

Australian Pacific Coal Limited

ABN 49 089 206 986

Interim Report - 31 December 2021

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Australian Pacific Coal Limited
Directors' report
31 December 2021

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 2021.

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 Tony Lalor
Mr Craig McPherson (Appointed 6 December 2021)
Mr Mark Jagla (Resigned 6 December 2021)

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$6,382,970 (31 December 2020: \$11,497,432)

Matters subsequent to the end of the half year

On 21 February 2022, the company announced that it had received from its major shareholder and creditor Trepang Services Pty Ltd ('Trepang'), a binding offer for Trepang or its nominee to purchase the Dartbrook Coal Project through acquisition of 100% of the Company's wholly owned subsidiaries (AQC Investments 2 Pty Ltd; ACQ Dartbrook Pty Ltd; AQC Dartbrook Management Pty Ltd and Dartbrook Coal (Sales) Pty Ltd 'Subsidiaries') (the Offer).

The Offer has been made by Trepang on the basis that all debt and accrued interest (approx. \$62m at 31 January 2022) owed by the Company to Trepang and its associates will be novated to the Subsidiaries such that at completion of the transaction the Company will be released from all liabilities with respect to debt owed to Trepang and its associates.

In addition, the Company will receive a royalty of A\$2.50 per tonne of certain coal extracted from the Dartbrook Coal Project and an additional A\$2.50 per tonne (total of A\$5.00 per tonne) where coal is extracted and sold at above US\$200 per tonne.

The Buyer will assume responsibility for management and holding costs of the Dartbrook Project until completion or earlier termination of the offer.

On 14 March 2022, the Company announced an update to the application to modify the development consent for the Dartbrook Coal mine (Modification 7) and the associated Land and Environment Court proceedings. The Company advised that it had entered into an agreement with the Minister for Planning and Public Spaces under s34 of the *Land and Environment Court Act 1979* which, amongst other things, provides for a 5 year extension of mining operations under the development consent. Further that the Land and Environment Court has now modified the development consent in accordance with the s34 agreement.

During the reporting period the outbreak of what is known as the COVID-19 pandemic continued to spread, resulting in significant volatility with worldwide economies as well as there being Government imposed social distancing guidelines. Subsequent to the reporting period the COVID-19 pandemic has remained prevalent, and this may impact the results of operations of the consolidated entity in future reporting periods. Given the stage of the pandemic, the company is not in a position to reliably estimate this impact. No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Australian Pacific Coal Limited
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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

15 March 2022
Brisbane

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

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

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 2021, 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

Sandeep Kumar

SANDEEP KUMAR
Partner
Date: 15 March 2022

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Australian Pacific Coal Limited
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General information

The financial statements cover Australian Pacific Coal Limited as a consolidated entity consisting of Australian Pacific Coal Limited and the entities it controlled at the end of, or during, the 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

Principal place of business

Stair Street
Kayuga NSW 2333

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 15 March 2022. The directors have the power to amend and reissue the financial statements.

Australian Pacific Coal Limited
Consolidated Statement of financial performance
For the half-year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 \$	31 Dec 2020 \$
Revenue	3	127,230	213,019
Expenses			
Employee benefits expense		(693,234)	(242,796)
Depreciation and amortisation expense		(505,953)	(577,915)
Exploration and evaluation expense		(32,061)	(38,863)
Impairment of capitalised exploration and evaluation		-	(668,209)
Fair value movement of financial assets		-	(3,301,426)
Share based payments		(413,750)	-
Administration and consulting expenses		(823,199)	(2,821,522)
Finance costs		(4,042,003)	(4,059,720)
Loss before income tax expense	4	(6,382,970)	(11,497,432)
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		(6,382,970)	(11,497,432)
		Cents	Cents
Earnings per share for profit attributable to the owners of Australian Pacific Coal Limited			
Basic earnings per share		(12.64)	(22.77)
Diluted earnings per share		(12.64)	(22.77)

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

Australian Pacific Coal Limited
Consolidated Statement of financial position
As at 31 December 2021

