Australian Pacific Coal Limited

ABN 49 089 206 986

Interim Financial Report
For the half-year ended 31 December 2015

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'AQC') 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 2015.

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:

Peter Ziegler
Paul Byrne
John Robinson (appointed 30 October 2015)
Nathan Tinkler (appointed 30 October 2015 resigned 9 February 2016)
Paul Ingram (resigned on 30 October 2015)
Paul Ryan (resigned on 30 October 2015)

Review of operations
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $2,064,401 (31 December 2014: $1,095,248).

As at 31 December 2015, the consolidated entity had net assets of $15,125,022 (30 June 2015 $1,129,526)

During the half year the company entered into a binding agreement to acquire an 83.33% interest in the Dartbrook Joint Venture ("Dartbrook" or "the Project") through the purchase of all of the shares on issue in Anglo Coal (Dartbrook) Pty Ltd, a subsidiary of Anglo American Plc ("the Acquisition").

The consideration for the Acquisition includes:
- a A$25 million cash payment; and
- a royalty over AQC's share of coal from the Dartbrook joint venture 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, but capped at A$25 million (and subject to escalation in accordance with CPI).

In addition, AQC will be replacing approximately A$7.7 million in financial assurances in respect of the Dartbrook mining tenements.

Completion of the Acquisition is subject to certain conditions precedent, including:
- AQC securing sufficient funding for the Acquisition and having those funds in cash by 31 January 2016. Further details on AQC's proposed funding arrangements are set out below. AQC agreed to pay a break fee of $1 million if it was unable to satisfy this condition. At the date of this Report, this condition precedent has been met;
- the remaining participant in the Dartbrook coal mine joint venture, Marubeni Coal Pty Ltd ("Marubeni"), not exercising its pre-emptive rights under the Dartbrook coal mine joint venture agreement;
- Marubeni releasing Anglo American from any further liability in respect of the Dartbrook coal mine joint venture;
- receipt of standard regulatory consents relating to tenement change of control conditions;
- AQC providing reasonable evidence to Anglo American of AQC's ability to replace the financial assurances of approximately A$7.7 million referred to above. AQC has agreed to pay a break fee of $0.5 million if it is unable to satisfy this condition (subject to all other conditions having been satisfied); and
- AQC obtaining Foreign Investment Review Board approval for the Acquisition, if applicable. At the date of this Report, this condition precedent has been met.

Subject to satisfaction of the outstanding conditions precedent, the Board expects the Acquisition to be completed by mid-2016.

In the event that Marubeni exercises it's tag-along right in the Project, AQC will secure 100% of the Dartbrook Project. The consideration payable to Marubeni would be in proportion to and on the same terms as those provided to Anglo American. In addition, AQC would be required to replace an additional approximately $1.5 million in financial assurances.

During the half-year the company has also focused on the review of its existing exploration tenements and potential future drilling programs to assess the likelihood of further development of the assets or their potential sale.

Significant changes in the state of affairs
The following significant changes in the state of affairs of the consolidated entity occurred during the half-year:

Changes in capital structure - Non-renounceable rights issue:
During the half-year the company undertook a non-renounceable rights issue to eligible shareholders, on the basis of 1 new fully paid ordinary share for every 1 share held at an issue price of $0.004 per share (Rights Issue or Offer). The Rights Issue closed on 19 October 2015.

The company issued a total of 263,443,395 fully paid ordinary shares under the rights issue raising gross proceeds of $1,053,773.58. This issue was in respect of entitlements, applications for additional by eligible shareholders and the placement of shortfall shares.

Changes in capital structure - Cornerstone investors Bentley Resources Pte Ltd and Trepang Services Pty Ltd:
On 30 October 2015 Australian Pacific Coal Limited, following Shareholder approval at the company's Extraordinary General Meeting, completed each of the Share Subscription Agreements between the company and two cornerstone investors, Bentley Resources Pte Ltd and Trepang Services Pty Ltd.

The company issued and allotted 1,650,000,000 fully paid ordinary shares at an issue price of $0.004 per share (Subscription Shares) to each of Bentley (and its nominees) and Trepang to raise a total of $13,200,000 pursuant to the Share Subscription Agreements and Converting Loan Deeds entered into with each party.

