$</b>
Insurance premium funding	229,549	693,912
Convertible securities	57,232,220	54,430,067
Loan – Anglo American	7,700,000	7,700,000
	<u>65,161,769</u>	<u>62,823,979</u>

**Note 10. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>50,484,810</u>	<u>50,484,810</u>	<u>60,487,791</u>	<u>60,487,791</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>\$</b>
Balance	1 July 2019	<u>50,484,810</u>	<u>60,487,791</u>
Balance	31 December 2019	<u>50,484,810</u>	<u>60,487,791</u>

**Australian Pacific Coal Limited**  
**Notes to the financial statements**  
**31 December 2019**

**Note 11. 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 - 31 Dec 2019</b>	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Ordinary Shares	895,248	-	-	895,248
Total assets	895,248	-	-	895,248

<b>Consolidated - 30 Jun 2019</b>	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Ordinary Shares	2,717,391	-	-	2,717,391
Total assets	2,717,391	-	-	2,717,391

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 half-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.

The financial assets are represented by the company's holding in Bowen Coking Coal Limited (ASX:BCB). The shares were acquired on 4 October 2017 as part settlement for the sale of tenement MDL453 (Cooroorah) and EPC 1824 (Mt Hillalong). AQC was issued AU\$1.250 million of ordinary shares (54,347,826 shares) by Bowen Coking Coal Limited as consideration for the tenements. During the year AQC sold 35.3m shares at \$0.045 per share for net proceeds of \$1.89m. The directors have calculated the fair value of the shares held at balance date as \$895,248, based on the closing price on the ASX as at 31 Dec 2018 (\$0.047 per share).

**Note 12. Contingent liabilities**

*Vendor Royalty*

On 7 June 2016 the consolidated entity announced it had reached agreement with the minority joint venture partner at Dartbrook to acquire the minority partner's stake, thereby taking the Company's ownership of Dartbrook to 100%. A combined production-based royalty arrangement was agreed with the vendors on the following terms:

- An aggregate royalty to the vendors at a rate of A\$3.00 per tonne of coal sold or otherwise disposed of and A\$0.25 per tonne of any third party coal processed through the Dartbrook infrastructure, capped at A\$30 million with indexation to apply to the rate and the cap.

The vendor royalty is contingent on the Company achieving future development milestones which may or may not occur. The Company has assessed the acquisition of Dartbrook Mine in prior reporting periods and, through the work undertaken by the expert, assessed a discounted net present value associated with the obligation to pay the vendor royalty. The maximum amount payable under the product-based royalty remains capped at \$30 million with indexation to apply to the cap.

*Royalty for Existing Financiers*

On 27 September 2018, the Company announced it had agreed revised terms with Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang (collectively, the Existing Financiers) in relation to their existing financing arrangements with AQC. These amendments were approved by shareholders in November 2018 and included two potential royalties payable to the Existing Financiers:

- In the instance where the joint venture transaction with SNR is completed, the Existing Financiers would receive a \$2.00 per product tonne royalty for coal produced and sold by the joint venture, based on the Company's interest in the joint venture.
- In the instance where the proposed joint venture transaction with SNR did not complete, the Existing Financiers would receive a \$2.50 per product tonne royalty for all coal produced and sold at Dartbrook.

The potential royalties payable to the Existing Financiers become payable after the vendor royalty is full discharged.

*Bank Guarantees*

The consolidated entity has given bank guarantees as at 31 December 2019 of \$nil (30 June 2019: \$80,442) to its landlord.

**Note 13. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Australian Pacific Coal Limited**  
**Directors' declaration**  
**31 December 2019**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'B. A. Munro', written over a horizontal line.

Bruce Munro  
Director

13 March 2020  
Brisbane

**AUSTRALIAN PACIFIC COAL LIMITED**  
**ABN 49 089 206 986**  
**AND CONTROLLED ENTITIES**  
**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**TO THE DIRECTORS OF**  
**AUSTRALIAN PACIFIC COAL LIMITED**

**SYDNEY**

Level 40  
2 Park Street  
Sydney NSW 2000  
Australia  
Ph: (612) 9263 2600  
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**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Australian Pacific Coal Limited, which comprises the consolidated statement of financial position as at 31 December 2019, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

**Directors' Responsibility for the Half-Year Financial Report**

The directors of Australian Pacific Coal Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Australian Pacific Coal Limited's financial position as at 31 December 2019 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Australian Pacific Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

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

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An Association of Independent  
Accounting Firms



**AUSTRALIAN PACIFIC COAL LIMITED  
ABN 49 089 206 986  
AND CONTROLLED ENTITIES  
INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE DIRECTORS OF  
AUSTRALIAN PACIFIC COAL LIMITED**

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Pacific Coal Limited is not in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of Australian Pacific Coal Limited's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the half-year financial report, which indicates that the Group incurred a net loss after tax of \$6,013,713 during the half-year ended 31 December 2019 and as of that date, the Group's current liabilities exceeded its current assets by \$74,189,819. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

*Hall Chadwick*

HALL CHADWICK  
Level 40, 2 Park Street  
Sydney NSW 2000

*Sandeep Kumar*

**SANDEEP KUMAR**

Partner

Dated: 13 March 2020