Australian Pacific Coal Limited

ABN 49 089 206 986

Interim Report - 31 December 2020

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 2020.

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 David Conry AM
Mr Mark Jagla (Appointed 23 September 2020)
Mr Tony Lalor (Appointed 2 November 2020)
Mr Shane Stone (Resigned 2 November 2020)
Ms Ainslie Maclean (Resigned 23 September 2020)

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $11,497,432 (31 December 2019: $6,013,713).

Dartbrook Mine - Underground modification

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

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

As previously reported, subsequent to reaching agreement AQC received notice of a proposed application by the Hunter Thoroughbred Breeders Association (HTBA) to join the proceedings. Judgment on the HTBA's application was delivered on 20 November 2020 and the HTBA has been joined to the proceedings on a limited basis. AQC has made application seeking leave to appeal the decision of the Land and Environment Court to join the Hunter Thoroughbred Breeders Association to the proceedings. The application for leave to appeal was filed during the half-year and is likely to be heard in the first half of 2021.

As a consequence of the HTBA being joined to the proceedings the agreement with the NSW Minister for Planning and Public Spaces under s34(3) of the Land and Environment Court Act 1979 cannot become effective.

During the financial half-year the Board commenced a strategic review including of its Dartbrook Project, with such review including the proposed coal mining operations at Dartbrook and associated assets (including freehold land and any water rights). The review aims to consider and assess all available options for AQC, the Dartbrook Project and shareholders and has currently considered the disposal of non-core mining assets at the Dartbrook Project where it has executed contracts for the sale of land and water rights for ~$3.3m.

The Board will update shareholders on the outcomes from the strategic review as matters progress.

Other tenements

The Company continues to hold evaluation tenements located in Queensland, Australia. There has been limited activities undertaken on these tenements given the focus of the Company on the the Dartbrook Project. The Company recorded an impairment loss of $639,097 in relation not these tenements during the reporting period.

Corporate and Funding
At balance date the Company held $0.48 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 $8.744 million had been provided by Trepang as an unsecured loan for general working capital.

The Board is continuing to assess its options for the Company, including the Dartbrook Mine and continues to have the ongoing support of its cornerstone investor Trepang.

Matters subsequent to the end of the half year
Subsequent to the end of the reporting period, the Company settled the sale of certain non-core mining related land at the Dartbrook Project for $3,350,000 (before costs). Net proceeds were used to repay debts owing to Trepang Services Pty Ltd.

Other than as outlined, no matter or circumstance has arisen since 31 December 2020 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

David Conry AM
Director

16 March 2021
Brisbane

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

SYDNEY
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2 Park Street
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Australia
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AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
AUSTRALIAN PACIFIC COAL LIMITED

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 2020, 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 (NSW)

Hall Chadwick (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

Kumar

SANDEEP KUMAR
Partner
Date: 16 March 2021

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 16 March 2021.

Australian Pacific Coal Limited
Consolidated statement of financial performance
For the half year ended 31 December 2020

	Note	Consolidated 31 Dec 2020 $	31 Dec 2019 $
Revenue	3	213,019	2,868,233
Expenses			
Employee benefits expense		(242,796)	(448,241)
Depreciation and amortisation expense		(577,915)	(581,442)
Exploration and evaluation expense		(38,863)	(37,875)
Impairment of exploration and evaluation capitalised assets		(668,209)	-
Fair value movement of financial assets		(3,301,426)	(57,143)
Administration and consulting expenses		(2,821,522)	(4,224,745)
Finance costs		(4,059,720)	(3,532,500)
Loss before income tax expense	4	(11,497,432)	(6,013,713)
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		(11,497,432)	(6,013,713)

	Cents	Cents
Earnings per share for profit attributable to the owners of Australian Pacific Coal Limited		
Basic earnings per share	(22.77)	(11.91)
Diluted earnings per share	(22.77)	(11.91)

Australian Pacific Coal Limited
Consolidated statement of financial position
As at 31 December 2020

	Note	Consolidated 31 Dec 2020 $'000	Consolidated 30 Jun 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	5	456,196	602,777
Trade and other receivables		62,307	68,440
Available for sale assets	6	3,299,750	-
Other		110,969	84,853
Total current assets		3,929,222	756,070
Non-current assets			
Property, plant and equipment	6	35,588,253	42,737,432
Intangibles		5,620,000	5,620,000
Exploration and evaluation		8,339,161	8,882,799
Financial assets		-	-
Other	7	9,015,583	9,103,036
Total non-current assets		58,562,997	66,343,267
Total assets		62,492,219	67,099,337
Liabilities			
Current liabilities			
Trade and other payables	8	7,760,292	5,912,730
Borrowings	8	79,686,351	74,635,875
Lease Liability		-	-
Provisions		-	7,724
Total current liabilities		87,446,643	80,556,329
Non-current liabilities			
Borrowings	9	-	-
Provisions		19,550,000	19,550,000
Total non-current liabilities		19,550,000	19,550,000
Total liabilities		106,996,643	100,106,329
Net assets		(44,504,424)	(33,006,992)
Equity			
Issued capital	10	60,487,791	60,487,791
Retained profits/(Accumulated Losses)		(104,992,215)	(93,494,783)
Total equity		(44,504,424)	(33,006,992)