Changes in capital structure - Settlement of outstanding liabilities to directors:
Resolutions put to the company shareholders at the Extraordinary General Meeting of the company held on 30 October 2015 also contemplated the issue of shares to directors of the company for deferred fees and expenses and outstanding director fees. Following approval of these resolutions by shareholders, the company issued and allotted the following:
- 125,460,000 ordinary shares to Peter Ziegler in lieu of deferred fees and expenses;
- 122,490,000 ordinary shares to Paul Byrne in lieu of deferred fees and expenses, (collectively the Deferred Fees Shares); and
- 45,375,000 ordinary shares to Peter Ziegler in lieu of outstanding director fees;
- 27,225,000 ordinary shares to Paul Byrne in lieu of outstanding director fees;
- 24,750,000 ordinary shares to Paul Ingram in lieu of outstanding director fees; and
- 24,750,000 ordinary shares to Paul Ryan in lieu of outstanding director fees.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

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 on the following page.

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

Peter Ziegler
Chairman

15 March 2016
Brisbane

D. A. Lissauer B.Com., FCPA, Affiliate ICAA
R. P. Lissauer B.Ec., M.Tax, CA, FTIA
M. R. Lipson B.Bus., B.Ed., AI.Arb.A, CA

Lead Auditor's Independence Declaration
To the Directors of Australian Pacific Coal Limited

In accordance with Section 307C of the Corporations Act 2001 I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Pacific Coal Limited for the half-year ended 31 December 2015 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Sothertons LLP
Chartered Accountants
Level 6, 468 St Kilda Rd
MELBOURNE VIC 3004

Partner: David Lissauer

Dated at Brisbane, this fifteenth day of March 2016

PrimeGlobal | An Association of Independent Accounting Firms

Level 6 468 St Kilda Rd Melbourne Vic 3004 Australia
Telephone: (03) 9820 6400 Facsimile: (03) 9820 6499
E-mail: sothertons@sothertonsmelbourne.com.au
Website: www.sothertons.com.au
Sothertons: An association of independent accounting firms throughout Australasia
SOTHERTONS L.L.P. ABN 41 134 806 025
REGISTERED COMPANY AUDITORS
Liability limited by a scheme approved under Professional Standards Legislation

Contents

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 7
10 Felix Street
Brisbane QLD 4000

Principal place of business

Level 7
10 Felix 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 15 March 2016.

Australian Pacific Coal Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Note	Consolidated 31 Dec 2015 $	Consolidated 31 Dec 2014 $
Revenue from continuing operations	3	86,373	4,509
Sale of interest in tenements		-	5,000
Expenses			
Cost of goods sold	4	(1,699)	-
Employee benefits expense		(808,031)	(110,062)
Depreciation and amortisation expense		(9,843)	(18,087)
Impairment of trade and other receivables		109,170	(84,910)
Impairment of exploration and evaluation		-	(2,501)
Impairment of other financial assets		-	(74,000)
Exploration and evaluation expense		(38,768)	(37,064)
Capitalised exploration expensed on sale of tenement		-	(30,700)
Capitalised exploration expensed on surrender of tenement		(21,993)	(179,608)
Administration and consulting expenses		(1,378,259)	(567,825)
Finance costs	4	(1,351)	-
Profit before income tax expense from continuing operations		(2,064,401)	(1,095,248)
Income tax expense		-	-
Profit after income tax expense from continuing operations		(2,064,401)	(1,095,248)
Profit after income tax expense from discontinued operations		-	-
Profit after income tax expense for the half-year		(2,064,401)	(1,095,248)
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		(2,064,401)	(1,095,248)
Profit for the half-year is attributable to:			
Owners of Australian Pacific Coal Limited		(2,064,401)	(1,095,248)
		(2,064,401)	(1,095,248)
Total comprehensive income for the half-year is attributable to:			
Owners of Australian Pacific Coal Limited		(2,064,401)	(1,095,248)
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of Australian Pacific Coal Limited			
Basic earnings per share		(0.13)	(0.54)
Diluted earnings per share		(0.13)	(0.54)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Australian Pacific Coal Limited
Statement of financial position
As at 31 December 2015

	Note	Consolidated 31 Dec 2015 $	Consolidated 30 Jun 2015 $
Assets			
Current assets			
Cash and cash equivalents	5	11,810,351	101,201
Trade and other receivables		268,233	17,389
Other		1,454,541	28,180
Total current assets		13,533,125	146,770
Non-current assets			
Cash and cash equivalents	5	255,000	-
Receivables		121,300	70,773
Property, plant and equipment		336,279	137,169
Exploration and evaluation		2,441,097	2,440,667
Other		49,583	67,083
Total non-current assets		3,203,259	2,715,692
Total assets		16,736,384	2,862,462
Liabilities			
Current liabilities			
Trade and other payables		1,420,233	1,672,936
Borrowings	6	64,355	60,000
Total current liabilities		1,484,588	1,732,936
Non-current liabilities			
Borrowings	7	126,774	-
Total non-current liabilities		126,774	-
Total liabilities		1,611,362	1,732,936
Net assets		15,125,022	1,129,526
Equity			
Issued capital	8	53,262,741	37,695,544
Reserves		492,700	-
Retained profits		(38,630,419)	(36,566,018)
Total equity		15,125,022	1,129,526

