Australian Pacific Coal Limited

ABN 49 089 206 986

Interim Report – for the six months ended 31 December 2024

The Directors present their report, together with the condensed consolidated financial statements, on the Group (referred to hereafter as the “Group”) 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 2024.

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:

Current Directors
John Robinson
Jeff Gerard
Nicholas Johansen

Former Director
Ayten Saridas (Resigned 29 November 2024)

REVIEW OF OPERATIONS

The loss for the Group, taking into account its 80% working interest (70% economic interest) in the Dartbrook Joint Arrangement (the “Dartbrook JV”), amounted to $47.7 million (31 December 2023: $2.3 million loss excluding Dartbrook JV’s performance – joint operation arrangement not concluded at time of the report for the period ended 31 December 2023). The Group reported net liabilities of $10.8 million as at 31 December 2024.

Highlights for the six months ending 31 December 2024

- 8 recordable injuries during the period, no reportable environmental incidents
- Successful completion of Restart Program (excluding the Coal Handling & Processing Plant (“CHPP”)) which enabled first coal to be delivered in September and first unwashed commercial coal sale in December
- Production ramp-up underway with two continuous mining units operating by the end of the reporting period and third unit delivered to site in late December
- Commenced the approved capital works program to refurbish the CHPP
- Successful completion of upsizing Senior Debt Facility to US$90.0 million with Vitol Asia Pte Ltd (“Vitol”) and A$20.0 million Junior Debt Facility (“Subordinated Facility”, funded 50:50 by Vitol and the Company)
- Successful completion of A$20.0 million of Accelerated Non-Renounceable Entitlement Offer (ANREO) and Institutional Placement to provide corporate working capital and the A$10.0 million Junior commitment
- Formal submission for six-year operating period extension through to December 2033 (Modification 8, or “MOD8”)
- Rail & Port Access Agreement excuted by the Dartbrook JV subsequent to the period end

Health, Safety and Environment

Safety continues to be the highest focus for the Group and the Dartbrook JV, particularly given the high levels of activity on the restart program and commencement of operations. The Total Recordable Injury Frequency Rate (“TRIFR”) as at 31 December 2024 was 14.4. There were no environmental incidents during the reporting period.

Restart Capex and Working Capital Funding

In October 2024, the Dartbrook JV refinanced the existing 3-year US$60.0 million Senior Debt Facility into an upsized US$90.0 million facility with the existing lender and sole marketing agent, Vitol Asia Pte Ltd (“Vitol”). An additional A$20.0 million Subordinated Facility was entered into, with the Group and Vitol as 50:50 lenders of that facility into the Dartbrook JV. The Subordinated Facility cannot be drawn until the Senior Debt Facility is fully drawn. Both facilities are to be utilised to complete the restart capital program (which includes CHPP refurbishment and subsequent mining systems) as well as provide for working capital during the production ramp up period.

Dartbrook Mine Restart

During the period, the Dartbrook JV successfully completed the restart work packages required to recommission the mine into production, with first coal delivered to surface in September 2024. The material work packages completed included the extensive remediation of the roof and rib support of the 4 km Hunter Tunnel, the installation and commissioning of a new coal conveyor through the Hunter Tunnel, recommissioning of the Run of Mine (“ROM’”) stockpile, dry plant, and train load-out facility. By the end of the reporting period there were two underground Continuous Mining Units in operation, with the third miner delivered on-site in late December.

Following the satisfaction of a First Coal condition on the Senior Debt Facility, the Dartbrook JV commenced the work program on refurbishing the CHPP, which once completed will allow the Dartbrook JV to sell high quality, low sulphur Newcastle spec coal into the export markets. To-date, the re-commissioning of the CHPP is on schedule and within budget.

In December 2024, the Dartbrook JV reached a significant milestone with its first rail loading, the first loading since the mine went into care and maintenance in 2006 under previous operatorship by Anglo American. The Dartbrook JV has received significant interest in the unwashed ROM bypass coal from several domestic customers in the region.

The Group together with its joint venture partner and operator Tetra Resources remain focused on optimising the mine plan to safely ramp up production levels.

