



Australian Pacific Coal Limited

ABN 49 089 206 986

Interim Report – for the six months ended 31 December 2022

Australian Pacific Coal Limited
Directors' report
31 December 2022

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 2022.

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

Mr Mike Ryan (Appointed 25 November 2022)
Ms Ayten Saridas (Appointed 25 November 2022)
Mr Nicholas Johansen (Appointed 9 January 2023)
Mr Jeff Beatty (Appointed 9 January 2023)

Former Directors

Mr Tony Lalor (Resigned 3 March 2023)
Mr David Conry AM (Resigned 16 January 2023)
Mr Craig McPherson (Resigned 25 November 2022)

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to \$8,224,361 (31 December 2021: \$6,382,970). The Company had no debt and available cash of \$19.4 million at 31 December 2022.

Highlights for the six months ending 31 December 2022

- There were no recordable injuries or incidents during the six month period to 31 December 2022.
- The Company is on track to recommence mining operations at the Dartbrook Mine in H2 2023 with de-watering of the 4km Hunter Tunnel nearing completion and the procurement of long lead items and critical spares well underway.
- Discussions continued with third parties to provide debt funding for the restart capital with a number of potential providers subsequently commencing due diligence.
- The Joint Venture parties have progressed negotiations to formalise the joint operations of the Dartbrook Mine, and the JV agreements are expected to be completed during the March quarter of 2023.
- The Company completed its fully underwritten pro-rata renounceable entitlement offer in October 2022, which raised \$100 million, and used the funds to repay outstanding debts of \$70.5 million and meet working capital requirements.

Safety and Health

The Health and Safety of all our personnel is a core value and it is our highest priority to ensure the health and well-being of all personnel who work with us at the Dartbrook Mine or our office environments. A detailed Safety & Health Management System (SHMS) has been developed and is being implemented with the current site team and contractors. Risk assessments have been conducted on site activities and an Emergency Management Plan along with the required Principal Hazard Management Plans have been revised and updated in line with the increased Care and Maintenance (re-commissioning) activities. There were no recordable injuries or incidents during the half year to 31 December 2022.

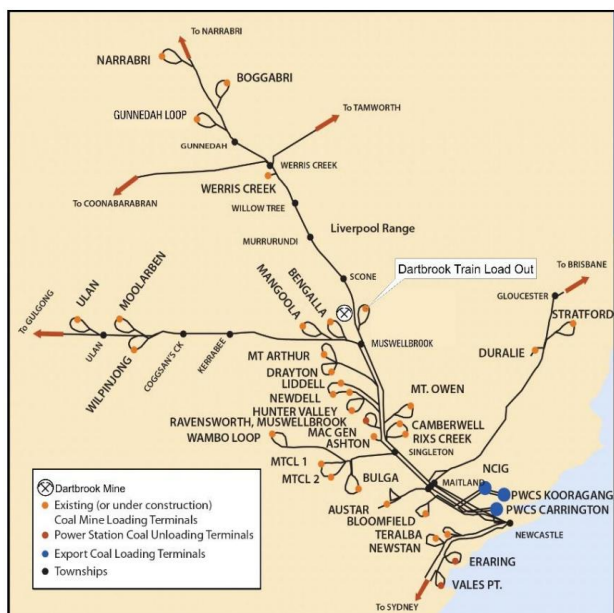
Dartbrook Mine Restart

During the half year, the Joint Venture parties and technical consultants have been on site and have made significant progress in the recommissioning of the Dartbrook Mine and Coal Handling Processing Plant (CHPP). The mine remains on track to recommence production in H2 2023 subject to funding and necessary approvals.