The above statement of financial position should be read in conjunction with the accompanying notes

Australian Pacific Coal Limited
Statement of changes in equity
For the half-year ended 31 December 2015

Consolidated	Issued capital $	Reserves $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2014	36,957,568	-	(34,643,456)	-	2,314,112
Profit after income tax expense for the half-year	-	-	(1,095,248)	-	(1,095,248)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,095,248)	-	(1,095,248)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	503,779	-	-	-	503,779
Balance at 31 December 2014	37,461,347	-	(35,738,704)	-	1,722,643

Consolidated	Issued capital $	Reserves $	Retained Profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2015	37,695,544	-	(36,566,018)	-	1,129,526
Profit after income tax expense for the half-year	-	-	(2,064,401)	-	(2,064,401)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,064,401)	-	(2,064,401)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	15,567,197	-	-	-	15,567,197
Share-based payments (Note 13)	-	492,700	-	-	492,700
Balance at 31 December 2015	53,262,741	492,700	(38,630,419)	-	15,125,022

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

Australian Pacific Coal Limited
Statement of cash flows
For the half-year ended 31 December 2015

	Note	Consolidated 31 Dec 2015 $	Consolidated 31 Dec 2014 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,250	-
Payments to suppliers and employees (inclusive of GST)		(1,595,793)	(498,408)
		(1,591,543)	(498,408)
Interest received		82,509	4,509
Interest and other finance costs paid		(1,351)	-
Net cash from operating activities		(1,510,385)	(493,899)
Cash flows from investing activities			
Payments for business combination		(500,000)	-
Payments for property, plant and equipment		(208,953)	(6,761)
Payments for exploration and evaluation		(22,423)	(197,376)
Proceeds from sale of exploration tenements		-	5,000
Proceeds from release of security deposits		17,500	-
Net cash used in investing activities		(713,876)	(199,137)
Cash flows from financing activities			
Proceeds from issue of shares		14,440,059	498,390
Proceeds from borrowings		202,405	125,000
Repayment of borrowings		(11,276)	-
Share issue transaction costs		(442,777)	(44,611)
Net cash used in financing activities		14,188,411	578,779
Net increase/(decrease) in cash and cash equivalents		11,964,150	(114,257)
Cash and cash equivalents at the beginning of the financial half-year		101,201	451,226
Cash and cash equivalents at the end of the financial half-year		12,065,351	336,969

The above 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 2015 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 2015 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.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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 2015.

Going Concern

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.
- Development and exploitation of the coal tenements.
- Realisation of surplus assets.

Should the anticipated capital raisings 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 going concerns.

Note 2. Operating segments

Identification of reportable operating segments
The consolidated entity is currently organised into two operating segments based on resource category: exploration and evaluation, and bentonite mining. 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 prospective resource areas, secure tenure over the relevant tenements and manage the exploration and evaluation process.
Bentonite mining	The bentonite mining segment mines bentonite for sale.

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.

Note 2. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2015	Exploration and evaluation $	Bentonite mining $	Unallocated $	Total $
Revenue				
Sales to external customers	-	3,864	-	3,864
Interest revenue	-	-	82,509	82,509
Total sales revenue	-	3,864	82,509	86,373
Other revenue	-	-	-	-
Total revenue	-	3,864	82,509	86,373
Segment net profit from continuing operations before tax	(37,244)	(30,247)	(1,996,910)	(2,064,401)
Net profit from continuing operations before tax				(2,064,401)
Amounts included in segment result and reviewed by the board:				
- depreciation and amortisation	-	(5,599)	(4,244)	(9,843)
- impairment of loans receivable			109,170	109,170
- exploration and evaluation	(12,447)	(26,321)	-	(38,768)
- capitalised exploration expensed on surrender of tenement	(21,993)	-	-	(21,993)
Assets				
Segment assets				
Included in segment assets are:				
Cash and cash equivalents	-	-	12,065,351	12,065,351
Property, plant and equipment	-	125,234	211,045	336,279
Capitalised exploration and evaluation	2,441,097	-	-	2,441,097
Other assets	48,674	18,259	1,826,724	1,893,657
Total assets				16,736,384
Total assets includes:				
Investments in associates				
Acquisition of non-current assets	-	-	-	-
Liabilities				
Segment liabilites	2,302	3,761	1,605,299	1,611,362
Total liabilites				1,611,362