Development Period Extension

MOD 8 was submitted in December 2024 to the NSW Department of Planning, Housing and Infrastructure (“DPHI”) for an extension to the current consented operating period of mining for a further six years (until 5 December 2033). This submission followed extensive study report work and initial demonstration of prudent operatorship. The MOD 8 development approval, if received, is an important, value accretive milestone for the Dartbrook JV and its stakeholders. Beyond 2033, there are sufficient reserves and resources at Dartbrook to provide for potential further extensions to the Mining Lease and Development Consent.

Coal Sales and Marketing

The Dartbrook JV made its first train loading to a domestic customer in December 2024, which was a significant milestone for the project given the mine has been in care and maintenance since 2006. Dartbrook has received significant interest through its principal marketing agent Vitol in the unwashed coal product from domestic utilities in the region. The Dartbrook JV is targeting commissioning the wash plant during the first half of 2025 which will enable high energy, low sulphur Newcastle thermal coal to be sold into the export markets. Additional testing is also being progressively undertaken to assess the potential to produce and market semi-soft or PCI coal.

Corporate

In October 2024 the Company completed an A$20.0 million Equity Raising comprising:

- an institutional placement to raise up to approximately A$9.6 million; and
- a fully underwritten 1 for 6.16 pro-rata accelerated non-renounceable entitlement offer to raise approximately A$10.4 million.

The net proceeds received were used to provide for the Subordianted Facility commitment and to meet general working capital requirements of the Company.

The Company’s largest shareholder Trepang Services Pty Ltd, together with its related parties (collectively holding 34.2% of the Company’s ordinary shares), subscribed for approximately A$5.7 million in the Equity Raising including subscribing for all the shortfall under the Retail Entitlement Offer.

At the Company's Annual General Meeting of Shareholders held 29 November 2024, it was announced that the CEO and Managing Director, Ayten Saridas was resigning with immediate effect from the Company to pursue other opportunities. Ms Saridas, a director of the Company appointed as nominee for M-Resources since November 2022 until resigning 29 November 2024, was appointed as Executive Director and Interim CEO in January 2023.

On 11 December 2024 the Company announced the appointment of John Robinson to the role of Executive Chairman with immediate effect. Mr Robinson was appointed as a non-executive director on 5 June 2024, having previously been an executive director of the Company from October 2015 to November 2019. The appointment of Mr Robinson in this capacity on an interim basis will ensure continuity and maintain momentum on the Company's strategic initiatives including at the Company's Dartbrook Project.

MATTERS SUBSEQUENT TO THE END OF THE HALF YEAR

On 19 February 2025 the Company announced that it had been served with an originating application, genuine steps statement, and concise statement, filed in the Federal Court of Australia by ZKR Holdings Limited ("ZKR"), a company incorporated in the United Kingdom.

ZKR claims it is entitled to relief, and / or damages, as consideration for services it alleges it provided to the Company between June 2023 and January 2024. AQC denies ZKR's claims and will defend the proceeding and may bring a counterclaim against ZKR in connection with misconduct of ZKR's representatives.

Other than the matter outlined above, since the end of the reporting period and to the date of this report no other matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent 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

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John Robinson
Chairman

28 February 2025

HALL CHADWICK

AUSTRALIAN PACIFIC COAL LIMITED
ABN 49 089 206 986

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

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 2024, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(b) any applicable code of professional conduct in relation to the review.

Hall Chadwick (NSW)

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

STEWART THOMPSON
Partner
Dated: 28 February 2025

General information

The condensed consolidated financial statements cover Australian Pacific Coal Limited as a Group consisting of Australian Pacific Coal Limited and the entities it controlled at the end of, or during, the half-year. The condensed consolidated 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	**Principal place of business**
Level 1, 371 Queen Street Brisbane QLD 4000	Stair Street Kayuga NSW 2333

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

The condensed consolidated financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2025. The directors have the power to amend and reissue these financial statements.