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 2020

Consolidated	**Issued capital $**	**Retained Profits/(loss) $**	**Total equity $**
Balance at 1 July 2019	60,487,791	(80,596,955)	(20,109,164)
Profit/(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)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs	-	-	-
Contributions of equity, transfers from reserves	-	-	-
Balance at 31 December 2019	60,487,791	(86,610,668)	(26,122,877)

Consolidated	**Issued capital $**	**Retained Profits/(loss) $**	**Total equity $**
Balance at 1 July 2020	60,487,791	(93,494,783)	(33,006,992)
Loss after income tax expense for the half-year	-	(11,497,432)	(11,497,432)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year		(11,497,432)	(11,497,432)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs	-	-	-
Contributions of equity, transfers from reserves	-	-	-
Balance at 31 December 2020	60,487,791	(104,992,215)	(44,504,424)

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 2020

	Note	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		212,962	177,276
Payments to suppliers and employees (inclusive of GST)		(2,245,030)	(2,686,021)
		(1,707,052)	(2,508,745)
Interest received		57	2,909
Net cash used in operating activities		(2,032,011)	(2,505,836)
Cash flows from investing activities			
Payments for property, plant and equipment		(63,228)	(19,328)
Payments for exploration and evaluation		(124,571)	(220,645)
Proceeds /(payment) of security deposits		-	-
Proceeds from property, plant & equipment		33,316	-
Proceeds from sale of investments		-	1,588,500
Net cash used in investing activities		(154,483)	1,348,527
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds from borrowings		2,070,000	1,900,000
Repayment of borrowings and lease liability		(118,040)	(495,009)
Net cash used in financing activities		1,951,960	1,404,991
Net increase/(decrease) in cash and cash equivalents		(234,534)	681,068
Cash and cash equivalents at the beginning of the financial half-year		715,730	247,682
Cash and cash equivalents at the end of the financial half-year	5	481,196	928,750

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 2020 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 2020 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 2020.

Going Concern
The company has incurred a net loss of $11,497,432 and a deficiency in operating cash flows of $2,032,011 for the half year ended 31 December 2020. As at 31 December 2020 the company had a deficiency of net current assets of $83,537,421.

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 the Dartbrook Project.
- Development, exploitation or realistion of its coal tenements.
- Realisation of surplus assets.
- Continued support from financiers.

Should the anticipated capital raisings, borrowings 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.

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

	Net loss from continuing operations before tax		**Total Assets**	
	31 December 2020 $	**31 December 2019 $**	**31 December 2020 $**	**31 December 2019 $**
Exploration & Evaluation	6,985,661	3,218,771	62,075,585	68,107,854
Corporate	4,511,771	2,794,942	416,634	723,067
	11,497,432	6,013,713	62,492,219	68,830,790

Note 3. Revenue

	Consolidated	
	31 Dec 2020 **$**	**31 Dec 2019** **$**
Other revenue		
Interest	57	2,909
Rent from investment properties	199,653	133,739
Terminated agreement – SNR Mineral Assets Pty Ltd	-	2,688,048
Other revenue	13,309	43,537
	213,019	2,868,233
Revenue	213,019	2,868,233

Note 4. Expenses

	Consolidated	
	31 Dec 2020 **$**	**31 Dec 2019** **$**
Loss before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable	4,059,720	3,532,500
Rental expense relating to operating leases		
Minimum lease payments	-	-
Superannuation expense		
Defined contribution superannuation expense	2,098	21,916

Note 5. Cash and cash equivalents

	Consolidated	
	31 Dec 2020 **$**	**30 Jun 2020** **$**
Current:		
Cash at bank and on hand	456,196	602,777
	456,196	602,777

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

	Note	**31 Dec 2020**	**30 Jun 2020**
Balance as per above		456,196	602,777
Deposit as security for equipment facility	7	25,000	112,953
Balance as per statement of cash flows		481,196	715,730

Note 6. Property, plant and equipment

	Consolidated	
	31 Dec 2020 $	30 Jun 2020 $
Land and buildings – at cost	34,902,329	38,202,079
Less: Fair Value Adjustment	(3,301,426)	-
Less: Accumulated depreciation	(529,623)	(454,050)
	31,071,280	37,748,029
Leasehold improvements – at cost	180,217	180,217
Less: Accumulated depreciation	(171,247)	(171,130)
	8,970	9,087
Plant and equipment – at cost	8,252,778	8,237,260
Less: Accumulated depreciation	(3,744,775)	(3,256,944)
	4,508,003	4,980,316
	35,588,253	42,737,432

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.