Note 2. Operating segments (continued)

Consolidated - 31 Dec 2014	Exploration and evaluation $	Bentonite mining $	unallocated $	Total $
Revenue				
Sales to external customers	5,000	-	-	5,000
Interest revenue	-	-	4,509	4,509
Total sales revenue	5,000	-	4,509	9,509
Other revenue	-	-	-	-
Total revenue	5,000	-	4,509	9,509
Segment net profit from continuing operations before tax	(296,514)	(38,285)	(760,449)	(1,095,248)
Net profit from continuing operations before tax				(1,095,248)
Amounts included in segment result and reviewed by the board:				
- depreciation and amortisation	-	(10,335)	(7,752)	(18,087)
- impairment of exploration and evaluation	(553)	(1,948)	-	(2,501)
- impairment of loans receivable	-	-	(84,910)	(84,910)
- impairment of investments	-	-	(74,000)	(74,000)
- exploration and evaluation	(37,064)	-	-	(37,064)
- capitalised exploration expensed on surrender of tenement	(179,608)	-	-	(179,608)

Note 3. Revenue

	Consolidated 31 Dec 2015 $	Consolidated 31 Dec 2014 $
From continuing operations		
Sales revenue		
Sale of bentonite	3,864	-
	3,864	-
Other revenue		
Interest	82,509	4,509
	82,509	-
Revenue from continuing operations	86,373	4,509

Note 4. Expenses

	Consolidated 31 Dec 2015 $	Consolidated 31 Dec 2014 $
Profit before income tax from continuing operations includes the following specific expenses:		
Cost of sales		
Cost of sales	1,699	-
Finance costs		
Interest and finance charges paid/payable	1,351	-
Rental expense relating to operating leases		
Minimum lease payments	63,387	65,960
Superannuation expense		
Defined contribution superannuation expense	13,115	2,356
Share-based payments expense		
Share-based payments expense	492,700	-

Note 5. Cash and cash equivalents

	Consolidated 31 Dec 2015 $	Consolidated 30 Jun 2015 $
Current:		
Cash at bank and on hand	11,810,351	101,201
Non-current:		
Cash on deposit	255,000	-
	12,065,351	101,201

The non-current cash on deposit amount represents restricted term deposit facilities provided as security for finance and bank guarantee facilities that company's bankers have provided to the consolidated entity.

Note 6. Current liabilities - borrowings

	Consolidated 31 Dec 2015 $	Consolidated 30 Jun 2015 $
Bank loans	64,336	-
Convertible security	-	60,000
	64,336	60,000

Refer to note 7 for further information on assets pledged as security and financing arrangements.

Note 7. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2015 $	30 Jun 2015 $
Bank loans	126,774	-
	126,774	-

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

	Consolidated	
	31 Dec 2015 $	30 Jun 2015 $
Bank loans	191,130	-
Convertible security	-	60,000
	191,130	60,000

Assets pledged as security
The bank loans are secured by a restricted short term deposit held by the bank.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	31 Dec 2015 $	30 Jun 2015 $
Total facilities		
Bank loans	205,000	-
	205,000	-
Used at the reporting date		
Bank loans	191,130	-
	191,130	-
Unused at the reporting date		
Bank loans	13,870	-
	13,870	-

Note 8. Equity - issued capital

	Consolidated			
	31 Dec 2015 Shares	30 Jun 2015 Shares	31 Dec 2015 $	30 Jun 2015 $
Ordinary shares - fully paid	4,318,434,264	300,940,869	53,262,741	37,695,544

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2015	300,940,869		37,695,544
Issue of shares for cash	22 July 2015	54,000,000	$0.004	216,000
Issue of shares on conversion of convertible security	3 August 2015	30,000,000	$0.002	60,000
Issue of shares for cash	23 October 2015	206,014,645	$0.004	824,059
Issue of shares for cash	30 October 2015	3,300,000,000	$0.004	13,200,000
Issue of shares for services	30 October 2015	370,050,000	$0.004	1,480,200
Issue of shares for cash	8 December 2015	50,000,000	$0.004	200,000
Issue of shares for services	8 December 2015	7,428,750	$0.004	29,715
Share issue transaction costs, net of tax				(442,777)
Balance	31 December 2015	4,318,434,264		53,262,741