Australian Pacific Coal Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2024

	Note	Consolidated 31 Dec 2024 $	31 Dec 2023* $
Revenue	3	838,754	2,876,514
Expenses			
Expenses excluding finance costs		(30,603,183)	(4,444,293)
Finance costs		(17,898,092)	(773,481)
Loss before income tax expense from continuing operations	4	(47,662,521)	(2,341,260)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(47,662,521)	(2,341,260)
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year		(47,662,521)	(2,341,260)
		Cents	**Cents**
Earnings per share for loss attributable to the owners of Australian Pacific Coal Limited			
Basic earnings per share		(7.90)	(0.57)
Diluted earnings per share		(7.68)	(0.57)

** The comparative information for period ending 31 December 2023 is reclassified into new categories where appropriate to align with the period ending 31 December 2024 disclosures to reflect the Group's nature of business under joint operation.*

Australian Pacific Coal Limited
Condensed consolidated statement of financial position
As at 31 December 2024

	Note	Consolidated 31 Dec 2024 $	Consolidated 30 Jun 2024 $
Assets			
Current assets			
Cash and cash equivalents	5	18,087,688	17,784,637
Trade and other receivables		1,011,252	1,612,126
Inventories	6	5,905,030	-
Loans receivable		1,200,000	1,200,000
Other		1,448,513	2,198,507
Total current assets		27,652,483	22,795,270
Non-current assets			
Property, plant and equipment		8,486,544	5,034,022
Mining properties	9	75,394,659	55,570,567
Right-of-use assets		18,672,547	2,880,682
Loans receivable		8,639,946	8,185,150
Other		9,650,110	7,996,993
Total non-current assets		120,843,806	79,667,414
Total assets		148,496,289	102,462,684
Liabilities			
Current liabilities			
Trade and other payables		9,486,853	13,792,181
Lease liabilities		4,375,491	514,231
Borrowings	7	11,010,400	-
Total current liabilities		24,872,744	14,306,412
Non-current liabilities			
Provisions		18,003,200	16,922,800
Lease liabilities		14,551,126	2,395,278
Borrowings	7	101,851,084	50,020,181
Total non-current liabilities		134,405,410	69,338,259
Total liabilities		159,278,154	83,644,671
Net assets		(10,781,865)	18,818,013
Equity			
Issued capital	8	190,717,816	172,655,173
Accumulated Losses		(201,499,681)	(153,837,160)
Total equity		(10,781,865)	18,818,013

The above condensed consolidated statements should be read in conjunction with the accompanying notes

Australian Pacific Coal Limited
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2024

Consolidated	**Issued capital $**	**Accumulated Losses $**	**Total equity $**
Balance at 1 July 2023	154,753,974	(141,206,261)	13,547,713
Loss after income tax expense for the half-year	-	(2,341,260)	(2,341,260)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	(2,341,260)	(2,341,260)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs	11,217,411	-	11,217,411
Balance at 31 December 2023	165,971,385	(143,547,521)	22,423,864

Consolidated	**Issued capital $**	**Accumulated Losses $**	**Total equity $**
Balance at 1 July 2024	172,655,173	(153,837,160)	18,818,013
Loss after income tax expense for the half-year	-	(47,662,521)	(47,662,521)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	(47,662,521)	(47,662,521)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs	18,062,643	-	18,062,643
Contributions of equity, transfers from reserves	-	-	-
Balance at 31 December 2024	190,717,816	(201,499,681)	(10,781,865)

Australian Pacific Coal Limited
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2024

	Consolidated 31 Dec 2024 $	Consolidated 31 Dec 2023 $
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(27,868,578)	(3,911,024)
Interest received	35,461	398
Interest paid	(69,226)	-
Net cash used in operating activities	(27,902,343)	(3,910,626)
Cash flows from investing activities		
Payments for property, plant and equipment	(6,271,610)	-
Payments for mining properties	(25,910,838)	-
Proceeds from disposal of assets	30,996	-
Payment for security bonds/ deposits	(1,437,000)	-
Loan advances	(1,122,791)	(16,380,347)
Payments for exploration and evaluation	-	(99,757)
Net cash used in investing activities	(34,711,243)	(16,480,104)
Cash flows from financing activities		
Proceeds from borrowings, net of transaction costs	46,709,125	5,500,000
Contributions of equity, net of transaction costs	18,062,641	11,217,411
Proceeds from share placement received in advance	-	3,277,166
Lease payments	(1,871,696)	-
Net cash used in financing activities	62,900,070	19,994,577
Net increase/(decrease) in cash and cash equivalents	286,484	(396,153)
Cash and cash equivalents at the beginning of the financial half-year	**17,784,637**	**3,706,525**
Effect of exchanges rates changes	16,567	-
Cash and cash equivalents at the end of the financial half-year	**18,087,688**	**3,310,372**