The key activity undertaken during the half for the restart is the dewatering of the Hunter Tunnel. The Hunter Tunnel connects the mine with the CHPP and is approximately 4 km in length. The tunnel had approximately 57 megalitres of water

**Australian Pacific Coal Limited
Directors' report
31 December 2022**

of which approximately 45 megalitres had been removed to date. The dewatering of the main access Hunter Tunnel and re-establishment of the ventilation circuit will facilitate remediation activities which will allow resupporting of the roof and ribs. A team of specialist contractors has been engaged to complete the re-support work and ventilation has been introduced to enable this work to be conducted safely. The commencement location of mining is approximately 4.6 km from the Train Load Out and will be by the conventional mining methods in the Kayuga coal seam.



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

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

Community consultation has been conducted with the Dartbrook Community Consultation Committee and through both the Upper Hunter and Muswellbrook Shire Councils. Voluntary Planning Agreements (VPA) which are a requirement to have in place prior to mining as part of the Consent Conditions have been negotiated and agreed to by all parties. The VPA with the Upper Hunter Council has been completed and the VPA with the Muswellbrook Shire Council is expected to be completed this month.

Corporate

In early October 2022, the Company completed its fully underwritten pro rata renounceable Entitlement Offer to raise \$100 million (Entitlement Offer) and the Company subsequently issued 294,326,143 new fully paid ordinary shares. Applications for 122,789,518 new shares were subscribed by the Company's major shareholder (Trepang Services Pty Ltd, Trepang) and its associates, by way of set-off against part of the agreed \$70.5 million debt owed to those parties. The remainder of the debt owing by the Company has now been paid out from the proceeds of the Entitlement Offer, leaving the Company debt-free.

During the period, the Company also advanced discussions with a number of third parties to provide debt funding for the restart capital. The restart capital is estimated to cost between A\$100 – A\$120 million. A number of potential funding parties are currently conducting due diligence or have presented offers.

Dartbrook Operating Joint Venture

Completion of the Entitlement Offer provided the Company the opportunity to advance negotiations with Trepang, Tetra Resources and M Resources in relation to an Operating Joint Venture to enable recommissioning of Dartbrook Mine as a coal producing mine (Strategic Partnership). The material terms of the Strategic Partnership were set out in the announcement of 27 September 2022.



Discussions with Trepang for an agreement to extend the existing access and compensation agreement, various easement arrangements and term transfer of water rights on mutually agreeable commercial terms, which is intended to allow underground mining operations to continue at Dartbrook for the duration of any mine life extension approvals, made substantial progress.

The Company remains on track to recommence mining operations at the Dartbrook Mine in H2 2023 subject to completion of Joint Venture and related agreements; securing restart capital; all necessary approvals are obtained; and production re-starts within the agreed timeframe.

During the half year, the Company announced a number of Board changes. Mr Mike Ryan and Ms Ayten Saridas were appointed Non-Executive Directors in November 2022 and Mr Craig McPherson resigned as a Non-Executive Director of the Company. Mr Jeff Beatty and Mr Nick Johansen were appointed Shareholder Nominee Directors by Trepang.

MATTERS SUBSEQUENT TO THE END OF THE HALF YEAR

Subsequent to the end of the half year, the Company continued to refresh its Board and management. The CEO and Executive Chairman, Mr David Conry resigned in January 2023 and Ms Ayten Saridas was appointed as Interim CEO and will continue in her role as a Director on the Board. Mr Mike Ryan has stepped into the role of Interim Chairman. External searches have commenced for each role. Mr Tony Lalor resigned as a Director of the Company effective 3 March 2023.

Other than as outlined, since the end of the reporting period and to the date of this report no matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity 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

A handwritten signature in black ink, appearing to read 'Mike Ryan', is written over a horizontal line.