During the reporting period the Company assessed the fair value of certain items of land and buildings and recorded a fair value adjustment of $3,301,426 for the period ended 31 December 2020.

Subsequent to the end of the reporting period the Company realized the sale of land and buildings in the amount of $3,350,000. The Company has recorded an amount of $3,299,750 (being an amount net of anticipated realization costs) as an available for sale asset with such amount separately recognised.

Note 7. Other non-current assets

	Consolidated	
	31 Dec 2020 $	30 Jun 2020 $
Security deposits	8,990,583	8,990,083
Cash on deposit for bank facilities	25,000	112,953
	9,015,583	9,103,036

Note 8. Current liabilities – trade and other payables

	Consolidated	
	31 Dec 2020 $	30 Jun 2020 $
Trade and other payables	3,270,729	2,383,659
Accrued interest - loans	4,489,565	3,529,071
	7,760,293	5,912,730

Refer to Note 9 for further information on financial instruments.

Note 9. Current liabilities – borrowings

	Consolidated	
	31 Dec 2020	**30 Jun 2020**
	$	**$**
Convertible securities (a)	63,242,351	60,145,935
Insurance premium funding	-	93,446
Interest bearing liabilities (b)	7,700,000	7,700,000
Unsecured Loan – Trepang Services Pty Ltd (c)	8,744,000	6,674,000
	79,686,351	74,613,381

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. Subsequently on 13 April 2017, shareholders of the Company approved new terms for the convertible notes including the capitalization of interest into new convertible securieis resulting is a new face value of $22,532,803. 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 2018.

ii. ii. On 1 March 2017 the consolidated 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 2018.

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.

iv. Total accrued interest relating to the above loans as at balance date of $18,709,549.

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 Company has received notice that Anglo had assigned to Trepang all if its rights, title and interest in the loan of $7.7m owed by the Company. As a result, Trepang has assumed Anglo's position under the loan. Total accrued interest relating to the loan as at balance date is $3,311,169 (refer Note 8).

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 $8,744,000. Total accrued interest relating to the loan as at balance date is $1,134,367 (refer Note 8).

Note 10. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2020 $	30 Jun 2020 $
Convertible Securities	-	-
	-	-

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

	Consolidated	
	31 Dec 2020 $	30 Jun 2020 $
Insurance premium funding	-	93,446
Convertible securities	63,242,351	60,145,935
Loan – Anglo American	7,700,000	7,700,000
	70,942,351	67,939,381

Note 11. Equity - issued capital

	Consolidated			
	31 Dec 2020 Shares	30 Jun 2020 Shares	31 Dec 2020 $	30 Jun 2020 $
Ordinary shares - fully paid	50,484,810	50,484,810	60,487,791	60,487,791

Movements in ordinary share capital

Details	Date	Shares	$
Balance	1 July 2020	50,484,810	60,487,791
Balance	31 December 2020	50,484,810	60,487,791

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.

Note 13. Events after the reporting period

Subsequent to the end of the reporting period, the Company settled the sale of certain non-core mining related land at the Dartbrook Project for $3,350,000 (before costs). Net proceeds were used to repay debts owing to Trepang Services Pty Ltd.

Other than as outlined, no matter or circumstance has arisen since 31 December 2020 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 2020

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 2020 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

David Conry AM
Director

16 March 2021
Brisbane

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

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE DIRECTORS OF AUSTRALIAN PACIFIC COAL LIMITED

Conclusion

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 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes to the financial statements including a summary of significant accounting policies, other explanatory 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 half-year financial report of Australian Pacific Coal Limited does not comply with the *Corporations Act 2001*, including:

(i) giving a true and fair view Australian Pacific Coal Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(ii) 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 section of our report. We are independent of the Company 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 audit of the annual 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 has been provided to the directors of the Company.

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 $11,497,432 during the half-year ended 31 December 2020 and as of that date, the Group's current liabilities exceeded its current assets by $83,517,421. 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.

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 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 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 Company's financial position as at 31 December 2020 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)

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Sandeep Kumar
Partner
Dated: 16 March 2021