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

Note 1. Material accounting policy information

These condensed consolidated financial statements for the interim half-year reporting period ended 31 December 2024 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 condensed consolidated 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 2024 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.

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 Group’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 2024.

Going Concern
The Group has incurred a net loss of $47,662,521 and a deficiency in operating cash flows of $27,902,343 for the half year ended 31 December 2024. The Group’s current assets exceeded current liabilities by $2,779,739 as at 31 December 2024.

In October 2024, the Dartbrook JV refinanced the existing 3-year US$60.0 million Senior Debt Facility into an upsized US$90.0 million facility, with an additional A$20.0 million Subordinated Facility entered into, with the Group and Vitol as 50:50 lenders of that facility into the Dartbrook JV. In addition, the Company completed an A$20.0 million Equity Raising comprising an institutional placement to raise up to approximately A$9.6 million and a fully underwritten 1 for 6.16 pro-rata accelerated non-renounceable entitlement offer to raise approximately A$10.4 million. The net proceeds received were used to provide for the Subordinated Facility commitment and to meet general working capital requirements of the Company.

This financial report has been prepared on a going concern basis as the Directors consider that the Company and the Group 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 Group as a going concern is dependent on their ability to achieve the following objectives:
- Achievement of coal production and sales target to generate positive cashflows
- Re-commissioning of the CHPP is on schedule and within budget, this may allow sales of higher priced Newcastle spec coal
- Continued support and assistance from the Group funders to improve the cash flow profile of the Group
- Development, exploitation or advancement of existing or new opportunities
- Positive outcome from post period end litigation claims (note 12)

Should the above 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 Group not continue as going concerns.

New or amended Accounting Standards and Interpretations adopted
The Group 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.

Note 2. Operating segments

Identification of reportable operating segments
The determination of the Group's operating segments is based on the reporting units for which information is reported to the Board of Directors (who are identified as the Chief Operating Decision Makers ("CODM"). The Group's reportable segments are based on the nature of the operation. There is no aggregation of operating segments.

The CODM reviews segment receipts and expenditure for each operating segment at regular 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:

Dartbrook	The segment seeks to manage the development of the Dartbrook mine where the Group holds an 80% working interest through an unincorporated joint venture (joint operation).
Other (Head office)	The corporate segment supports primarily the Dartbrook Joint Venture and other potential 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

	Net loss from continuing operations before tax		Total Assets	
	31 December 2024 $	31 December 2023* $	31 December 2024 $	30 June 2024 $
Dartbrook/ Exploration & Evaluation	(46,357,898)	(2,942,426)	115,145,560	83,556,562
Other (Head office)	(1,304,623)	601,166	33,350,729	18,906,122
	(47,662,521)	(2,341,260)	148,496,289	102,462,684

**Joint operation assessment not concluded for the nature of the Dartbrook Joint Venture for the reporting period ended 31 December 2023.*

Note 3. Revenue

	Consolidated	
	31 Dec 2024 $	31 Dec 2023 $
Sale of Coal	222,728	-
Other income - Interest	616,026	2,876,514
Revenue	838,754	2,876,514

Note 4. Expenses

	Consolidated	
	31 Dec 2024	**31 Dec 2023**
	$	**$**
Loss before income tax expense includes the following expenses:		
Royalties	(12,887)	-
Mining and processing	(11,530,256)	-
Other site and corporate overheads	(15,834,170)	(3,928,111)
Exploration and evaluation expense	(43,174)	-
Depreciation and amortisation expense	(3,182,696)	(516,182)
Interest expense on lease liabilities	(781,690)	-
Interest and finance charges paid/payable	(11,203,209)	(773,481)
Gain/(Loss) on disposal of assets	10,351	-
Net foreign exchange gains/(losses)	(5,923,544)	-

Note 5. Cash and cash equivalents

	Consolidated	
	31 Dec 2024	**30 Jun 2024**
Current:	**$**	**$**
Cash at bank and on hand	18,087,688	17,784,637
	18,087,688	17.784.637

Cash and cash equivalents as at 31 December 2024 includes the Group's share of cash in the joint operation amounting to $2,566,896. The cash balances at period end also include $10.0 million commitment to be provided for the Subordinated Facility entered in the period and $2.0 miilion to be retained as reserves under an obligation with its financiers.