Mike Ryan
Chairman

16 March 2023
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
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I In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Australian Pacific Coal Limited. As the lead audit partner for the review of the financial report of Australian Pacific Coal Limited for the half-year ended 31 December 2022, 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)
Level 40, 2 Park Street
Sydney NSW 2000



STEWART THOMPSON
Partner
Date: 16 March 2023

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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 1, 371 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 16 March 2023. 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 2022

	Note	Consolidated 31 Dec 2022 \$	31 Dec 2021 \$
Revenue	3	8,058	127,230
Expenses			
Employee benefits expense		(655,697)	(693,234)
Depreciation and amortisation expense		(513,041)	(505,953)
Exploration and evaluation expense		(124,305)	(32,061)
Share based payments		-	(413,750)
Administration and consulting expenses		(1,396,188)	(823,199)
Finance costs		(5,543,188)	(4,042,003)
		<hr/>	<hr/>
Loss before income tax expense	4	(8,224,361)	(6,382,970)
		<hr/>	<hr/>
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
		<hr/>	<hr/>
Total comprehensive income for the half-year		(8,224,361)	(6,382,970)
		<hr/>	<hr/>
		Cents	Cents
Earnings per share for profit attributable to the owners of Australian Pacific Coal Limited			
Basic earnings per share		(4.51)	(12.64)
Diluted earnings per share		(4.51)	(12.64)

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 2022

	Note	Consolidated 31 Dec 2022 \$	30 Jun 2022 \$
Assets			
Current assets			
Cash and cash equivalents	5	19,383,169	338,558
Trade and other receivables		181,955	417,930
Loans receivable	6	1,931,606	-
Other		112,056	123,062
Total current assets		<u>21,608,786</u>	<u>879,550</u>
Non-current assets			
Property, plant and equipment	7	3,333,952	3,741,304
Exploration and evaluation		5,835,124	5,720,170
Other	8	8,998,733	8,998,733
Total non-current assets		<u>18,167,809</u>	<u>18,460,207</u>
Total assets		<u>39,776,595</u>	<u>19,339,757</u>
Liabilities			
Current liabilities			
Trade and other payables	9	2,385,610	10,114,564
Borrowings	10	-	57,462,280
Total current liabilities		<u>2,385,610</u>	<u>67,576,844</u>
Non-current liabilities			
Provisions		19,550,000	19,550,000
Total non-current liabilities		<u>19,550,000</u>	<u>19,550,000</u>
Total liabilities		<u>21,935,610</u>	<u>87,126,844</u>
Net assets		<u>17,840,985</u>	<u>(67,787,087)</u>
Equity			
Issued capital	11	154,753,974	60,487,791
Reserves		-	413,750
Retained profits/(Accumulated Losses)		(136,912,989)	(128,688,628)
Total equity		<u>17,840,985</u>	<u>(67,787,087)</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 2022

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	<u>60,487,791</u>	<u>413,750</u>	<u>(123,575,249)</u>	<u>(62,673,708)</u>
Consolidated	Issued capital \$	Reserves	Retained Profits/(loss) \$	Total equity \$
Balance at 1 July 2022	60,487,791	413,750	(128,688,628)	(67,787,087)
Loss after income tax expense for the half-year	-	-	(8,224,361)	(8,224,361)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(8,224,361)	(8,224,361)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	93,852,433	-	-	93,852,433
Contributions of equity, transfers from reserves	413,750	(413,750)	-	-
Balance at 31 December 2022	<u>154,753,974</u>	<u>-</u>	<u>(136,912,989)</u>	<u>17,840,985</u>

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

Australian Pacific Coal Limited
Consolidated Statement of cash flows
For the half-year ended 31 December 2022

