



Australian Pacific Coal

ASX RELEASE (ASX: AQC)

Quarterly Activities Report for the period ended 31 December 2022

Highlights

- There were no recordable injuries or incidents during the December 2022 quarter with nil injuries or incidents recorded YTD.
- The Company is on track to recommence the Dartbrook Mine in H2 2023 with de-watering of the 4km Hunter Tunnel nearing completion and the procurement of long lead items and critical spares well underway.
- A number of third parties have commenced due diligence to provide debt funding for the restart capital of approximately \$100 million.
- The joint venture parties have progressed negotiations to formalise the joint operations of the Dartbrook Mine, and the JV agreements are expected to be completed during the March quarter of 2023.
- During the December quarter the Company completed its fully underwritten pro-rata renounceable entitlement offer and raised \$100 million and used a majority of the funds to set-off the \$70.5 million debt owed.
- The Company has no debt and have \$19.4 million of available cash at the end of the December quarter.
- Four new Directors were appointed the AQC Board: Mr Mike Ryan, Ms Ayten Saridas, Jeff Beatty and Nick Johansen. Mr Craig McPherson resigned as a Director during the December quarter.
- On 31 January 2023, Mr Tony Lalor resigned as a Director of AQC effective 3 March 2023.
- The CEO David Conry resigned on 16 January 2023 and Ms Ayten Saridas was appointed Interim CEO and Executive Director. Mr Mike Ryan was appointed Interim Chairman as David Conry stepped down from the Board.

Dartbrook Mine Restart

During the December 2022 quarter the joint venture partners and technical consultants have been on site and have made significant progress in the recommissioning of the Dartbrook Mine and Coal Handling Processing Plant (CHPP). The mine remains on track to recommence production in H2 2023.

The Health and Safety of all our personnel on site is a core value and it is our highest priority to ensure the health and well-being of all personnel who work with us at the Dartbrook Mine. A detailed Safety & Health Management System (SHMS) has been developed and is being implemented with the current site team and contractors. Risk assessments have been conducted on site activities and an Emergency Management Plan along with the required Principal Hazard Management Plans have been revised and updated in line with the increased Care and Maintenance (re-commissioning) activities. During the December quarter there were no recordable injuries or incidents.

The key activity for the restart is the dewatering of the Hunter Tunnel. The Hunter Tunnel connects the mine with the CHPP and is approximately 4kms in length. The tunnel had approximately 57 megalitres of water of which approximately 30 megalitres has been removed. Re-supporting of the roof and ribs of the Hunter Tunnel has commenced and will continue over the next several months. A team of specialist contractors have been engaged to complete the re-support and ventilation has been introduced to enable this work to be conducted safely. The

commencement location of mining is approximately 4.6kms from the Train Load Out and will be by the conventional mining methods in the Kayuga coal seam.

Procurement of the mining equipment and ancillary diesel fleet is well advanced. Conveyor structure and belts have been designed and initial orders ready for placement with suppliers, both local and international. Key electrical items have been identified and orders are being placed for transformers, motors, drive heads, ventilation ancillary equipment and critical spares.

Environmental monitoring is being increased in line with the recommissioning program. Currently six Environmental Management Plans have been developed and submitted to the Department of Planning and Environment (DPE) for consultation and approval prior to progressing into the construction phase of the schedule. Four plans have already been approved and the remaining two plans are expected by early February 2023. In addition, the Rehabilitation Management Plan, (RMP) previously known as the Mine Operations Plan (MOP) has been submitted to the DPE for review and comment which will provide approval for the recommencement of mining activities to take place.

Community consultation has been conducted with the Dartbrook Community Consultation Committee and through both the Upper Hunter and Muswellbrook Shire Councils. Voluntary Planning Agreements (VPA) which are a requirement to have in place prior to mining as part of the Consent Conditions have been negotiated and agreed to by all parties. The VPA's are to be signed and implemented during February 2023.

Interim CEO Ms Ayten Saridas said, "Dartbrook is one of the most significant, relatively under-developed coal assets in the Hunter region with 1.2 billion tonnes of resources. The coal seams are extensions of existing adjacent mines and we have infrastructure in place to support our production. We have a tremendous opportunity to restart the mine safely and to achieve coal flow in the second half of 2023. We are very pleased with the progress made in the December quarter and thank the talented team of professionals who have worked tirelessly to achieve critical milestones. Together with our joint venture partners we will continue to make progress to ensure we achieve great outcomes for our employees, shareholders and our community."