Note 6. Inventories

	Consolidated	
	31 Dec 2024	**30 Jun 2024**
	$	**$**
Consumable stores	2,141,534	-
Ore stockpiles	3,763,496	-
	5,905,030	-

Note 7. Borrowings

	Consolidated	
	31 Dec 2024	**30 Jun 2024**
	$	**$**
Interest bearing borrowings	109,861,484	47,020,181
Interest bearing borrowings due to related parties	3,000,000	3,000,000
	112,861,484	50,020,181
Current	11,010,400	-
Non-current	101,851,084	50,020,181
	112,861,484	50,020,181

Note 7. Borrowings (continued)

The Group had a $3.0 million loan facility provided by Trepang Service Pty Limited (one of the Group's related parties) outstanding as at 31 December 2024. The Group has agreed to provide security which has been subordinated to the senior finance facilities. The loan attracts interest at a rate of 10% per annum and to be repaid post settlement of Senior Debt Facility.

The Group, together with its JV operating partner Tetra Resources on the Dartbrook Joint Venture, had upsized the existing Senior Debt Facility from US$60.0 million to US$90.0 million with Vitol Asia Pte Limited in the period on similar terms. The upsized facility is expected to cover working capital for approved operating expenses during production ramp up phase and to fund ongoing capital expenditure to enable the restart of mining operations and commercial production. The facility is secured on customary terms and bears interest at 15%. Repayment will be made over the period with final repayment date on 31 December 2027.

Note 8. Issued capital

	Consolidated			
	31 Dec 2024 Shares	**30 Jun 2024 Shares**	**31 Dec 2024 $**	**30 Jun 2024 $**
Ordinary shares - fully paid	700,467,591	533,800,924	190,717,816	172,655,173

Movements in ordinary share capital

Details	**Date**	**Shares**	**$**
Balance	1 July 2024	533,800,924	172,655,173
Share issues - rights issue (institutional)	11 October 2024	57,243,664	6,869,240
Placement	11 October 2024	80,010,673	9,601,281
Share issues - rights issue (retail)	31 October 2024	10,441,510	1,252,981
Share issues - rights issue (retail)	11 November 2024	18,970,820	2,276,498
Share issue costs			(1,937,357)
Balance	31 December 2024	700,467,591	190,717,816

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

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

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

Note 9. Non-current assets – mining properties

	Consolidated	
	31 Dec 2024 $	30 Jun 2024 $
Mining Properties - at cost	75,824,283	55,570,567
Less: Accumulated depreciation	(429,624)	-
	75,394,659	55,570,567

During the period, the Dartbrook Joint Venture has advanced to production stage. With commercial production commenced, the Group uses the units of production basis when depreciating mine-specific assets which results in a depreciation charge proportional to the depletion of the anticipated remaining life of mine production.

Assets linked to the Dartbrook Joint Venture are pledged as security for the borrowings the Group obtained (note 7).

Note 10. Contingent liabilities

Vendor Royalty

On 7 June 2016, the Group announced it had reached agreement with the minority joint venture partner at Dartbrook to acquire the minority partner's stake, thereby taking the Group's ownership of Dartbrook to 100%. A combined contingent 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 reliant on the Joint Venture continuing and sustaining its production. The maximum amount payable under the product-based royalty remains capped at $30.0 million (on 100% basis) with indexation to apply to the cap. The net present value adopted is lower than the full nominal amount to reflect, amongst other things, the risk and time value of the royalty payment stream. The liability has been assessed at $9.4 million net to the Group's share and has been recognised as part of provisions as at 31 December 2024.