	Note	Consolidated	Consolidated
		31 Dec 2022	31 Dec 2021
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		-	53,446
Payments to suppliers and employees (inclusive of GST)		<u>(2,163,631)</u>	<u>(2,841,460)</u>
		(2,163,631)	(2,788,014)
Interest received		<u>8,058</u>	<u>-</u>
Net cash used in operating activities		<u>(2,155,573)</u>	<u>(2,788,014)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(105,689)	(7,090)
Loan advances		(1,931,606)	-
Payments for exploration and evaluation		<u>(114,954)</u>	<u>(91,447)</u>
Net cash used in investing activities		<u>(2,152,249)</u>	<u>(98,537)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	2,891,236
Contributions of equity, net of transaction costs		93,852,433	-
Repayment of borrowings and lease liability		<u>(70,500,000)</u>	<u>(205,797)</u>
Net cash used in financing activities		<u>23,352,433</u>	<u>2,685,439</u>
Net increase/(decrease) in cash and cash equivalents		19,044,611	(201,112)
Cash and cash equivalents at the beginning of the financial half-year		<u>363,558</u>	<u>537,136</u>
Cash and cash equivalents at the end of the financial half-year	5	<u>19,408,169</u>	<u>336,024</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 2022 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 2022 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 2022.

Going Concern

The company has incurred a net loss of \$8,224,361 and a deficiency in operating cash flows of \$2,155,573 for the half year ended 31 December 2022. The Company's current assets exceeded current liabilities by \$19,223,176 and it had net assets of \$17,840,985 as at 31 December 2022.

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..

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.

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 2022	31 December 2021	31 December 2022	31 December 2021
	\$	\$	\$	\$
Exploration & Evaluation	1,334,894	1,187,592	20,343,569	19,000,595
Corporate	6,889,467	5,195,378	19,433,026	366,858
	<u>8,224,361</u>	<u>6,382,970</u>	<u>39,776,595</u>	<u>19,367,453</u>

Note 3. Revenue

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Other revenue		
Interest	8,058	-
Rent from investment properties	-	122,318
Other revenue	-	4,912
	<u>8,058</u>	<u>127,230</u>
Revenue	<u>8,058</u>	<u>127,230</u>

Australian Pacific Coal Limited
Notes to the financial statements
31 December 2022

Note 4. Expenses

Consolidated
31 Dec 2022 31 Dec 2021
\$ \$

Loss before income tax includes the following specific expenses:

Finance costs

Interest and finance charges paid/payable	5,543,188	4,042,003
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Superannuation expense

Defined contribution superannuation expense	35,481	33,903
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Note 5. Cash and cash equivalents

Consolidated
31 Dec 2022 30 Jun 2022
\$ \$

Cash at bank and on hand	19,383,169	338,558
	19,383,169	338,558

Current:

Cash at bank and on hand

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

	Note	31 Dec 2022	30 Jun 2022
Balance as per above		19,383,169	338,558
Deposit as security for equipment facility	8	25,000	25,000
Balance as per statement of cash flows		19,408,169	363,558

Note 6. Loans receivable

Consolidated
31 Dec 2022 30 Jun 2022
\$ \$

Advances for Dartbrook Coal Project	1,931,606	-
	1,931,606	-

During the half year the consolidated entity provided early restart funding to advance development of the Dartbrook Coal Project. The consolidated entity anticipates these funds will be repaid from upon receipt of development funding to advance the Dartbrook Coal Project.

Australian Pacific Coal Limited
Notes to the financial statements
31 December 2022

Note 7. Property, plant and equipment

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Land and buildings – at cost	850,786	850,786
Less: Accumulated depreciation	<u>(136,267)</u>	<u>(133,335)</u>
	<u>714,519</u>	<u>717,451</u>
Leasehold improvements – at cost	180,217	180,217
Less: Accumulated depreciation	<u>(171,711)</u>	<u>(171,594)</u>
	<u>8,506</u>	<u>8,623</u>
Plant and equipment – at cost	8,368,830	8,263,141
Less: Accumulated depreciation	<u>(5,757,903)</u>	<u>(5,247,911)</u>
	<u>2,610,927</u>	<u>3,015,230</u>
	<u><u>3,333,952</u></u>	<u><u>3,741,304</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 2022	30 Jun 2022
	\$	\$
Security deposits	8,973,733	8,973,733
Cash on deposit for bank facilities	<u>25,000</u>	<u>25,000</u>
	<u><u>8,998,733</u></u>	<u><u>8,998,733</u></u>

Note 9. Current liabilities – trade and other payables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Trade and other payables	2,385,610	2,781,970
Accrued interest - loans	<u>-</u>	<u>7,332,594</u>
	<u><u>2,385,610</u></u>	<u><u>10,114,564</u></u>

Refer to Note 10 for further information on financial instruments.