Note 9. Fair value measurement

Fair value is measured or disclosed using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Non-current assets - receivables	121,300	-	-	121,300
Ordinary shares available-for-sale	-	-	-	-
Total assets	121,300	-	-	121,300

Consolidated - 30 Jun 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Non-current assets – receivables	70,773	-	-	70,773
Ordinary shares available for sale	-	-	-	-
Total assets	70,773	-	-	70,773

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Note 9. Fair value measurement (continued)

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3
The directors have determined that the fair values of the existing available-for-sale financial assets carried at cost and at recoverable amount cannot be reliably measured. The directors have made an estimate of the fair value at the end of the reporting period based on the reported financial results of the underlying investment. There is no active market for these investments, and there is no present intention to dispose of these investments.

These available-for-sale financial assets are represented by the company's holding of 1,000,000 ordinary shares in Scott Creek Coal Limited. The shares were acquired on as part settlement for the sale of tenement EPC1548 on 2 April 2013 at an acquisition cost of $100,000.

Note 10. Contingent liabilities

Dartbrook Acquisition
On 24 December 2015, AQC entered into a binding agreement to acquire an 83.33% interest in the Dartbrook Joint Venture ("Dartbrook" or "the Project") through the purchase of all of the shares on issue in Anglo Coal (Dartbrook) Pty Ltd, a subsidiary of Anglo American Plc ("the Acquisition").

The consideration for the Acquisition includes:
- a A$25 million cash payment; and
- a royalty over AQC's share of coal from the Dartbrook joint venture 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, but capped at A$25 million (subject to escalation in accordance with CPI).

In addition, AQC will be replacing approximately A$7.7 million in financial assurances in respect of the Dartbrook mining tenements.

As at the date of this report, completion of the Acquisition is subject to certain conditions precedent, including:
- the remaining participant in the Dartbrook coal mine joint venture, Marubeni Coal Pty Ltd ("Marubeni"), not exercising its pre-emptive rights under the Dartbrook coal mine joint venture agreement;
- Marubeni releasing Anglo American from any further liability in respect of the Dartbrook coal mine joint venture;
- receipt of standard regulatory consents relating to tenement change of control conditions; and
- AQC providing reasonable evidence to Anglo American of AQC's ability to replace the financial assurances of approximately A$7.7 million referred to above. AQC has agreed to pay a break fee of $0.5 million if it is unable to satisfy this condition (subject to all other conditions having been satisfied).

The company has paid a deposit to Anglo of $500,000 and has placed a further $24,500,000 into an escrow account to enable completion of the Acquisition upon the remaining conditions precedent being met.

In the event that Marubeni exercises it's tag-along right in the Project, AQC will secure 100% of the Dartbrook Project. The consideration payable to Marubeni would be in proportion to and on the same terms as those provided to Anglo American. In addition, AQC would be required to replace an additional approximately $1.5 million in financial assurances.

Bank Guarantee
The company's 100% owned subsidiary Felix St Pty Ltd has given a bank guarantee as at 31 December 2015 of $50,000 (30 Jun 2015: $50,000) to its landlord. The bank guarantee expired on 1 August 2015 and was replaced with a bank guarantees totalling $80,442 on 18 January 2016.

Note 11. Commitments

	Consolidated	
	31 Dec 2015	**30 Jun 2015**
	$	**$**
Exploration and evaluation expenditure commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	395,773	347,717
One to five years	1,256,807	1,231,807
More than five years	-	-
	1,652,580	1,579,524
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	229,328	6,168
One to five years	481,083	11,308
More than five years	-	-
	710,411	17,476

Note 12. Events after the reporting period

On 2 February 2016, the company announced that it has raised A$20 million for the purpose of funding the acquisition of an 83.33% interest in the Dartbrook Joint Venture ("Dartbrook"). The $20 million raised, together with a further A$4.5 million of cash reserves from the company, has been placed into escrow pending completion of the Dartbrook acquisition, satisfying the condition precedent requiring funds in escrow by 31 January 2016.

The company has entered into a Convertible Loan Deed with Messrs John Robinson and Nick Paspaley (together, the "Convertible Deeds"), the owners and controllers of existing cornerstone investor, Trepang Services Pty Ltd, with a principal amount of $A10 million each and a coupon of 15% pa. Subject to shareholder approval, the principal and interest is to be converted into ordinary shares in the company at A$0.015 per share in the event of the settlement of AQC's acquisition of the 83.33% interest in Dartbrook.