The net present value adopted is based on the Group's 80% working interest in the Dartbrook Joint Venture on the basis that production continues under the current arrangements. Should this not occur, the liability recognised may be lower than it would be on a 100% basis. The additional amount represents a contingent liability, with remeasurement likely to occur under appropriate circumstances.

Disagreement with advisory firm

The Group announced on 19 February 2025 that it had been served with an originating application, genuine steps statement, and concise statement, filed in the Federal Court of Australia by ZKR Holdings Limited ("ZKR"), a company incorporated in the United Kingdom.

By the originating application and concise statement, ZKR seeks an order that AQC pay it US$1,800,000, an order requiring AQC to enter into a contract with ZKR pursuant to which AQC will issue ZKR 6,946,219 unlisted options at a strike price of AU$0.1402 with a 10 year expiry period, and an order that AQC enter into a contract with ZKR pursuant to which AQC will grant ZKR a 0.5% life of mine royalty on all coal sales made by AQC under a coal supply and marketing agreement between AQC and Vitol Asia Pte Ltd.

In the alternative to orders requiring AQC to enter into contracts with ZKR for the issue of the share options and the payment of the life of mine royalty, ZKR claims damages for AQC's alleged breach of an alleged obligation to enter into each of those agreements. The damages claimed by ZKR for the share options and life of mine royalty are US$655,000 and at least US$10,700,000 respectively. ZKR alleges this is the net present value of the options and the royalty.

Note 10. Contingent liabilities (continued)

Disagreement with advisory firm (continued)

ZKR claims it is entitled to this relief as consideration for services it alleges it provided to AQC between June 2023 and January 2024, or alternatively on the basis that AQC engaged in misleading or deceptive conduct in contravention of section 18 of the Australian Consumer Law, and unconscionable conduct within the meaning of section 21 of the Australian Consumer Law, in its dealings with ZKR between June 2023 and January 2024.

AQC denies ZKR's claims and will defend the proceeding and may bring a counterclaim against ZKR in connection with misconduct of ZKR's representatives. Despite AQC's intention to defend the proceeding, the commencement of litigation by ZKR necessarily carries the risk of irrecoverable legal costs. There is also the risk that ZKR will succeed in obtaining a judgment against AQC or that the claim will be settled on terms favourable to ZKR.

Note 11. Contingent assets

The Joint Venture agreements provide for the Group to be reimbursed certain costs from the Dartbrook Joint Venture out of future development funding obtained. The reimbursement is contingent on net cash generated once other financial obligations are met. At reporting date the Group has determined that the quantum of costs to be potentially reimbursed up to 31 December 2024 of approximately $4.7 million (gross).

Note 12. Events after the reporting period

On 19 February 2025 the Company announced that it had been served with an originating application, genuine steps statement, and concise statement, filed in the Federal Court of Australia by ZKR Holdings Limited ("ZKR"), a company incorporated in the United Kingdom.

ZKR claims it is entitled to relief, and / or damages, as consideration for services it alleges it provided to the Company between June 2023 and January 2024. AQC denies ZKR's claims and will defend the proceeding and may bring a counterclaim against ZKR in connection with misconduct of ZKR's representatives.

Other than the matter outlined above, since the end of the reporting period and to the date of this report no other matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

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 Group's financial position as at 31 December 2024 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

John Robinson
Chairman

28 February 2025

HALL CHADWICK

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
AUSTRALIAN PACIFIC COAL LIMITED (ABN 49 089 206 986)

Conclusion

We have reviewed the half-year financial report of Australian Pacific Coal Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes to the financial statements, including material accounting policy information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our review of the half-year financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $47,662,521 and a deficiency in operating cash flows of $27,902,343 during the half-year ended 31 December 2024. 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 on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REVIEW REPORT (page 2)
TO THE MEMBERS OF
AUSTRALIAN PACIFIC COAL LIMITED (ABN 49 089 206 986)

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the 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 Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 the Group's financial position as at 31 December 2024 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*.

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 other 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.

Hall Chadwick (NSW)

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

STEWART THOMPSON
Partner
Dated: 28 February 2025