Note 10. Current liabilities – borrowings

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Convertible securities (a)	-	48,152,603
Interest bearing liabilities (b)	-	7,700,000
Unsecured Loan – Trepang Services Pty Ltd (c)	-	1,609,677
	<u>-</u>	<u>57,462,280</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 prior period and with the remaining fully repaid including accrued interest in the current period (Balance owing at 30 June 2022: \$20,897,182).
- ii. Total accrued interest relating to convertible securities was repaid in full during the period (Balance owing at 30 June 2022: \$27,255,421).

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. On 28 April 2020 the consolidated entity announced that it had received notice from Anglo that it had assigned to Trepang Services Pty Ltd all of its rights, title and interest in the loan. The consolidated entity repaid the full amount outstanding including accrued interest in the current period.

c) During the prior financial year, Trepang Services Pty Ltd contributed loan funds of \$1,609,677 to the Company by way of an unsecured loan. The balance outstanding including accrued interest was fully repaid in the current period.

Note 11. Equity - issued capital

	Consolidated			
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>347,310,953</u>	<u>50,484,810</u>	<u>154,753,974</u>	<u>60,487,791</u>

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2022	<u>50,484,810</u>	<u>60,487,791</u>
Conversion of performance shares	23 September 2022	2,500,000	413,750
Share issue – underwritten rights issue	10 October 2022	294,326,143	100,070,889
Share issue costs			(6,218,456)
Balance	31 December 2022	<u>347,310,953</u>	<u>154,753,974</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 Trepong (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. Contingent asset

On 27 September 2022, the consolidated entity announced that it had agreed and signed a terms sheet for a deal to re-commission the Dartbrook Coal Project alongside Trepang Services Pty Ltd; M Resources Pty Ltd and Tetra Resources Pty Ltd (Joint Venture).

Under the Joint Venture, each of M Resources and Tetra Resources will earn a 20% direct joint venture interest in Dartbrook. In addition, Trepang, if it agrees to extend the existing AQC access and compensation agreement, various easement arrangements and term transfer of water rights on mutually agreeable commercial terms to allow underground mining operations to continue at Dartbrook for the duration of mine life extension approvals, will earn a 10% free-carried interest, subject to AQC obtaining any required shareholder approvals. AQC will retain a 50% direct joint venture interest in Dartbrook

Amongst other matters contemplated, the agreement provides for the consolidated entity to be reimbursed certain costs from the Joint Venture out of future development funding obtained from the date of signing of the term sheet.

The reimbursement is contingent on formal formation of the Joint Venture and receipt of future development funding.

At reporting date the consolidated entity has determined that the quantum of costs to be potentially reimbursed up to 31 December 2022 is \$749,132.

Note 15. Events after the reporting period

Subsequent to the end of the half year, the Company continued to refresh its Board and management. The CEO and Executive Chairman, Mr David Conry resigned in January 2023 and Ms Ayten Saridas was appointed as Interim CEO and will continue in her role as a Director on the Board. Mr Mike Ryan has stepped into the role of Interim Chairman. External searches have commenced for each role. Mr Tony Lalor resigned as a Director of the Company effective 3 March 2023.

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

Australian Pacific Coal Limited
Directors' declaration
31 December 2022

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 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Mike Ryan', is written over a horizontal line.

Mike Ryan
Director

16 March 2023
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 2570
F: (612) 9263 2900

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 2022, 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 2022 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.

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 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*.

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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)
Level 40, 2 Park Street
Sydney NSW 2000



STEWART THOMPSON
Partner
Dated: 16 March 2023