If the Dartbrook transaction fails to complete due to all of the conditions precedent not being satisfied or waived, the $20 million raised pursuant to the Convertible Loan Deeds will be repaid (with interest) to Messrs John Robinson and Nick Paspaley. If the Dartbrook transaction completes and shareholder approval for the conversion under the conversion under the convertible Loan Deeds is not given, the aforementioned $20 million is repayable to Messrs John Robinson and Nick Paspaley within five business days of the Extraordinary General Meeting to consider the resolution to provide for the issue of Australian Pacific Coal Limited shares on the conversion of this loan.

On 9 February 2016 Mr Nathan Tinkler resigned as Managing Director and Chief Executive Officer of the company. As at the date of signing of this report the company had not appointed a replacement Chief Executive Officer/Managing Director.

On 9 March 2016 Mr John Robinson Jnr, previously a Non-Executive Director of the company, was appointed as an Executive Director of the company. There were no changes to Mr Robinson's remuneration.

Apart from the matters referred to above, no other matter or circumstance has arisen since 31 December 2015 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.

Note 13. Share-based payments

Resolutions put to the company shareholders at the Extraordinary General Meeting of the company held on 30 October 2015 contemplated the issue of shares to directors of the company for deferred fees and expenses and outstanding director fees. Following approval of those resolutions by shareholders the company issued and allotted the shares.

The company has issued fully paid ordinary shares to an unrelated consultant as part payment for consultancy services provided.

Details of share based payments are set out in the following table:

Date of issue	Amount payable for services provided $	Number of shares issued	Issue price (cents per share)
30 October 2015	1,480,200	370,050,000	0.40
8 December 2015	29,715	7,428,750	0.40
Total	**1,509,915**	**377,478,750**	

The amounts payable for services provided measure directly the fair value for the services provided. The total amount payable, net of any applicable GST, have been expensed when incurred and have no further effect on the company's profit or loss for the half-year.

On 3 November 2015, 100,000,000 options were issued to the Chief Financial Officer, Mr Shane Cranswick, of the consolidated entity. The options entitle the holder to the issue of one fully paid ordinary share in the capital of the company upon exercise at an exercise price of 0.8 cents per share. They were issued for nil consideration and were granted as an equity compensation component of the Executive Service Agreement as resolved by the board.

The company uses the Black and Scholes pricing model for pricing equity options to calculate the fair value for accounting purposes of the options at grant date. Market value of the company's shares is calculated as the Volume Weighted Average Price (VWAP) for the 30 days on which the company's shares were traded up to and including the date the options are granted.

For the options granted, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date (VWAP)	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
03/11/2015	31/03/2017	0.97 cents	0.80 cents	100.00%	0.00%	2.00%	0.4927 cents

There are no other unissued ordinary shares of Australian Pacific Coal Limited under option at the date of this report.

Australian Pacific Coal Limited
Directors' declaration
31 December 2015

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 2015 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

Peter Ziegler
Chairman

15 March 2016
Brisbane

D. A. Lissauer B.Com., FCPA, Affiliate ICAA
R. P. Lissauer B.Ec., M.Tax, CA, FTIA
M. R. Lipson B.Bus., B.Ed., Al.Arb.A, CA

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Pacific Coal Limited and controlled entities (the consolidated entity), which comprises the consolidated condensed statement of financial position as at 31 December 2015, the consolidated condensed profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration.

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Australian Pacific Coal Limited's financial position as at 31 December 2015 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*. As the auditor of Australian Pacific Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Level 6 468 St Kilda Rd Melbourne Vic 3004 Australia
Telephone: (03) 9820 6400 Facsimile: (03) 9820 6499
E-mail: sothertons@sothertonsmelbourne.com.au
Website: www.sothertons.com.au

Conclusion

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 is not in accordance with the *Corporations Act 2001,* including:

(a) giving a true and fair view of Australian Pacific Coal Limited's financial position as at 31 December 2015 and of its performance for the half-year ended on that date, and

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

Emphasis of Matter

Without modifying our opinion, we draw attention to the Statement of Profit or Loss and Other Comprehensive Income within the interim financial report, which indicates the company incurred a net loss of $2,064,401 during the half-year ended 31 December 2015. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Sothertons LLP
Chartered Accountants
Level 6, 468 St Kilda Rd
MELBOURNE VIC 3004

Partner: David Lissauer

Dated at Brisbane, this fifteenth day of March 2016