Corporate

During the quarter, the Company completed its fully underwritten pro rata renounceable entitlement offer to raise \$100 million (Entitlement Offer) and the Company subsequently issued 294,326,143 new fully paid ordinary shares. Applications for 122,789,518 new shares were subscribed by the Company's major shareholder (Trepang Services Pty Ltd, Trepang) and its associates, by way of set-off against part of the agreed \$70.5 million debt owed to those parties. The remainder of the debt owing by the Company has now been paid out from the proceeds of the Entitlement Offer, leaving the Company debt-free.

Completion of the Entitlement Offer provided the Company the opportunity to advanced formally documenting the binding agreement, which was entered into with Trepang, Tetra Resources and M Resources in relation to a joint venture to see Dartbrook re-commissioned as a coal producing mine (Strategic Partnership). The parties have agreed to negotiate reasonably, to restate, reflect and expand on the key terms of the Strategic Partnership. The material terms of the Strategic Partnership are set out in the announcement of 27 September 2022.

Further, Trepang also agreed to use reasonable endeavours to negotiate an agreement to extend the existing access and compensation agreement, various easement arrangements and term transfer of water rights on mutually agreeable commercial terms, which is intended to allow underground mining operations to continue at Dartbrook for the duration of any mine life extension approvals. Upon entry into binding agreements which the Company is advancing, Trepang will be granted a 10% free-carried direct joint venture interest, subject to obtaining any necessary approvals (including any shareholder approval).

Subject to completion of the binding agreements with Trepang, the joint venture raises the funds required to re-start production, all necessary approvals are obtained and production re-starts within the agreed timeframe (see

further terms disclosed in AQC's 27 September 2022 market announcement), the overall joint venture equity ownership interest will be:

- AQC: 60%;
- M Resources: 20%;
- Tetra Resources: 20%.

During the quarter, the Company also advanced discussions on funding for the capital required to recommence mining at the Dartbrook Mine. A number of funding parties are currently conducting due diligence, the Company will update the market accordingly as discussions and due diligence advances.

Ms Saridas said, "Given the current buoyant coal market conditions, a clean balance sheet, aligned joint venture partners, Board and shareholders, this is an exciting period ahead for the Company with the Dartbrook mine moving towards a return to production".

Other Corporate

During the quarter the Company announced a number of changes in the management and Board. Mr Mike Ryan and Ms Ayten Saridas were appointed Non-Executive Directors in November 2022 and Mr Craig McPherson resigned as a Non-Executive Directors of the Company. Mr Jeff Beatty and Mr Nick Johansen were appointed shareholder nominee director by Trepan.

The CEO and Executive Chairman Mr David Conry resigned in January 2023 and Ms Ayten Saridas was appointed as Interim CEO and will continue in her role as a Director on the Board. Mr Mike Ryan has stepped into the role of Interim Chairman. External searches have commenced for each role.

On 31 January 2023, Mr Tony Lalor resigned as a Director of AQC effective 3 March 2023. The Board thanks Mr Lalor for his contribution to the achievements of the Company to date and wish him all the best.

At quarter end the Company held \$19.4 million in cash reserves. Funds during the quarter were primarily used in relation to the care & maintenance holding costs (\$0.5 million), staff costs (\$0.5 million), funding to advance the Dartbrook Joint Venture (\$2.1m million), repayment of debt (\$70.5m million) and corporate administration and transaction costs (\$1.1 million).

The Company's accompanying Appendix 5B (Quarterly Cashflow Report) includes an amount in item 6.1 of \$593k which constitutes executive and non-executive directors' fees and corporate administration services to a company associated with a director during the quarter.

This announcement has been authorised for release by the Board.

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

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

Name	Number	Status	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%
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")

31 DECEMBER 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(512)	(863)
	(e) administration and corporate costs	(708)	(905)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
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)	(495)	(986)
1.8	Other (Cost reimbursements)	-	1,576
1.8	Other (Transaction costs)	(454)	(623)
1.9	Net cash from / (used in) operating activities	(2,168)	(1,872)

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 (6 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)	(2,117)	(2,117)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(2,117)	(2,117)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	100,071	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)	(6,530)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(70,500)	(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	23,041

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	651	355
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,168)	(1,872)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,117)	(2,117)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	23,041	23,041
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	19,407	19,407

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	19,382	626
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)	19,407	651

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	593
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	0.5
7.3 Other (please specify)	-	-
7.4 Total financing facilities	25	0.5

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)	(2,168)
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)	(2,168)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	19,407
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	19,407
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	8.95
<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:

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:

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:

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 January 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.