

ASX RELEASE (ASX: AQC)

Quarterly Activities Report for the period ended 30 September 2022

Corporate

Dartbrook Coal Project

As previously reported in prior quarters, the Company received from Trepang Services Pty Ltd (Trepang), a binding offer for Trepang or its nominee to purchase the Dartbrook coal mine 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 had been made by Trepang on the basis that all debt and accrued interest owed by the Company to Trepang and its associates would be novated to the Subsidiaries such that at completion of the transaction the Company would be released from all liabilities with respect to debts owed to Trepang and its associates.

In addition, the Offer provided that the Company would 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 was extracted and sold at above US\$200 per tonne.

As part of its consideration, the Board sought independent assessment of the Offer and subsequently called a general meeting of shareholders to consider the Offer (EGM) which was to be held during the quarter.

During the quarter, the Company received an alternate proposal for consideration. After receipt of that proposal, the Board deferred the EGM to consider the Trepang proposal to allow sufficient time to ensure shareholders were fully informed. Prior to a new EGM date being announced several new proposals were received and in consultation with our financiers and advisers were considered.

In conjunction with considering the proposals received, the Board felt that it was wise to consider a fallback position that gave the Company options in the event shareholders did not approve the proposed Dartbrook sale to Trepang at the rescheduled EGM and subsequently announced plans for a \$100m capital raise through a rights issue.

Subsequently, Trepang elected to terminate the agreement to purchase the Dartbrook coal mine and the Company continued with the \$100m capital raise to provide greater financial certainty to the Company given the level of debt which remained on call to Trepang.

The Board were pleased to advise recently that a binding agreement had been entered into with Trepang, Tetra and M Resources in relation to a joint venture to see Dartbrook re-commissioned as a coal producing mine (Strategic Partnership). The parties have agreed to negotiate reasonably, to restate, reflect and expand on the key terms of the Strategic Partnership as soon as possible. The material terms of the Strategic Partnership are set out in the announcement of 27 September 2022.

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

Assuming binding agreements are entered into with Trepang, the joint venture raises the funds required to re-start production, all necessary approvals are obtained and production re-starts within the agreed timeframe (see further terms disclosed in AQC's 27 September 2022 market announcement), the overall joint venture equity ownership interest will be:

- AQC: 50%;
- M Resources: 20%;
- Tetra Resources: 20%; and
- Trepang: 10% (free-carried).

Additional material terms regarding the proposed agreement with Trepang for extended access and water rights are set out in the 30 September 2022 announcement.

As part of the agreement, AQC and Trepang, Nicholas Paspaley, John Robinson Snr agreed that the total amount owing pursuant to the loan arrangements in place is \$70,500,000.

Subsequent to the end of the quarter, the company announced that its fully underwritten pro rata renounceable entitlement offer to raise \$100 million (Entitlement Offer) completed and the Company has subsequently issued 294,326,143 new fully paid ordinary shares. Applications for 122,789,518 new shares were subscribed by 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 has been paid out from the proceeds of the Entitlement Offer, leaving the Company debt-free.

Given the current buoyant coal market conditions against a backdrop of global economic uncertainty we believe this creates an exciting period ahead for the Company with the Dartbrook mine moving towards a return to production.

The Company and its Board will now focus on ensuring this joint venture is implemented with the appropriate approvals and governance.

Other Corporate

At quarter end the Company held \$0.65 million in cash reserves. Funds during the quarter were primarily used in relation to the care & maintenance holding costs (\$0.56 million), staff costs (\$0.35 million) and corporate administration and transaction costs (\$0.33 million). The Company was also reimbursed \$1.53m of these costs from Trepang.

The Company's accompanying Appendix 5B (Quarterly Cashflow Report) includes an amount in item 6.1 of \$189k which constitutes executive (\$127k) and non-executive (\$22k) directors' fees and corporate administration services (\$40k) to a company associated with a director during the quarter.

This announcement has been authorised for release by the Board.

All enquiries:

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

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

Name	Number	Status	Interest Held
Dartbrook Project, Hunter Valley NSW			
AUTH 256	AUTH 256	Renewal Pending *	100%
EL 4574	EL 4574	Renewal Pending *	100%
EL 4575	EL 4575	Renewal Pending *	100%
EL 5525	EL 5525	Renewal Pending *	100%
CL 386	CL 386	Granted	100%
ML 1381	ML 1381	Renewal Pending *	100%
ML 1456	ML 1456	Renewal Pending *	100%
ML 1497	ML 1497	Granted	100%
Matuan Downs Bentonite Project, Alpha			
Mantuan	ML 70360	Granted	100%

* The Company has lodged renewal applications for certain Dartbrook Project Authorities, EL's and ML's as noted above.

Mining tenements acquired during the quarter and their location

Not applicable.

Mining tenements disposed of during the quarter and their location

EPC 1867, Mount Hess West was surrendered during the quarter.

Beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter

The Company's 100% owned subsidiary Mining Investments One Pty Ltd holds a 10% interest in each of the following Blackwood Resources Pty Ltd JV tenements.

Name	Number	Status	Interest Held
Blackwood Joint Venture, Miles QLD			
Bungaban Creek	EPC 1955	Granted	10%
Quondong	EPC 1987	Granted	10%

Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter

Not applicable.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

AUSTRALIAN PACIFIC COAL LIMITED

ABN

49 089 206 986

Quarter ended ("current quarter")

30 SEPTEMBER 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(72)	(72)
(c) production	-	-
(d) staff costs	(351)	(351)
(e) administration and corporate costs	(157)	(157)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (mine care and maintenance)	(491)	(491)
1.8 Other (GST payments)	(40)	(40)
1.8 Other (Cost reimbursements)	1,576	1,576
1.8 Other (Transaction costs)	(169)	(169)
1.9 Net cash from / (used in) operating activities	296	296

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	355	355
4.2	Net cash from / (used in) operating activities (item 1.9 above)	296	296
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	651	651

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	626	330
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (funds held in escrow)	25	25
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	651	355

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1	189
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	25	12
7.3 Other (please specify)	30,380	30,380
7.4 Total financing facilities	30,405	30,392

7.5 **Unused financing facilities available at quarter end** Nil

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

- 7.1 Not applicable.
 7.2 NAB Business Visa. Interest 15.50%. Unsecured
 7.3 Mr N Paspaley Convertible Loan Deed. Interest 10.0%. Secured. \$10,448,591 fully drawn
 7.3 Mr J Robinson Convertible Loan Deed. Interest 10.0%. Secured. \$10,448,591 fully drawn
 7.3 Trepang Services Pty Ltd Unsecured Loan. Interest 10.0%. \$1,783,015
 7.3 Trepang Services Pty Ltd Vendor Secured Loan. Interest 10.0%. \$7,700,000 fully drawn

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	296
8.2 Payments for exploration & evaluation classified as investing activities (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	296
8.4 Cash and cash equivalents at quarter end (Item 4.6)	651
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	651
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	N/A

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 14 October 2022

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.