	Note	Consolidated 31 Dec 2021 \$	30 Jun 2021 \$
Assets			
Current assets			
Cash and cash equivalents	5	311,024	512,136
Trade and other receivables		140,172	66,388
Available for sale assets	6	-	33,694,192
Other		151,815	110,616
Total current assets		<u>603,011</u>	<u>34,383,332</u>
Non-current assets			
Property, plant and equipment	7	4,239,020	4,737,881
Exploration and evaluation		5,526,689	5,435,242
Other	8	8,998,733	8,998,733
Total non-current assets		<u>18,764,442</u>	<u>19,171,856</u>
Total assets		<u>19,367,453</u>	<u>53,555,188</u>
Liabilities			
Current liabilities			
Trade and other payables	9	7,548,675	7,788,815
Borrowings	10	54,942,486	82,920,861
Provisions		-	-
Total current liabilities		<u>62,491,161</u>	<u>90,709,676</u>
Non-current liabilities			
Borrowings		-	-
Provisions		19,550,000	19,550,000
Total non-current liabilities		<u>19,550,000</u>	<u>19,550,000</u>
Total liabilities		<u>82,041,161</u>	<u>110,259,676</u>
Net assets		<u>(62,673,708)</u>	<u>(56,704,488)</u>
Equity			
Issued capital	11	60,487,791	60,487,791
Reserves		413,750	-
Retained profits/(Accumulated Losses)		(123,575,249)	(117,192,279)
Total equity		<u>(62,673,708)</u>	<u>(56,704,488)</u>

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

Australian Pacific Coal Limited
Consolidated Statement of changes in equity
For the half-year ended 31 December 2021

Consolidated	Issued capital \$	Reserves	Retained Profits/(loss) \$	Total equity \$
Balance at 1 July 2020	60,487,791	-	(93,494,783)	(33,006,992)
Profit/(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)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	-	-	-	-
Contributions of equity, transfers from reserves	-	-	-	-
Balance at 31 December 2020	60,487,791	-	(104,992,215)	(44,504,424)

Consolidated	Issued capital \$	Reserves	Retained Profits/(loss) \$	Total equity \$
Balance at 1 July 2021	60,487,791	-	(117,192,279)	(56,704,488)
Loss after income tax expense for the half-year	-	-	(6,382,970)	(6,382,970)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(6,382,970)	(6,382,970)
<i>Transactions with owners in their capacity as owners:</i>				
Share based payments	-	413,750	-	413,750
Contributions of equity, net of transaction costs	-	-	-	-
Contributions of equity, transfers from reserves	-	-	-	-
Balance at 31 December 2021	60,487,791	413,750	(123,575,249)	(62,673,708)

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 2021

	Consolidated	
Note	31 Dec 2021 \$	31 Dec 2020 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	53,446	212,962
Payments to suppliers and employees (inclusive of GST)	(2,841,460)	(2,245,030)
	<u>(2,788,014)</u>	<u>(2,032,068)</u>
Interest received	-	57
Net cash used in operating activities	<u>(2,788,014)</u>	<u>(2,032,011)</u>
 Cash flows from investing activities		
Payments for property, plant and equipment	(7,090)	(63,228)
Payments for exploration and evaluation	(91,447)	(124,571)
Proceeds from property, plant & equipment	<u>33,316</u>	<u>33,316</u>
Net cash used in investing activities	<u>(98,537)</u>	<u>(154,483)</u>
 Cash flows from financing activities		
Proceeds from borrowings	2,891,236	2,070,000
Repayment of borrowings and lease liability	(205,797)	(118,040)
Net cash used in financing activities	<u>2,685,439</u>	<u>1,951,960</u>
Net increase/(decrease) in cash and cash equivalents	(201,112)	(234,534)
Cash and cash equivalents at the beginning of the financial half-year	<u>537,136</u>	<u>715,730</u>
Cash and cash equivalents at the end of the financial half-year	5 <u>336,024</u>	<u>481,196</u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 2021 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 2021.

Going Concern

The company has incurred a net loss of \$6,382,970 and a deficiency in operating cash flows of \$2,788,014 for the half year ended 31 December 2021.

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 realisation of its coal tenements.
- Realisation of surplus assets.
- Financial support as expected from the term sheet.
- 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 2021	31 December 2020	31 December 2021	31 December 2020
	\$	\$	\$	\$
Exploration & Evaluation	1,187,592	6,985,661	19,000,595	62,075,585
Corporate	5,195,378	4,511,771	366,858	416,634
	<u>6,382,970</u>	<u>11,497,432</u>	<u>19,367,453</u>	<u>62,492,219</u>

Note 3. Revenue

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Other revenue		
Interest	-	57
Rent from investment properties	122,318	199,653
Other revenue	4,912	13,309
	<u>127,230</u>	<u>213,019</u>
Revenue	<u>127,230</u>	<u>213,019</u>

Australian Pacific Coal Limited
Notes to the financial statements
31 December 2021

Note 4. Expenses

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>4,042,003</u>	<u>4,059,720</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>33,903</u>	<u>2,098</u>

Note 5. Cash and cash equivalents

	Consolidated		
	31 Dec 2021	30 Jun 2021	
	\$	\$	
<i>Current:</i>			
Cash at bank and on hand	<u>311,024</u>	<u>512,136</u>	
	<u>311,024</u>	<u>512,136</u>	
Reconciliation to cash and cash equivalents at the end of the financial period			
	Note	31 Dec 2021	30 Jun 2021
Balance as per above		311,024	512,136
Deposit as security for equipment facility	8	<u>25,000</u>	<u>25,000</u>
Balance as per statement of cash flows		<u>336,024</u>	<u>537,136</u>

Note 6. Available for sale assets

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
Available for sale assets	<u>-</u>	<u>33,694,192</u>
	<u>-</u>	<u>33,694,192</u>

On 14 May 2021 the consolidated entity received an offer from its major shareholder and creditor Trepang Services Pty Ltd (Trepang) to purchase certain real properties and water rights owned by the consolidated entity that underly the Dartbrook coal mine. The offer was subject to approval by shareholders at a meeting which was held on 30 July 2021, where amongst other things shareholders approved the sale of land and water rights owned by the consolidated entity to Trepang.

The consolidated entity recorded an amount of \$33,694,192 (being an amount net of anticipated realisation costs) as an available for sale asset in the prior period with such amount separately recognised. In the current period the amount was repaid against amounts owing to Trepang (refer note 10).

Australian Pacific Coal Limited
Notes to the financial statements
31 December 2021

Note 7. Property, plant and equipment

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
Land and buildings – at cost	850,786	850,788
Less: Fair Value Adjustment	-	-
Less: Accumulated depreciation	<u>(130,402)</u>	<u>(127,468)</u>
	<u>720,384</u>	<u>723,320</u>
Leasehold improvements – at cost	180,217	180,217
Less: Accumulated depreciation	<u>(171,479)</u>	<u>(171,362)</u>
	<u>8,738</u>	<u>8,855</u>
Plant and equipment – at cost	8,259,868	8,252,778
Less: Accumulated depreciation	<u>(4,749,970)</u>	<u>(4,247,072)</u>
	<u>3,509,898</u>	<u>4,005,706</u>
	<u><u>4,239,020</u></u>	<u><u>4,737,881</u></u>

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

Note 8. Other non-current assets

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
Security deposits	8,973,733	8,973,733
Cash on deposit for bank facilities	<u>25,000</u>	<u>25,000</u>
	<u>8,998,733</u>	<u>8,998,733</u>

Note 9. Current liabilities – trade and other payables

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
Trade and other payables	1,012,656	2,264,242
Accrued interest - loans	<u>6,536,019</u>	<u>5,524,423</u>
	<u>7,548,675</u>	<u>7,788,665</u>

Refer to Note 10 for further information on financial instruments.

Note 10. Current liabilities – borrowings

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
Convertible securities (a)	45,832,352	66,443,979
Insurance premium funding	18,898	118,311
Interest bearing liabilities (b)	7,700,000	7,700,000
Unsecured Loan – Trepang Services Pty Ltd (c)	1,391,236	8,658,571
	<u>54,942,486</u>	<u>82,920,861</u>

- a) The Convertible securities balance is comprised of following instruments:
- i. On 1 February 2016 the consolidated entity issued two convertible securities, with a face value of \$10,000,000 each, for total proceeds of \$20,000,000. Subsequently on 13 April 2017, shareholders of the Company approved new terms for the convertible notes including the capitalization of interest into new convertible securities resulting in a new face value of \$22,532,803 which was partially repaid in the half year and now has an outstanding balance of \$20,897,182 (30 June 2021: \$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. On 1 March 2017 the consolidated entity entered into the Trepang Convertible Loan Deed, to conditionally secure an additional \$15,000,000 in funding to assist in completing the acquisition of 100% of the Dartbrook Joint Venture. The amount was fully repaid in the half year and now has an outstanding balance of \$nil (30 June 2021: \$15,000,000). Interest is payable at a rate of 10.0% per annum based on the face value. The notes are convertible into ordinary shares of the parent entity, at any time at the option of the holder, or repayable on the maturity date. The number of ordinary shares to be issued is calculated as the conversion amount divided by the conversion price (\$0.80), but subject to adjustments for reconstructions of equity. The revised terms of the notes were approved by shareholders on 29 November 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. The amount was fully repaid in the half year and now has an outstanding balance of \$nil (30 June 2021: \$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 \$24,935,170 (30 June 2021: \$21,911,176).
- 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 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 \$4,460,882 (30 June 2021: \$3,867,052) ((refer Note 9).
- 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 \$1,391,237 (30 June 2021: \$8,658,571). Total accrued interest relating to the loan as at balance date is \$2,075,137 (30 June 2021: \$1,657,191) (refer Note 9).

During the period, \$33,794,192 was repaid against amounts outstanding to Trepang (refer note 6). \$23,635,621 was repaid against convertible securities outstanding and \$10,158,571 was repaid against the unsecured loan.

Note 11. Equity - issued capital

	Consolidated			
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>50,484,810</u>	<u>50,484,810</u>	<u>60,487,791</u>	<u>60,487,791</u>

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2021	<u>50,484,810</u>	<u>60,487,791</u>
Balance	31 December 2021	<u>50,484,810</u>	<u>60,487,791</u>

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

On 21 February 2022, the company announced that it had received from its major shareholder and creditor Trepang Services Pty Ltd ('Trepang'), a binding offer for Trepang or its nominee to purchase the Dartbrook Coal Project through acquisition of 100% of the Company's wholly owned subsidiaries (AQC Investments 2 Pty Ltd; ACQ Dartbrook Pty Ltd; AQC Dartbrook Management Pty Ltd and Dartbrook Coal (Sales) Pty Ltd 'Subsidiaries') (the Offer).

The Offer has been made by Trepang on the basis that all debt and accrued interest (approx. \$62m at 31 January 2022) owed by the Company to Trepang and its associates will be novated to the Subsidiaries such that at completion of the transaction the Company will be released from all liabilities with respect to debt owed to Trepang and its associates.

In addition, the Company will receive a royalty of A\$2.50 per tonne of certain coal extracted from the Dartbrook Coal Project and an additional A\$2.50 per tonne (total of A\$5.00 per tonne) where coal is extracted and sold at above US\$200 per tonne.

The Buyer will assume responsibility for management and holding costs of the Dartbrook Project until completion or earlier termination of the offer.

On 14 March 2022, the Company announced an update to the application to modify the development consent for the Dartbrook Coal mine (Modification 7) and the associated Land and Environment Court proceedings. The Company advised that it had entered into an agreement with the Minister for Planning and Public Spaces under s34 of the *Land and Environment Court Act 1979* which, amongst other things, provides for a 5 year extension of mining operations under the development consent. Further that the Land and Environment Court has now modified the development consent in accordance with the s34 agreement.

During the reporting period the outbreak of what is known as the COVID-19 pandemic continued to spread, resulting in significant volatility with worldwide economies as well as there being Government imposed social distancing guidelines. Subsequent to the reporting period the COVID-19 pandemic has remained prevalent, and this may impact the results of operations of the consolidated entity in future reporting periods. Given the stage of the pandemic, the company is not in a position to reliably estimate this impact. No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity'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 2021

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 2021 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

15 March 2022
Brisbane

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

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

SYDNEY

Level 40
 2 Park Street
 Sydney NSW 2000
 Australia

Ph: (612) 9263 2600
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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 2021, 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 2021 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 \$6,382,970 during the half-year ended 31 December 2021 and as of that date, the Group's current liabilities exceeded its current assets by \$62,673,708. 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.

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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 2021 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

Sandeep Kumar

Sandeep Kumar

Partner

Dated: 15 March 2022